echo

PAK BRUNEI INVESTMENT COMPANY

ANNUAL REPORT 2017

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Environmental changes worldwide are a threat, not just to the health and well being of over 7 billion humans but also to the delicate balance that maintains all forms of life on this unique planet. It is our **ecological obligation** to future generations to turn back the clock on harmful practices. For the planet to continue breathing, we need incisive action that supports and conserves a greener environment. Every action counts, and that means we have to be flexible and transparent in changing our habits and lifestyles.

At Pak Brunei, we believe in being the forerunners and are committed to **echo** this change in all our endeavours, corporate dealings and work ethics.

conservative

Safety of Capital is our foremost priority. This is important considering the constraints faced by investment banks. Slim spreads in a competitive market that is dominated by larger institutions compromise the ability to withstand external shocks.

At Pak Brunei, we realize our risk-reward matrix has to move away from conventional markets. We focus on distressed asset financing, structuring transactions after detailed due diligence and looking at each exposure through the lens of a private equity investor rather than only that of a traditional lender.

Despite operating in this unchartered domain and growing our advances portfolio at a CAGR of 56%, we have managed to increase shareholders' equity at a CAGR of 14% since inception. Meanwhile, NPL ratios remain amongst the lowest in the system.

facts

Despite the fact that the global business community has gone almost entirely digital, research shows that since the year 1980, consumption of paper on a global basis has actually increased by around 50%. The time for a ***paper-less society*** *is now or never. We are destroying our planet at a faster pace than ever before by depleting its natural resources. A conservative outlook in expending resources needs our attention!*

https://www.absolutely-gleaming-services.co.uk/2016/06/11-eye-opening-statistics-office-paper-wastage/

incisive

We have developed a **niche in financing problem assets** and are increasingly seen as the "financier of last resort" for units in or near distress. We maintain active debt and equity trading desks, allowing sell-down of exposures where necessary and interest rate arbitrages to absorb risk.

Risk is meticulously covered. This is reflected in our external ratings and cost of funds. We have comprehensive frameworks for assessing and mitigating both credit and operational risks. Additionally, project monitoring is a senior level function that is run independent of other risk management departments.

facts

Forest ecosystems play a critical role in stabilizing the climate; providing food, water, wood products, vital medicines; and supporting much of the world's biodiversity. ***Deforestation threatens*** *the forest ecosystems as 30 percent of global forest cover has been cleared, while another 20 percent has been degraded. The rest has been fragmented, leaving only about 15 percent intact. The decision to save our forests has to be quick and incisive.*

http://www.wri.org/our-work/topics/forests

transparency

We started operations in August 2007 and maintain active platforms for **Project and Lease Finance, Corporate Finance & Advisory services, SME finance, Private Equity, Trust services, Capital Market Operations, and Fixed Income trading & distribution activities.**

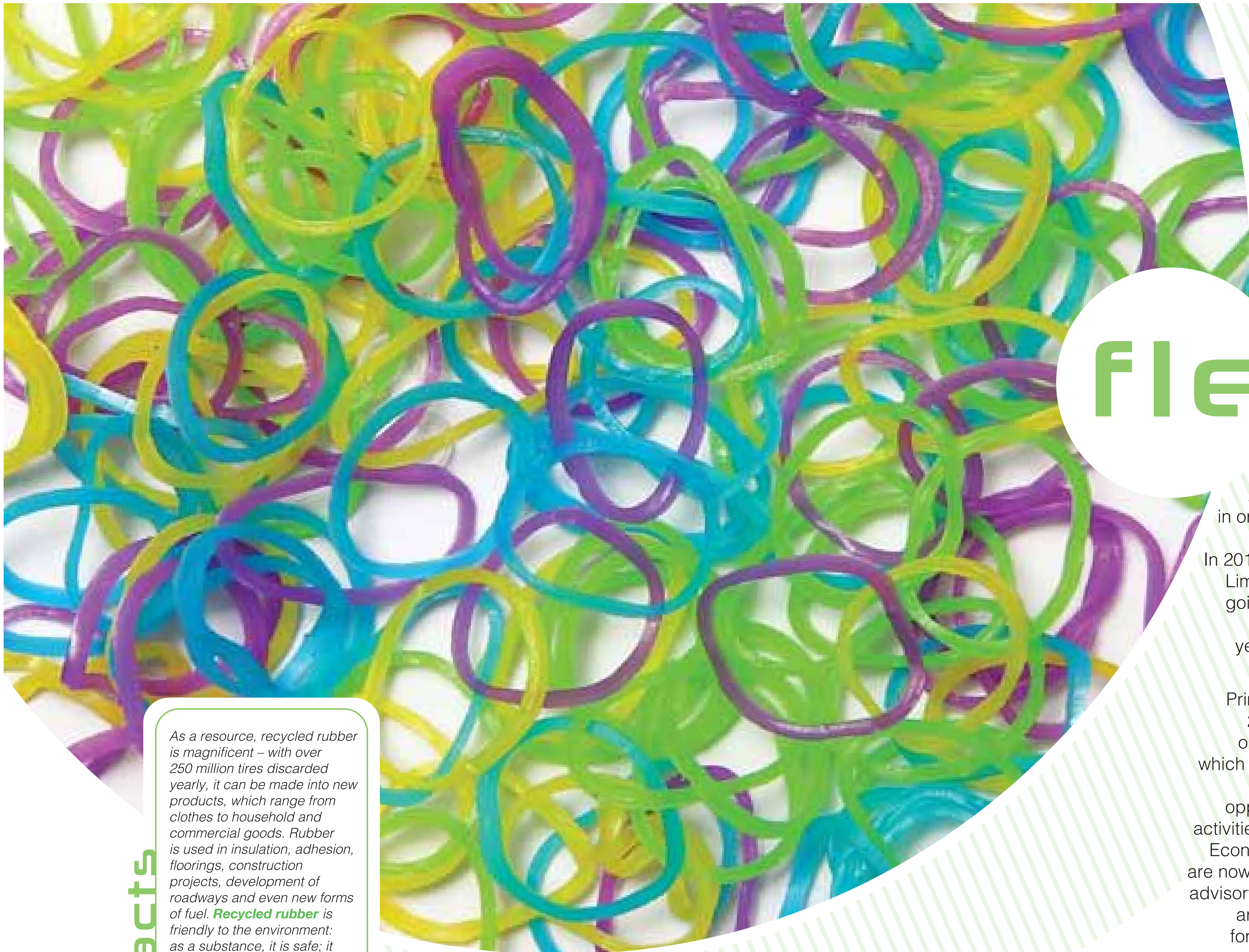
Based on our consistent track record, we have maintained strong positions in terms of profitability, asset build-up/quality, transaction pipeline and human resource base.

Our professional and performance oriented team is our biggest strength.

facts

The world runs on water.
Clean, reliable water supplies are vital for industry, agriculture, and energy production. Every community and ecosystem on Earth depends on water for sanitation, hygiene, and daily survival. Yet the world's water systems face formidable threats. More than a billion people currently live in water-scarce regions, and as many as 3.5 billion could experience water scarcity by 2025. Transparent measures need to be taken immediately.

http://www.wri.org/our-work/topics/water



flexibilty

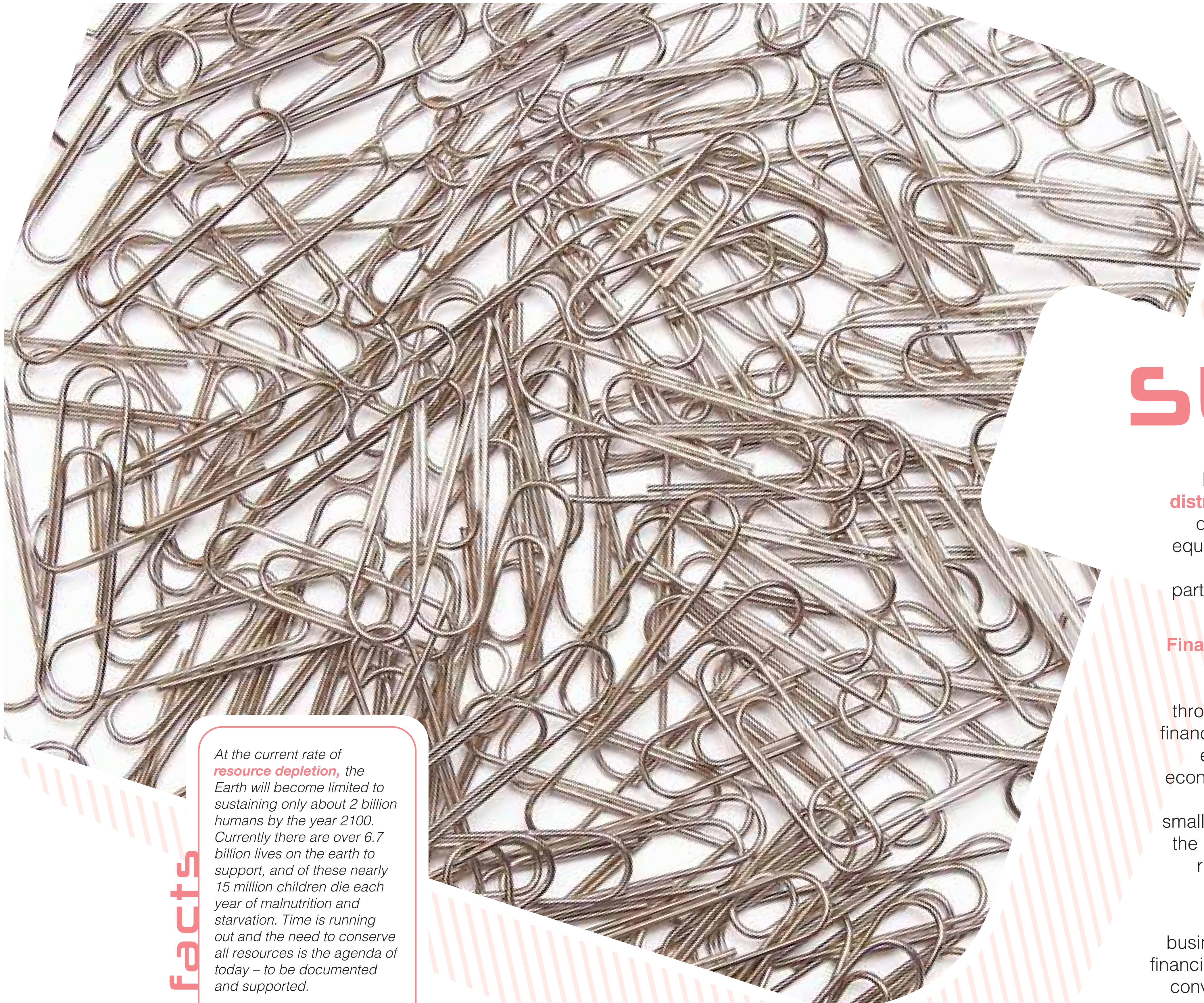
Strategic Initiatives:
An SME Group was set up in 2012 in order to improve credit accessibility to small and medium enterprises. In 2014, Awwal Modaraba Management Limited (AMML) was conceptualized, going on to a successful Initial Public Offering in 2016. In its first full year of operations, ROE has crossed 12%.

Primus Leasing was set up in 2017 to further expand our outreach to the SME sector, which needs access to capital in order to make use of opportunities originating from activities linked to China Pakistan Economic Corridor (CPEC). We are now working on an investment advisory and wealth management arm, another area that lacks formal institutional presence.

facts

As a resource, recycled rubber is magnificent – with over 250 million tires discarded yearly, it can be made into new products, which range from clothes to household and commercial goods. Rubber is used in insulation, adhesion, floorings, construction projects, development of roadways and even new forms of fuel. ***Recycled rubber*** *is friendly to the environment: as a substance, it is safe; it keeps tires out of landfills and makes it a flexible commodity.*

http://www.rubbercal.com/industrial-rubber/facts-about-rubber/



supportive

PBICL plays an active role in rehabilitation of **distressed units** also providing private equity to operationally viable projects. Our debt and/or equity financing is always structured as part of a broader package, often with management participation and always with close watch by the project monitoring team.

Financing Green/Brown-field Projects:
We take exposures in long-term infrastructure and industrial projects through both stand-alone and syndicate financing. Besides yield, selection criteria entails value addition for the broader economy. A clear emphasis has been on financing environment friendly, smaller-sized projects that may not be on the radar of larger institutions since they require greater level of hand holding.

Supporting SMEs:
Tapping small- and medium-sized businesses in the form of loans and lease financing, we have taken exposures in both conventional and unconventional sectors and have established best practices backed by strong systems and understanding of SME market dynamics. A scaling up strategy is being implemented through a specialized leasing vehicle.

facts

*At the current rate of **resource depletion,** the Earth will become limited to sustaining only about 2 billion humans by the year 2100. Currently there are over 6.7 billion lives on the earth to support, and of these nearly 15 million children die each year of malnutrition and starvation. Time is running out and the need to conserve all resources is the agenda of today – to be documented and supported.*

https://www.treehugger.com/clean-technology/20-gut-wrenching-statistics-about-the-destruction-of-the-planet-and-those-living-upon-it/page2.html

breathe

PBICL has sourced a qualified and diverse team from foreign and local banks, DFIs, regulatory agencies, audit firms, rating agencies and brokerage houses. Our small but highly professional team comprises experienced and motivated members including MBAs, Engineers and qualified Chartered Accountants, CFAs, FRMs and CTAs.

Our aim is to be an **employer of choice** for the best resources in each line of business. **We take pride in providing a challenging equal opportunity environment for our employees.**

facts

*More than 1 million people a year die from chronic obstructive respiratory disease (COPD) that develops due to exposure to **indoor** air pollution. Common indoor air pollutants include tobacco smoke; biological pollutants such as pollen from plants, hair from pets, fungi and bacteria; Radon (a natural gas) and Carbon Monoxide produced when fossil fuels do not burn fully. The need to refresh and revitalize the air around us is essential.*

http://eschooltoday.com/pollution/air-pollution/what-is-air-pollution.html

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corporate information

Board of Directors

Mr. Sofian Mohammad Jani	Chairman
Mr. Tariq Mahmood Pasha	Director
Mr. Edzwan Zukri Adanan	Director
Ms. Ayesha Aziz	Managing Director

Audit Committee

Mr. Tariq Mahmood Pasha	Chairman
Mr. Sofian Mohammad Jani	Member
Mr. Edzwan Zukri Adanan	Member

Human Resource Committee

Mr. Edzwan Zukri Adanan	Chairman
Mr. Tariq Mahmood Pasha	Member
Ms. Ayesha Aziz	Member

Credit and Risk Management Committee

Mr. Tariq Mahmood Pasha	Chairman
Mr. Edzwan Zukri Adanan	Member
Ms. Ayesha Aziz	Member

Company Secretary

Ms. Rahaila Aleem

Statutory Auditors

A.F.Ferguson & Co. — Chartered Accountants

Tax Consultant

Deloitte Yousuf Adil — Chartered Accountants
(A member firm of Deloitte Touche Tohmatsu)

Legal Advisor

Liaquat Merchant & Associates — Advocate and Corporate Legal Consultants

Registered Head Office

Horizon Vista, Commercial 10,
Scheme No. 5, Block-4, Clifton, Karachi.
Tel: (+92-21) 35361215-19, (+92-21) 35839917
Fax: (+92-21) 35361213

Website

www.pakbrunei.com.pk

vision

Pak Brunei will play a role in the economic progress and development of Pakistan by providing the entire range of advisory services as well as financial support to viable projects in high growth, capital-starved sectors of the economy

mission

Pak Brunei aims to be at the vanguard of innovation in Investment banking services, offering the best solutions to our clients, value to our shareholders, and a challenging, equal-opportunity environment to our employees

core values

Integrity	We will be honest, professional, and fair in all our dealings with all our stakeholders
Innovation	We will not be held hostage to conventional wisdom
Performance	We will be result-oriented and encourage a competitive culture
Teamwork	We will have shared goals and objectives
Customer Focus	We will understand our customers' needs and try to exceed customer expectations

code of ethics and business practices

Pak Brunei seeks to maintain high standards of service and ethics enabling it to be perceived as impartial, ethical and independent. In addition to the general guidelines, the following are the salient features of the Company's code of ethics and business practices.

Integrity

Employees shall:
Perform our work with honesty, diligence and responsibility;

Not knowingly be a party to any illegal activity or engage in any acts that are discreditable to the Company;

Not participate in any activity or relationship that may impair or be presumed to impair our unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the Company;

Not accept any gift or consideration that may impair or be presumed to impair our professional judgment;

Exercise maximum caution in making sure that information given to customers is free of errors, making it as truthful and honest as can be.

Objectivity

Employees shall:
Ensure that all operational activities and decision making processes focus on achievements of the Company's objectives and are in line with the mission statement of the Company;

Disclose all material facts known to them if not disclosed, may distort the reporting of business proposal under review.

Confidential and Proprietary Information

Employees shall:
Protect against the disclosure of sensitive and confidential information about our customers and employees unless disclosure is authorized and within law;

Safeguard against the disclosure of sensitive and confidential information about our fellow employee and the Company as a whole unless authorized to do so.

Improper Influence

Employees shall:
Strictly prohibit from giving, soliciting or accepting business courtesies or gifts intended to influence business decision;

Make all business decisions on the merit of the transaction and in compliance with any legal and regulatory requirements.

Unfair Business Practices

Employees shall:
Refrain from unfair and deceptive business practices e.g., unauthorized and counterproductive use of the Company's resources, the misuse of proprietary information or the misrepresentation and concealment of material facts.

Insider Trading

Employees shall:
Prohibit from disclosing "Inside Information" to others or use for our own benefits;

Abide by the "Insider trading" laws that prohibit from buying and selling stock with advance knowledge of important Company information that is unavailable to the general public. Such Information may include proposed mergers or acquisitions, new equity or debt offering.

Recording and Reporting of the Company

Employees shall:
Ensure that all business related information/transaction are recorded and reported accurately, honestly and in a timely manner. Accuracy of all Company records extends to financial statement, loan documents, regulatory bodies and other government agencies;

Ensure that no funds or accounts should be established for a purpose that is not fully reflected in the books and records of Pak Brunei whether pertaining to receipts or disbursements.

Compliance with Laws, Rules and Regulations

Employees shall:
Comply with all applicable laws, rules and regulations.

Protection and Proper use of Company Assets

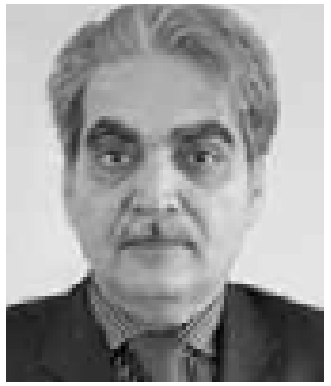
Employees shall:
Ensure that all the Company's assets are used for authorized and legitimate business purposes;

Protect the Company's assets e.g., computer equipment and software, intellectual property, etc., and ensure that those assets are efficiently and properly used in respect of all Company related activities.

board of directors' profile

Sofian Mohammad Jani

Mr. Sofian Jani serves as one of the Assistant Managing Directors in the Brunei Investment Agency. He is currently Head of Investments and oversees the Asset Allocation Strategy of the BIA. He began his career with BIA in 1993 serving as Investment Officer in Brussels and London. More recently, he worked as the Director of the Internal Fund Management Department at BIA. His other engagements include serving as a member of the Executive Committee at the Centre for Islamic Banking Finance and Management (CIBFM Bhd), the BIA Portfolio Advisory Committee as well as the BIA Management Committee. Mr. Sofian Jani holds a Bachelor's degree (Hons) in Economics and Social Studies from the University of Manchester (UK). He is also a qualified Chartered Financial Analyst (CFA).



Tariq Mahmood Pasha

Mr. Tariq Mahmood Pasha is presently serving as Chairman of Federal Board of Revenue (FBR). Prior to that, he has served in Ministry of Finance, Government of Pakistan, as Secretary Economic Affairs Division. He began his government service in 1984 in the Income Tax Department/Inland Revenue Service. He has been Secretary of International Taxes at the Federal Board of Revenue (FBR) in Islamabad followed by a role as Special Assistant to Chairman, FBR.

During the course of his career, he has held several high profile Government appointments including Secretary Incharge of Statistical Division, Special Assistant to the Finance Minister, Joint Secretary at Prime Minister's Office, Secretary to Governor Punjab, Joint Secretary (Budget), Ministry of Finance, Finance Secretary to the Government of the Punjab, and Secretary, Auqaf and Religious Affairs Department to the Government of the Punjab. Mr. Pasha holds an LLB degree from Peshawar University. He has attended several professional courses including Advance Course in Security Studies at the Asia Pacific Centre for Security Studies (USA), Tax Policy and Administration course from the IMF Singapore Regional Training Institute, and International Economic Negotiation course from the Institute of Diplomacy and Foreign Relations in Kuala Lumpur.

Edzwan Zukri Adanan

Mr. Edzwan Adanan joined the Brunei Investment Agency in 2005 and is currently the Head of the Listed Asset Division in the Brunei Investment Agency. He has been a member of the Agency's Portfolio Advisory Committee since 2012 and is also involved in the Ministry of Finance's Strategic Goals Initiatives since 2016.

He studied at the University of Manchester with a degree in Accounting and Finance. In addition, he has a FCCA and CFA. He was a participant in Brunei's inaugural Top 100 Leaders program in 2015 facilitated by the Prime Ministers Office alongside the Delivery Associates and is a current participant in the Ministry of Finance's Leadership program.

He currently serves as a Director of Patersons Securities Limited in Australia and Progresif Cellular Sdn. Berhad where he also sits as Chairman of the Audit Committee, Chairman of the HSSE Committee and is a member of the Human Resource Committee. He was appointed to serve as a director for Pak Brunei Investment Company Limited in 2017. He has also served as a Board member of Armada Properties Sdn Berhad from 2013 to 2017.

Ayesha Aziz

Ms. Ayesha Aziz has rich and diverse experience in investment banking including Project Finance, Asset Management, Corporate Finance Advisory and Private Equity. She was associated with the ANZ Banking Group for ten years where she worked in various areas including Treasury, Portfolio Management, Planning and Financial Engineering. Subsequently, Ms. Aziz was involved in establishing and managing business operations and subsidiaries of Pak Oman Investment Company, including a microfinance bank and an asset management company, where she acted as a member on the board and CEO, respectively. Ms. Aziz has been associated with Pak Brunei Investment Company since inception and has helped to position it as a leading Investment Bank in terms of scope and scale of operations as well as quality of assets. She has also overseen establishment of subsidiaries in Asset Management, Modaraba Management and Leasing over this period.

Ms. Aziz is an MBA from the Institute of Business Administration and a qualified Chartered Financial Analyst (CFA). She is a director on the Board of Awwal Modaraba Management Limited and Chairs the Board of Primus Leasing Limited. In the past, she has served on various Boards and Committees including Sindh Enterprise Development Fund, Overseas Investors Chamber of Commerce, Pakistan Mercantile Exchange and Punjab Board of Investment and Trade.

our cultural framework

The cultural framework of any organization defines a company's vision and the guidelines it has established to achieve that vision. Our organizational culture revolves around diversity, equal opportunity, team work and competition.

Pak Brunei Investment Company is an equal opportunity organization, and welcomes people from all backgrounds, irrespective of gender and ethnicity. The cultural and gender mix of the workforce facilitates greater diversity. With a strong performance record, the Company is prepared to achieve higher goals and embrace bigger opportunities. This is only possible in an environment that nurtures healthy competition and promotes fair practices.

Management Team Pak Brunei

Pak Brunei Investment Company Limited

Primus Leasing Limited

Awwal Modaraba Management Limited

corporate social responsibility

Many organisations in the corporate sector have stepped forward with responsible social strategies in order to contribute to the society we live in. At Pak Brunei we take this responsibility very seriously and treat our CSR activities as a vital element of our operations. We have so far focused on projects and services in the areas of education and health.

Education

The focus of PBICL's external CSR is education as we believe that a good education is the panacea to most problems prevailing in the country. The CSR effort in this regards is two pronged. Firstly, we directly pay for educational expenses of identified economically disadvantaged children and secondly, for supporting extra-curricular and skill based activities of both government and private school students towards their holistic development as good Pakistani citizens. We believe that offering this opportunity of quality education will enable children to bring themselves and their families towards greater prosperity.

Health

Internship Program for The Recovery House

The Recovery House (TRH) is a non-profit organization providing psychiatric rehabilitation services to individuals. Pak Brunei Investment Company in collaboration with TRH developed a customized internship program that seeks to help the process of rehabilitation and self-sufficiency through the experience of working in a professional, disciplined environment. The program was implemented in 2014. Work assignments were developed in consultation with TRH and a system of feedback put in place to monitor progress. The program yielded good results and we hope to continue with our contribution in the future extending to other similar outfits.

chairman's review

I am pleased to announce the results of Pak Brunei Investment Company Limited for the year ended December 31, 2017. Despite a testing year for financial sector, Company continued to put unrelenting efforts to add value by effectively managing risks and maintaining balance sheet strength.

Leading indicators of economic growth continued to show positive signs amid supportive domestic environment. Strong consumption, a robust services sector, recovery in agriculture production, growth in private sector credit, low interest rates, and relatively stable security were among key growth drivers. Moreover, foreign direct investment (FDI) increased as a result of project inflows under China-Pakistan Economic Corridor ("CPEC"). Supported by these factors, GDP growth rate increased to 5.3%; the highest growth in the last decade. However, government's revenue collection recorded 11% lower growth than last year, which, in part, was the result of relief measures and tax incentives introduced through the federal budget to boost investment, exports, and domestic production. This led to a consolidated fiscal deficit of 5.8% of the GDP in FY2017.

On the flipside, 2017 witnessed some negative developments as well including a weakening external current account, political uncertainty and misreading of the impact of MSCI upgrade; major factors that negatively hit the Capital Markets. Market had expected heavy foreign inflows in the wake of Pakistan's inclusion in the MSCI Index. However, despite being significantly cheaper than other emerging markets, Pakistan saw net selling by foreign investors on inclusion date. KSE-100 Index posted a negative return of 15.3% in 2017, its worst performance in a decade. Market and stocks were seen to be decoupled from improving company fundamentals and remained tied to political noise.

Risks became more visible in the second half of 2017 when trade imbalance widened and SBP forex reserves reduced by USD 5.7 billion to reach USD 12.7 billion at the end of 2017. External account position experienced a considerable slide due to large trade deficit driven by a rapid increase in imports which came on the back of higher fuel, food, machinery, and transport group imports driven by strong domestic demand. A decline in remittances for the first time in a decade also aggravated the current account deficit. It is worth mentioning that imports remained higher even at a time when international commodity prices were mostly subdued. This indicates that the country is at the verge of economic overheating, reinforcing the need to significantly improve domestic production capacity across different sectors.

Although recent depreciation of the Rupee may help in choking off some import demand, the firm tone of international energy prices and the inertia inherent in the exchange rate moving its way into increased import bill would mean that the gap between exports and imports may persist. If Pakistan's international debt issuance proves insufficient, reverting to the IMF might be the only option for balance of payment support going forward. On the political front, we continue to hope for matters to resolve smoothly since an extended logjam will prove to be counterproductive at a time when Pakistan needs to focus on improving the economy and international relations.

Pak Brunei continues to tactically diversify its business avenues to establish a strong foothold outside conventional financing zone. With a vigilant and enthusiastic team and careful risk management, we are well positioned to exploit new economic developments to our advantage, while upholding our vision of progress and growth.

Mr. Sofian Mohammad Jani
Chairman

directors' report

On behalf of the Board of Directors, I am pleased to present the audited financial results of Pak Brunei Investment Company Limited for the year ended December 31, 2017. The results reflect the ability to handle challenges and to strike a balance between stabilization and growth.

Selected Financial Indicators

Figures in PKR million unless stated otherwise

	2011	2012	2013	2014	2015	2016	2017
Total Assets	32,544	14,046	35,508	32,901	29,115	34,391	**29,869**
Net Assets	7,928	8,581	8,246	9,139	9,684	10,429	**10,456**
Loans/Advances	4,647	5,776	6,800	7,386	10,237	13,996	**18,768**
Investments	25,741	7,121	27,431	24,247	16,850	16,658	**7,679**
Gross Mark-up Income	2,395	2,912	1,407	2,503	1,832	1,591	**1,462**
Net Mark-up Income	925	867	438	468	553	507	**553**
Non Mark-up Income	284	406	706	907	1,230	1,237	**588**
Profit before Tax	920	1,076	917	1,106	1,300	1,333	**671**
Profit after Tax	604	784	706	905	937	962	**470**
Dividend Payout	200	1,000	200	200	200	300	**300**
Earnings per Share (PKR)	1.01	1.31	1.18	1.51	1.56	1.60	**0.78**
Dividend Payout (%)	3.33%	16.67%	3.33%	3.33%	3.33%	5.00%	**5.00%**
Return on Assets (%)	2.60%	3.40%	2.90%	2.65%	3.00%	3.03%	**1.46%**
Return on Equity (%)	7.91%	9.50%	8.40%	10.41%	10.00%	9.56%	**4.50%**
Cumulative Disbursement	8,276	11,642	16,063	24,804	36,932	49,955	**71,266**

Sailing through a challenging year

2017 was a testing year for financial markets on multiple fronts. First, PSX-100 index witnessed a steep fall of 23% from its peak of over 52,000 points in May 2017, eroding most of the gains made during the first five months of 2017. Status quo on monetary policy limited profit taking opportunities in bond market that had provided windfall gains in earlier years. The above circumstances – coupled with steady deposits growth – resulted in banks' liquidity diverted towards building advances portfolio, recording one of the highest year-on-year growth (10%) since 2009. The ensuing competition meant an immediate and substantial reduction in lending spreads across all categories. The credit environment remained particularly challenging for non-deposit taking institutions. Considering spreads that could not be justified on long term basis, Pak Brunei focused on short term lending and all factors combined resulted in net profitability coming down from PKR 961 million in 2016 to PKR 470 million in 2017. However, we consider it only a temporary setback as our core strengths remain intact. Long term advances growth at higher spreads will replace lower yielding exposures and we hope to see increasing dividend yields from subsidiaries with growing footprint in our niche businesses. Reversals in mark to market losses and provisions are expected to bolster profitability in 2018.

Managing our Strategic Investments

Our strategic investment portfolio comprises of businesses that we first attained expertise in before carving them out into independent subsidiaries. For an institution like Pak Brunei, carve outs of special purpose businesses is a sustainable growth strategy. We believe that this promotes an entrepreneurial spirit within the new company and helps it attain the ability to make timely and independent decisions, which is an essential growth ingredient for any new business.

In 2014, Pak Brunei established its wholly owned subsidiary Awwal Modaraba Management Limited

("AMML"), with the aim of replicating our forte of revival financing through offering shariah compliant solutions. Subsequently, key team members from our Advisory & Strategic Investments Group ("ASIG") moved to the new subsidiary. AMML launched the first fund, Awwal Modaraba, through a successful public offering in 2016. During the first full year of operations, Awwal Modaraba reported earnings of PKR 1.54 per certificate and distributed a dividend of 12.25% to its certificate holders. Awwal's credit portfolio continues to grow across multiple sectors including exposures in engineering, electrical goods, food & allied industries and pharmaceutical sectors. In 2018, AMML plans to launch an infrastructure modaraba.

After profitably running our wholly owned subsidiary Primus Investment Management Limited, Pak Brunei divested 70% of its holding to Army Welfare Trust in 2017. Despite our liking for the sector, the business needed significant injection of capital for further expansion, which was not feasible for Pak Brunei as investment in our SME subsidiary was prioritized. This divestment has allowed us to focus on business segments that have greater synergies with our core operations.

After managing small and medium enterprises credit portfolio for three years and gaining required expertise, we believed that the time was right to launch an independent financial institution that will focus primarily on SMEs through products best suited for this segment. 2017 saw the launch of another wholly-owned subsidiary Primus Leasing Limited. China-Pakistan Economic Corridor ("CPEC") led activities have been gaining momentum, and in our view offer enormous growth potential for small & medium enterprises and microbusinesses. Pak Brunei aspires to remain at the forefront of social and economic uplift by supporting SMEs in utilizing these opportunities.

Continuing Organic Growth

In 2017, Pak Brunei was able to increase its loan portfolio by 34%. A sizeable chunk of new long term exposure stemmed from ASIG and referrals from Awwal Modaraba that are at high yields although the full year impact will appear in 2018. Pak Brunei has been on an energetic drive to increase its advances over the past few years, witnessing the loan book more than double from PKR 7.4 billion to PKR 19 billion between 2014 and 2017. Despite this increase in advances, we have managed to contain our loan infection ratio at 5%. Moreover, we are amongst one of the most active lenders under SBP's concessional finance schemes that include lending to export oriented projects, pioneering projects, alternate energy projects and other priority schemes. Our strategy is to maintain a good balance of revival credit exposures and blue chip, low risk loans in the total advances portfolio.

Pre-empting a reversal in SBP's monetary policy stance, Pak Brunei started divesting its portfolio of fixed income bonds. While this has reduced our income for 2017, we have prevented significant capital losses in the wake of Policy Rate uptick in January 2018. As the era of dovish monetary policy seems over, the room we have created by divesting our government securities holding will help us rebuild our portfolio without exposing ourselves to excessive interest rate risk.

Pak Brunei also holds the distinction of having one of the most active and reputable Trustee & Agency Services department in the financial sector. The department is currently looking after a portfolio of PKR 455 billion, comprising of syndicated finance facilities, conventional and Islamic debt instruments and commercial papers. A careful approach towards covenant monitoring and active liaison between borrowers and lenders make our Trustee & Agency services one of the most sought after in the industry. In the future, we also plan to introduce custodian services for Mutual Funds to supplement business activities.

In 2017, State Bank of Pakistan introduced Green Banking initiative, which aims to make banking practices more environmental friendly. Pak Brunei aspires to work closely with the central bank and with all its stakeholders to ensure that policies and procedures pertaining to lending, investing, risk assessment and internal controls are in line with an environment friendly culture. This will be our own contribution towards ensuring a sustainable and green planet.

Risk Management

Our risk management framework has developed over the years and continues to be refined and improved.

Credit risk is managed through the policies approved by the Board. These encompass a well-defined credit approval mechanism, use of internal risk ratings, prescribed documentation requirements, post-disbursement administration, monitoring of credit facilities as well as continuing assessment of credit worthiness of borrowers through periodic reviews. Credit Risk Management also established a mechanism for back testing of the credit scoring model which will be refined going forward. Decisions regarding the credit portfolio are taken by the Credit Committee. Risk Management Committee of the Board provides overall guidance in managing the Company's credit risk.

Market risk and Operational risks are managed through respective policies approved by the Board. In addition, the liquidity risk policy provides guidance in managing the liquidity position of the Company, which is monitored on a daily basis. Risk Management Committee of the Board provides overall guidance in managing the Company's market and liquidity risks, capital adequacy, and integrated risk management (also known as enterprise risk management). Assessment of enterprise-wide integrated risk profile of the Company is carried out using the Basel Framework, Internal Capital Adequacy Assessment Process, and Stress Testing.

Entity Rating

The JCR-VIS Credit Rating Company Limited (JCR-VIS) has assigned initial entity ratings to Pak Brunei Investment Company Limited (PBIC) at 'AA+/A-1+' (Double A Plus/A-One Plus). Outlook on the assigned ratings is 'Stable' in June 2017. These ratings denote a very low expectation of credit risk and indicate a very strong capacity for timely payment of financial commitments.

Corporate and Financial Reporting Framework

The directors declare that:

- The financial statements, prepared by management, present its state of affairs fairly, the results of its operations, cash flows and statement of changes in equity;
- Proper books of accounts have been maintained;
- Appropriate accounting policies are consistently applied in preparing financial statements, and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained;
- The system of internal control system is sound in design and has been effectively implemented and monitored;
- There are no doubts about the Company's ability to continue as a going concern;
- There has been no deviation from best practices highlighted in the COCG; and
- Outstanding statutory payments on account of taxes, duties, levies, and charges, if any have been fully disclosed in the financial statements.

Board Performance Evaluation

The Board has approved a formal process for the performance evaluation to be carried out on an annual basis. In this regard, an in-house approach has been adopted and quantitative techniques are implemented wherein scored questionnaires are used for Board evaluation. A well-founded scoring scale has been established in accordance with SBP guidelines to rate the Board's performance. Furthermore, an annual performance evaluation of overall Board, its committees and individual directors shall also be undertaken (facilitated) by an external independent evaluator at least every three years.

Scope of Board evaluation covers evaluation of the full Board, individual Directors, Board Committees, the Chairman and the Managing Director. Final results of the annual evaluation are compiled and presented to the Board of Directors which it accordingly reviews and identifies any issues, weaknesses and challenges along with discussing an action plan as to how these can be adequately addressed. Recommendations from the evaluation exercise form basis of the action plan which is agreed by the Board for implementation. Any areas of improvement identified during the evaluation are noted for appropriate action.

Internal Control Over Financial Reporting (ICFR)

The Board of Directors hereby endorses the management's evaluation related to ICFR and overall Internal Controls.

The Board of Directors of the Company held four meetings during the year end December 31, 2017. The following directors attended the meetings:

Name	Meetings Attended
Mr. Sofian Mohammad Jani	4
Mr. Tariq Mahmood Pasha	4
Mr. Azmi Abdul Rahman Ibrahim	1
Mr. Edzwan Zukri Pehin Dato Haji Adanan	3
Ms. Ayesha Aziz, CFA	4

The Audit Committee of Board held four meetings during the year end December 31, 2017. The following members attended the meetings:

Name	Meetings Attended
Mr. Tariq Mahmood Pasha	4
Mr. Sofian Mohammad Jani	4
Mr. Azmi Abdul Rahman Ibrahim	1
Mr. Edzwan Zukri Pehin Dato Haji Adanan	3

The HR Committee of Board held one meeting during the year end December 31, 2017. The following members attended the meetings:

Name	Meetings Attended
Mr. Azmi Abdul Rahman Ibrahim	1
Mr. Tariq Mahmood Pasha	1
Ms. Ayesha Aziz, CFA	1

Change in Directors

There has been a change in the Board of Directors of the Company during the year end December 31, 2017. The Brunei Investment Agency nominated Mr. Edzwan Zukri Pehin Dato Haji Adanan in place of Mr. Azmi Abdul Rahman Ibrahim on April 18, 2017. Mr. Edzwan Zukri Pehin Dato Haji Adanan was appointed as director in place of Mr. Azmi Abdul Rahman Ibrahim with effect from May 30, 2017 after requisite clearance was obtained from State Bank of Pakistan.

Statement of Investment of Provident Fund

Investments of provident fund as of June 30, 2017 according to audited financial statements amounted to PKR 76.98 million (2016: PKR 85.376 million).

Appointment of Auditors

The Board on the proposal of the Audit Committee recommends the appointment of M/s. A.F.Ferguson & Co., Chartered Accountants as statutory auditors for the year ending December 31, 2018.

Pattern of Shareholding

Shareholder	Shareholding (%)
Ministry of Finance – Govt. of Pakistan	49.99933%
Brunei Investment Agency	50.00000%
Secretary, Economic Affairs Division - Govt. of Pakistan	0.00067%

We are grateful to our shareholders – Government of Pakistan and Brunei Investment Agency – for their continued guidance and support. We appreciate the role State Bank of Pakistan and Securities & Exchange Commission of Pakistan continue to play in regulating the financial markets of Pakistan while providing us with an accommodating operating environment supportive of our unique business strategy.

Sofian Mohammad Jani
Chairman

Ayesha Aziz
Managing Director

March 11, 2018

ایچ آر کمیٹی آف بورڈ نے سال مختتمہ 31 دسمبر، 2017 کے دوران ایک اجلاس منعقد کیا۔ مندرجہ ذیل ممبرز نے اجلاس میں شرکت کی:

نام	اجلاسوں میں شرکت
مسٹر عظمی عبدالرحمان ابراہیم	۱
مسٹر طارق محمود پاشا	۱
مس عائشہ عزیز، سی ایف اے	۱

بورڈ آف ڈائریکٹرز کی تبدیلی

31 دسمبر 2017 کو ختم ہونے والے مالی سال کے دوران کمپنی کے بورڈ آف ڈائریکٹرز میں تبدیلی کی گئی۔ برونائی انویسٹمنٹ ایجنسی نے مسٹر ایڈزوان زوکری پہن داتو حاجی عدنان کو مسٹر عظمی عبدالرحمان ابراہیم کی جگہ 18 اپریل 2017 سے نامزد کیا۔ مسٹر ایڈزوان زوکری پہن داتو حاجی عدنان کو مسٹر عظمی عبدالرحمان ابراہیم کی جگہ ڈائریکٹر مقرر کیا جو کہ 30 مئی 2018 سے اسٹیٹ بینک آف پاکستان کی مشروط منظوری کے بعد ڈائریکٹر مقرر کیے گئے ہیں۔

پراویڈنٹ فنڈ کی سرمایہ کاری کی اسٹیٹمنٹ

آڈٹڈ فنانشل اسٹیٹمنٹ کے مطابق 30 جون 2017 تک پراویڈنٹ فنڈ کی سرمایہ کی قیمت 76.98 ملین پاکستانی روپے تھی (2016: 85,376 ملین پاکستانی روپے تھی)۔

آڈیٹرز کی مقرری

بورڈ آف آڈٹ کمپنی کے پروپوزل اور ان کی حمایت کے مطابق (چارٹرڈ اکاؤنٹنٹس) M/s. A.F. Ferguson & Co.، کو 31 دسمبر 2018 تک ختم ہونے والی مالی سال کے لیے قانونی طور پر آڈیٹر مقرر کیا ہے۔

شیئر ہولڈنگ کی طرز

شیئر ہولڈر	شیئر ہولڈنگ (فیصد)
منسٹری آف فنانس۔ گورنمنٹ آف پاکستان	49.99933% فیصد
برنائی انویسٹمنٹ ایجنسی	50.00000% فیصد
سیکرٹری، اکنامکس افیئرز ڈویژن۔ گورنمنٹ آف پاکستان	0.00067% فیصد

ہم اپنے شیئر ہولڈرز کے شکرگزار ہیں۔ گورنمنٹ آف پاکستان اور برنائی انویسٹمنٹ ایجنسی۔ ہمارے لیے مسلسل رہنمائی اور حمایت کے لیے۔ پاکستان کے مالیاتی مارکیٹس میں مسلسل اپنا کردار ادا کرنے پر ہم اسٹیٹ بینک آف پاکستان اور سیکیوریٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے کردار کی بھی تعریف کرتے ہیں کہ انہوں نے ہمیں ایک بہتر اور دوست ماحول میں کاروبار کرنے کی جگہ مہیا کی جس سے ہم اپنے کاروبار کی حکمت عملی کو بروئے کار لاتے ہوئے مزید منافع کما سکیں۔

عائشہ عزیز
مینیجنگ ڈائریکٹر

سفیان محمد جانی
چیئرمین

مارچ 11, 2018

عملی، مجموعی پیشگی ادائیگیوں کے پورٹ فولیو میں تجدیدی قرضہ جاتی بازاری استحکام اور بلیو چِپ، کم خطرات کے حامل قرضوں کا عمدہ توازن قائم رکھنا ہے۔ اسٹیٹ بینک آف پاکستان کی مالیاتی پالیسی میں پیش بندی کے طور پر معکوسیت کا قدم اٹھاتے ہوئے، پاک برونائی نے اپنے معینہ آمدنی کے بونڈز کے پورٹ فولیو کی ذیلی فروختگی/منتقلی کا آغاز کیا۔ اگرچہ اس عمل نے 2017 میں ہماری آمدنی میں کمی پیدا کی، تاہم ہم نے اس کی بدولت جنوری 2018 میں پالیسی کی شرح میں معمولی اضافے کی صورت میں نمایاں سرمایہ جاتی خساروں سے خود کو محفوظ کیا۔ جیسا کہ غیر جارحانہ مالیاتی پالیسی کا عرصہ اختتام پذیر ہوا چاہتا ہے، ہم نے اپنی سرکاری سیکورٹیز کے اثاثوں کی منتقلی کے ذریعے اپنے لیے جو جگہ بنائی ہے، وہ ہمیں زیادہ شرحِ سود کے خطرے سے بچا کر ہمارے پورٹ فولیو کی از سرِ نو تعمیر میں مدد دے گی۔

پاک برونائی کو یہ امتیاز بھی حاصل ہے کہ یہ مالیاتی شعبے میں فعال اور معتبر ترین ٹرسٹی اور ایجنسی سروسز ڈپارٹمنٹ کا بھی مالک ہے۔ یہ ڈپارٹمنٹ فی الحال 455 بلین روپے کے پورٹ فولیو کی دیکھ بھال کے فرائض انجام دے رہا ہے، جو کہ اشتراکی انجمن کی حامل مالیاتی سہولیات، روایتی اور اسلامی قرضہ جاتی اثاثوں اور تجارتی دستاویزات پر مشتمل ہے۔ معاہدے کی نگرانی اور قرضے کی وصولیابی اور فراہمی کرنے والوں کے درمیان فعال رابطے کے محتاط طرزِ عمل نے، ہماری ٹرسٹی اور ایجنسی سروسز کو انڈسٹری میں سب سے زیادہ پسندیدہ بنا دیا ہے۔ مستقبل میں، ہم کاروباری سرگرمیوں میں اضافے کی خاطر میوچوئل فنڈز کے لیے تحویلی خدمات کے آغاز کا منصوبہ بھی رکھتے ہیں۔

2017 میں، اسٹیٹ بینک آف پاکستان نے گرین بینکنگ کا قدم اٹھایا، جس کا مقصد بینکاری کے عمل کو مزید ماحول دوست خطوط پر استوار کرنا ہے۔ پاک برونائی، مرکزی بینک کے شانہ بشانہ کام کرنے کا عزم رکھتا ہے اور اپنے تمام اسٹیک ہولڈرز کے ساتھ اس بات کو یقینی بناتا ہے کہ قرضہ دینے، سرمایہ کاری کرنے، خطرات کے تجزیے اور داخلی کنٹرولز سے متعلقہ پالیسیاں اور طریقۂ عمل ماحول دوست روایت سے ہم آہنگ رہیں۔ یہ ایک مستحکم اور ہرے بھرے زمینی سیارے کو یقینی بنانے کے لیے ہماری جانب سے ایک ادنیٰ خدمت ہوگی۔

ممکنہ خطرات سے نمٹنا

ہمارا ممکنہ خطرات سے نمٹنے کا بنیادی ڈھانچہ گزشتہ برسوں میں مسلسل جدت سے ہم آہنگ ہونے کے ساتھ ساتھ آئندہ کے لیے بھی تجدید اور بہتری کے عمل کو جاری رکھے ہوئے ہے۔ کریڈٹ کے ممکنہ خطرات سے نمٹنے کے لیے بورڈ کی جانب سے منظور شدہ پالیسیوں پر عمل درآمد کیا جاتا ہے۔ یہ واضح اور معینہ کریڈٹ کی منظوری کے طریقۂ کار، داخلی خطرات کی درجہ بندی کے استعمال، مجوزہ مطلوبہ دستاویزات، بعد از تقسیم کے انتظام، قرض کی سہولیات کی نگرانی اور اس کے ساتھ ساتھ میعادی جائزوں کی بدولت قرض لینے والوں کی اعتباری ساکھ کے مسلسل تجزیے کا احاطہ کرتی ہیں۔ کریڈٹ رسک مینجمنٹ نے کریڈٹ کے اعداد و شمار کے نمونے کے گزشتہ بنیاد پر تجزیے کے لیے ایک میکانکی طریقۂ کار بھی مرتب کیا ہے جو کہ وقت کے ساتھ ساتھ مزید بہتر ہوگا۔ کریڈٹ پورٹ فولیو کے حوالے سے فیصلے کریڈٹ کمیٹی کرتی ہے۔ بورڈ کی رسک مینجمنٹ کمیٹی، کریڈٹ سے متعلقہ خطرات سے نمٹنے کے لیے کمپنی کو مجموعی رہنمائی فراہم کرتی ہے۔

بازاری خطرات اور کاروباری عمل کے خطرات سے بورڈ کی جانب سے منظور شدہ متعلقہ پالیسیوں کے ذریعے نمٹا جاتا ہے۔ اس کے علاوہ، سیال پذیری کے خطرات کی پالیسی کمپنی کی سیال پذیر حالت کو منظّم رکھنے کے حوالے سے رہنمائی فراہم کرتی ہے، جس کی روزانہ کی بنیاد پر نگرانی کی جاتی ہے۔ بورڈ کی ممکنہ خطرات کی منتظم کمیٹی، کمپنی کے بازاری اور سیال پذیری سے متعلقہ خطرات، سرمائے کی ضروریات، اور مربوط ممکنہ خطرات سے تحفظ (جسے کاروباری ممکنہ خطرات سے تحفظ بھی کہا جاتا ہے) کے نظم و نسق کے حوالے سے مجموعی رہنمائی فراہم کرتی ہے۔ کمپنی کی مجموعی کاروباری مربوط ممکنہ خطرات کی پروفائل کا تجزیہ، بیسل (Basel) فریم ورک، داخلی سرمائے کی ضرورت کے تجزیاتی عمل، اور دباؤ کے معائنے کا استعمال کرتے ہوئے عمل میں لایا جاتا ہے۔

ادارتی درجہ بندی

JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ (JCR-VIS) نے پاک برونائی انویسٹمنٹ کمپنی لمیٹڈ (PBIC) کو ابتدائی ادارتی درجہ بندی فراہم کرتے ہوئے اسے 'AA+/A-1+' (ڈبل اے پلس / اے ون پلس) کی درجہ بندی سے نوازا ہے۔ جون 2017 میں دی جانے والی درجہ بندیوں کا منظر نامہ 'مستحکم' ہے۔ یہ درجہ بندیاں کریڈٹ کے ممکنہ خطرات کی انتہائی پست توقع کی نشاندہی کرتی ہیں اور مالیاتی ذمہ داریوں کی بروقت ادائیگیوں کی زبردست صلاحیت کو ظاہر کرتی ہیں۔

کاروباری اور مالیاتی رپورٹنگ کا بنیادی ڈھانچہ

ڈائریکٹرز اس بات کا اعلان کرتے ہیں کہ:

- مینجمنٹ کی جانب سے تیار کردہ مالیاتی گوشوارے، کمپنی کی مجموعی صورتحال، اس کی کاروباری سرگرمیوں کے نتائج، کیش کے بہاؤ اور ایکوئٹی میں تبدیلیوں کے گوشواروں کی مجموعی صورتحال کو بالکل درستگی کے ساتھ ظاہر کرتے ہیں؛
- اکاؤنٹس کے درست روزنامچوں کو منظّم طور پر برقرار رکھا گیا ہے؛
- مالیاتی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیاں تسلسل کے ساتھ عمل میں لائی گئی ہیں، اور اکاؤنٹنگ کے تخمینے معقول اور محتاط فیصلہ سازی پر مبنی ہیں؛
- پاکستان میں لاگو، بین الاقوامی مالیاتی رپورٹنگ کے معیارات (IFRS) کو مالیاتی گوشواروں کی تیاری میں ملحوظ رکھا گیا ہے اور ان سے کسی بھی قسم کے انحراف کو مناسب طور پر افشاء اور واضح کر دیا گیا ہے؛
- داخلی کنٹرول سسٹم کا نظام اپنی بناوٹ میں مستحکم ہے اور اس کا مؤثر طور پر نفاذ اور نگرانی عمل میں لائی جا رہی ہے؛
- کمپنی کی جانب سے آئندہ بھی اپنے کاروبار کو کامیابی سے جاری رکھنے کی صلاحیت میں کوئی شک نہیں ہے؛
- COCG میں بیان کردہ بہترین عملی طریقۂ کار سے کسی قسم کا انحراف نہیں برتا گیا؛
- اور ٹیکسز، ڈیوٹیوں، محصولات، اور چارجز کی شکل میں قانونی طور پر واجب الادا کسی بھی رقوم کو مکمل وضاحت کے ساتھ مالیاتی گوشواروں میں بیان کیا گیا ہے۔

بورڈ کی کارکردگی کا تجزیہ

بورڈ نے سالانہ بنیاد پر کارکردگی کا تجزیہ عمل میں لانے کے لیے ایک باضابطہ طریقۂ کار منظور کیا ہے۔ اس حوالے سے، ایک اندرونِ خانہ طرزِ عمل اختیار کیا گیا ہے اور مقداری تیکنیکس کا نفاذ عمل میں لایا گیا ہے جبکہ بورڈ کے تجزیے کے لیے اسکور کے حامل سوالنامے استعمال کیے جاتے ہیں۔ بورڈ کی کارکردگی کی درجہ بندی کے لیے اسٹیٹ بینک آف پاکستان کی ہدایات کی روشنی میں آئینی بنیاد پر اسکورنگ کا ایک پیمانہ مرتب کیا گیا ہے۔ مزید برآں، کم از کم ہر تین سال بعد ایک خارجی خودمختار تجزیہ کار کی جانب سے مجموعی بورڈ، اس کی کمیٹیوں اور انفرادی ڈائریکٹرز کی سالانہ کارکردگی کا تجزیہ بھی عمل میں لایا جائے گا۔

بورڈ کے تجزیے میں، مجموعی بورڈ، انفرادی ڈائریکٹرز، بورڈ کی کمیٹیوں، چیئرمین اور مینجنگ ڈائریکٹر کا تجزیہ شامل ہے۔ سالانہ تجزیے کے حتمی نتائج کو یکجا کر کے بورڈ آف ڈائریکٹرز کے سامنے پیش کیا جاتا ہے، جو اس کا جائزہ لیتا ہے اور اس میں موجود کسی بھی مسئلے، خامی اور درپیش چیلنجز کی نشاندہی کرنے کے ساتھ ساتھ ان کے موزوں حل کے لیے ایک اقدامی منصوبہ بناتا ہے۔ تجزیاتی عمل سے حاصل شدہ سفارشات، اقدامی عمل کی بنیاد تشکیل دیتی ہیں جس پر نفاذ کے لیے بورڈ کی جانب سے اتفاق کیا جاتا ہے۔ تجزیے کے دوران نشاندہی کردہ اُن تمام پہلوؤں کو مناسب اقدام کے لیے نوٹ کر لیا جاتا ہے جن میں بہتری کی گنجائش ہوتی ہے۔

مالیاتی رپورٹنگ پر اندرونی کنٹرول (ICFR)

بذریعہ ہٰذا بورڈ آف ڈائیریکٹرز، ICFR اور کلی طور پر اندرونی کنٹرول سے متعلق انتظامیہ کی تشخیص کی توثیق کرتا ہے۔

کمپنی کے بورڈ آف ڈائیریکٹرز نے سال مختتمہ 31 دسمبر، 2017 کے دوران چار اجلاس منعقد کیئے۔ مندرجہ ذیل ڈائریکٹرز نے اجلاسوں میں شرکت کی:

نام	اجلاسوں میں شرکت
مسٹر سفیان محمد جانی	۴
مسٹر طارق محمود پاشا	۴
مسٹر عظمی عبدالرحمان ابراہیم	۱
مسٹر ایڈزوان زوکری پہن داتو حاجی عدنان	۳
مس عائشہ عزیز، سی ایف اے	۴

آڈٹ کمپنی آف بورڈ نے سال مختتمہ 31 دسمبر، 2017 کے دوران چار اجلاس منعقد کیئے۔ مندرجہ ذیل ممبرز نے اجلاسوں میں شرکت کی:

نام	اجلاسوں میں شرکت
مسٹر طارق محمود پاشا	۴
مسٹر سفیان محمد جانی	۴
مسٹر عظمی عبدالرحمان ابراہیم	۱
مسٹر ایڈزوان زوکری پہن داتو حاجی عدنان	۳

ڈائریکٹرز رپورٹ

مجھے بورڈ آف ڈائریکٹرز کی طرف سے، 31 دسمبر 2017 کو ختم ہونے والے سال کے پاک برونائی انویسٹمنٹ کمپنی کے مالیاتی نتائج پیش کرتے ہوئے خوشی محسوس ہورہی ہے۔ یہ نتائج ہماری انتھک محنت اور کاوشوں کی عکاسی کرتا ہے کہ ہم تیزی سے ترقی کے سفر پر گامزن ہیں اور اپنے ساکھ اور منافع کو بہتر بنا رہے ہیں۔

منتخب مالیاتی علامات

رقوم پاکستان روپے میں تاقتیکہ بیان شدہ نہ ہو۔

2017	2016	2015	2014	2013	2012	2011	
29,869	34,391	29,115	32,901	35,508	14,046	32,544	مجموعی اثاثے
10,456	10,429	9,684	9,139	8,246	8,581	7,928	موجودہ اثاثے
18,768	13,996	10,237	7,386	6,800	5,776	4,647	قرض/پیشگی
7,679	16,658	16,850	24,247	27,431	7,121	25,741	سرمایہ
1,462	1,591	1,832	2,503	1,407	2,912	2,395	مجموعی مارک اپ آمدنی
553	507	553	468	438	867	925	اصل مارک آمدنی
588	1,237	1,230	907	706	406	284	غیر مارک اپ آمدنی
671	1,333	1,300	1,106	917	1,076	920	قبل از ٹیکس منافع
470	962	937	905	706	784	604	بعد از ٹیکس منافع
300	300	200	200	200	1,000	200	ڈیویڈنڈ ادائیگیاں
0.78	1.60	1.56	1.51	1.18	1.31	1.01	آمدنی فی شیئر (پی کے آر)
5.00%	5.00%	3.33%	3.33%	3.33%	16.67%	3.33%	ڈیویڈنڈ ادائیگیاں (فیصد)
1.46%	3.03%	3.00%	2.65%	2.90%	3.40%	2.60%	اثاثوں پر منافع (فیصد)
4.50%	9.56%	10.00%	10.41%	8.40%	9.50%	7.91%	ایکویٹی پر منافع (فیصد)
71,266	49,955	36,932	24,804	16,063	11,642	8,276	مجموعی قرضوں کی فراہمی

ایک مشکل سال کا کامیاب سفر

سال 2017 مختلف محاذ پر مالیاتی مارکیٹس کے لیے ایک آزمائشی سال ثابت ہوا۔ پہلے، PSX-100 انڈیکس میں 23 فیصد کی تیز رفتار کمی دیکھنے میں آئی جس کے نتیجے میں مئی 2017 میں 52,000 پوائنٹس پر موجود بلند سطح اچانک انتہائی نچلی سطح پر آ گئی اور یوں 2017 کے ابتدائی پانچ ماہ کے منافع جات پر پانی پھر گیا۔ وہی بونڈ مارکیٹ جس نے ابتدائی سالوں میں بے تحاشا منافع جات فراہم کیے تھے، مالیاتی پالیسی پر پڑنے والے ملکی سیاسی و معاشرتی اثرات نے اس مارکیٹ میں منافع بخش مواقع کو محدود کردیا۔ درج بالا حالات اور ڈپازٹس میں مسلسل اضافے کا نتیجہ اس صورت میں نکلا کہ بینکوں کی سیال پذیری، پیشگی رقوم کے پورٹ فولیو کی تخلیق کی جانب منتقل ہوئی، اور اس طرح 2009 کے بعد سے سال بہ سال ترقی کی بلند ترین سطح میں سے ایک (10%) ریکارڈ کی گئی۔ مابعد مسابقت نے تمام درجہ بند شعبوں کے قرضہ جاتی اسپریڈز میں فوری اور خاطر خواہ کمی پیدا کی۔ قرضے کی فضا، ڈپازٹس کے غیر وصول کنندہ اداروں کے لیے خصوصاً مشکل رہی۔ طویل المیعاد بنیاد پر ایڈجسٹ نہ ہوسکنے والے اسپریڈز کے پیشِ نظر، پاک برونائی نے پوری توجہ قلیل المیعاد قرضے کی فراہمی پر مرکوز رکھی اور تمام مشترکہ عوامل کا نتیجہ خالص منافع میں کمی کی صورت میں نکلا جو کہ 2016 کے 961 ملین روپے کے مقابلے میں کم ہوکر 2017 میں 470 ملین روپے رہ گیا۔ تاہم، ہمارے خیال میں یہ محض ایک عارضی خسارہ ہے کیونکہ ہمارے بنیادی مثبت عوامل مستحکم ہیں۔ طویل المیعاد پیشگی ادائیگیوں کی بلند تر اسپریڈز میں ترقی، کم منافع بخش ذرائع کا خلاء پُر کرے گی اور ہم امید کرتے ہیں کہ ہمارے مخصوص پراڈکٹ کے حامل ہر کاروبار میں روز افزوں فروغ پاتے منظرنامے کے ساتھ ذیلی کاروبار سے ڈویڈنڈ کی مد میں مزید منافع جات حاصل ہوں گے۔ 'مارک ٹو مارکیٹ' نقصانات اور قرضہ جاتی معاہدوں کی معکوسیت کے باعث 2018 میں منافعوں میں اضافے کا امکان ہے۔

حکمتِ عملی پر مبنی ہماری سرمایہ کاریوں کا نظم و نسق

ہمارا حکمتِ عملی پر مبنی سرمایہ کاری پورٹ فولیو ایسے مختلف کاروبار پر مشتمل ہے کہ جنہیں خود مختار ذیلی کاروبار میں ڈھالنے سے پہلے، ہم نے ان میں مہارت حاصل کی۔ پاک برونائی جیسے ایک ادارے کے لیے، خاص مقصد کے حامل مختلف نوعیت کے کاروبار کے مفادات اور سرمائے کی فروختگی کو ایک مستحکم ترقی و فروغ کی حکمتِ عملی قرار دیا جاسکتا ہے۔ ہمارا اس بات پر یقین ہے کہ اس سے نئی کمپنی کے اندر کاروباری جذبہ فروغ پاتا ہے اور اسے بروقت اور آزادانہ فیصلوں کی اہلیت کے حصول میں مدد دیتا ہے، جو کہ کسی بھی نئے کاروبار کے لیے ترقی کا ایک لازمی جزو ہے۔ 2014 میں، پاک برونائی نے اپنے مکمل ملکیتی ذیلی ادارے اوّل مضاربہ مینجمنٹ لمیٹڈ (''AMML'') کو قائم کیا، جس کا مقصد یہ تھا کہ شرعی اصولوں سے ہم آہنگ رہتے ہوئے سرمایہ کاری کی تجدید و احیاء کے اپنے عزم کو پورا کیا جاسکے۔ چنانچہ، ہمارے مشاورتی اور حکمتِ عملی سرمایہ کاری گروپ (''ASIG'') کے بنیادی اراکین نئے ذیلی ادارے میں منتقل ہوگئے۔ AMML نے 2016 میں کامیاب عوامی پیشکش کی بدولت پہلے فنڈ، اوّل مضاربہ کا آغاز کیا۔ کاروباری عمل کے پہلے مکمل سال کے دوران، اوّل مضاربہ نے فی سند 1.54 روپے کی آمدنی حاصل کی اور اپنے سند یافتگان کو 12.25 فیصد کا ڈویڈنڈ تقسیم کیا۔ اوّل کا کریڈٹ پورٹ فولیو مختلف شعبوں بشمول انجینئرنگ، بجلی کی اشیاء، خوراک اور منسلکہ صنعتیں اور ادویہ سازی کے شعبوں میں روز افزوں وسعت پا رہا ہے۔ سال 2018 میں، AMML ایک بنیادی ساخت کے حامل مضاربہ کے آغاز کا منصوبہ رکھتا ہے۔

اپنے مکمل ملکیتی ذیلی ادارے پرائمس انویسٹمنٹ مینجمنٹ لمیٹڈ کو منافع بخش طور پر چلانے کے بعد، پاک برونائی نے 2017 میں اپنے مالیاتی اثاثوں کا 70 فیصد حصہ نکال کر آرمی ویلفیئر ٹرسٹ کو منتقل کیا۔ شعبے کے لیے ہماری موافقت کے باوجود، کاروبار کو مزید توسیع کے لیے خاطر خواہ سرمائے کی ضرورت تھی جس کی فراہمی پاک برونائی کے لیے ممکن نہ تھی کیونکہ ہماری پہلی ترجیح SME ذیلی ادارے میں سرمایہ کاری تھی۔ مالیاتی اثاثوں کی اس منتقلی کی بدولت ہم اُن کاروباری شعبوں پر توجہ مرکوز کرنے کے قابل ہوئے جو ہمارے بنیادی کاروباری افعال سے زیادہ ہم آہنگ ہیں۔ تین سال تک چھوٹے اور درمیانے درجے کے کاروباری کریڈٹ پورٹ فولیو کو منظّم کرنے اور اس میں مطلوبہ مہارت کے حصول کے بعد، ہمارا یقین تھا کہ یہ وقت ایک ایسے خود مختار مالیاتی ادارے کے آغاز کے لیے انتہائی مناسب ہے جو اس شعبے کے لیے موزوں ترین مصنوعات کی بدولت بنیادی طور پر SMEs پر توجہ مرکوز رکھے گا۔

سال 2017 میں ایک اور مکمل مِلکیتی ذیلی ادارے پرائمس لیزنگ لمیٹڈ کا آغاز عمل میں آیا۔ چین پاکستان اقتصادی راہداری (''CPEC'') کے باعث سرگرمیاں تیزی سے فروغ پا رہی ہیں، اور ہماری رائے میں اس نے چھوٹے اور درمیانے درجے کے کاروباری اداروں اور مائیکرو بزنسز کے لیے شاندار ترقی کے امکانات پیدا کیے۔ پاک برونائی ان مواقع سے بہترین استفادے کے لیے SMEs کو سپورٹ کرتے ہوئے سماجی اور اقتصادی عروج کے لیے ہراول دستے کا کردار نبھانے کے لیے تیار ہے۔

مسلسل اساسی ترقی

2017 میں، پاک برونائی نے اپنے قرضہ جاتی پورٹ فولیو میں 34 فیصد سے اضافہ کیا۔ نئے طویل المیعاد بازاری استحکام کا بڑا جزو ASIG اور اوّل مضاربہ کے حوالہ جات کے نتیجے میں ظاہر ہوا جو کہ زیادہ منافع بخش ہیں، تاہم پورے سال کے اثرات 2018 میں ظاہر ہوں گے۔ پاک برونائی گزشتہ چند برسوں سے اپنی پیشگی ادائیگیوں میں اضافے کے لیے پوری طرح کوشاں ہے، جس کے نتیجے میں 2014 اور 2017 کے درمیان قرضہ جاتی روزنامچے میں دوگنا سے زیادہ اضافہ ہوا، جو کہ 7.4 بلین روپے سے بڑھ کر 19 بلین روپے ہوگیا۔ پیشگی ادائیگیوں میں اس اضافے کے باوجود، ہم اپنے قرضہ جاتی انفیکشن کی شرح کو 5 فیصد تک برقرار رکھنے میں کامیاب ہوئے ہیں۔ مزید برآں، ہم اسٹیٹ بینک آف پاکستان کی رعایتی مالیتی اسکیموں کے تحت فعال ترین قرض فراہم کنندگان میں سے ایک ہیں، ان اسکیموں میں برآمدات میں اضافے کے منصوبے، نئی مصنوعات و آئیڈیاز کو متعارف کروانے کے منصوبے، متبادل توانائی کے منصوبے اور دیگر ترجیحی اسکیمیں شامل ہیں۔ ہماری حکمتِ

11 Years Performance at a Glance

(Rupees in '000)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007*
Balance Sheet											
Investments	**7,679**	16,658	16,850	24,247	27,431	7,121	25,741	9,868	8,416	2,688	1,956
Advances	**18,768**	13,996	10,237	7,386	6,800	5,776	4,647	2,468	1,732	1,063	254
Borrowings	**13,976**	20,493	14,544	18,090	26,392	2,417	23,360	5,943	5,297	186	1,150
Deposits and other accounts	**4,751**	2,913	4,218	5,164	567	2,825	979	844	395	–	–
Total Assets	**29,869**	34,391	29,115	32,901	35,508	14,046	32,544	14,369	12,131	5,529	4,362
Net Assets	**10,456**	10,429	9,684	9,139	8,246	8,581	7,928	7,343	6,306	5,281	3,136
Paid up Capital	**6,000**	6,000	6,000	6,000	6,000	6,000	6,000	6,000	5,000	5,000	3,000
Profit & Loss											
Mark up income	**1,462**	1,591	1,832	2,503	1,407	2,912	2,395	1,698	971	672	177
Mark up expense	**908**	1,084	1,279	2,036	969	2,045	1,469	778	207	132	1
Non mark up income	**588**	1,237	1,230	907	706	406	284	212	254	86	67
Non mark up expense	**330**	314	304	272	219	201	203	165	133	119	58
Gross income	**2,050**	2,828	3,062	3,410	2,113	3,318	2,679	1,910	1,225	758	245
Profit before provision and tax	**812**	1,430	1,479	1,102	925	1,072	1,007	963	885	507	187
Provisions	**141**	97	179	(4)	8	(4)	87	81	218	134	–
Profit before tax	**671**	1,333	1,300	1,106	917	1,076	920	882	667	373	187
Profit after tax	**470**	962	937	905	706	784	604	581	447	222	141
Dividend paid	**300**	300	200	200	200	1,000	200	–	–	–	–
Investors information											
Profit before tax ratio %	**32.73%**	47.14%	42.46%	32.43%	43.40%	32.43%	34.34%	46.18%	54.45%	49.21%	76.33%
Gross spread ratio %	**37.82%**	31.87%	30.19%	18.70%	31.13%	29.77%	38.62%	54.18%	78.68%	80.36%	99.44%
Return on assets %	**1.46%**	3.03%	3.02%	2.65%	2.85%	3.37%	2.57%	4.38%	5.06%	4.49%	3.23%
Return on equity %	**4.50%**	9.57%	9.96%	10.41%	8.39%	9.50%	7.91%	8.51%	7.72%	5.28%	4.50%
Earning asset to total asset ratio %	**96.90%**	96.21%	94.67%	96.38%	97.06%	94.06%	97.03%	95.27%	97.67%	95.59%	90.33%
EPS (Earning per share) PKR	**0.78**	1.60	1.56	1.51	1.18	1.31	1.01	0.98	0.89	0.52	0.75
Infection Ratio %	**5.00%**	3.17%	3.00%	0.03%	0.04%	0.04%	0.06%	0.27%	16.04%	0.00%	0.00%
Capital Adequacy Ratio (CAR) %	**30.62%**	25.59%	26.44%	33.80%	35.82%	59.76%	58.47%	84.61%	81.00%	138.00%	114.00%
Dividend payout %	**5.00%**	5.00%	3.33%	3.33%	3.33%	16.67%	3.33%	–	–	–	–

*four months of operations

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Review Report to the Members on the Statement of Compliance with the Best Practices of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices of Corporate Governance (the Code) prepared by the Board of Directors of **Pak Brunei Investment Company Limited** (the Company) for the year ended December 31, 2017. The Code is no longer applicable on Development Finance Institutions (DFIs) vide BPRD Circular no. 14 dated October 20, 2016 issued by the State Bank of Pakistan. However, DFIs are expected to continue to follow the best practices on corporate governance.

The responsibility for voluntary compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 Code.

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 Code requires 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 distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. 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. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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 best practices contained in the Code as applicable to the Company for the year ended December 31, 2017.

Chartered Accountants
Dated: March 13, 2018
Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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KARACHI LAHORE ISLAMABAD

Statement of Compliance with the Best Practices of Corporate Governance

For the year ended December 31, 2017

SBP vide BPRD Circular No. 14 dated October 20, 2016 has advised that the requirement in terms of Prudential Regulation G-1 with regards to the applicability of Code of Corporate Governance (CCG) shall no longer be applicable on DFIs. However, it is expected that all DFIs will continue to follow the best practices of Corporate Governance. Accordingly, this Statement is being presented to comply with the best practices of Corporate Governance i.e. Code of Corporate Governance.

The Company has applied the best practices of Corporate Governance in the following manner:

1. As per the joint venture arrangement between Government of Pakistan (GoP) and Government of Brunei, the Company's board of directors comprises of four directors and all directors are nominated by both the Governments. The Company encourages representation of non-executive directors on its board of directors (the Board). At present the Board includes:

Category	Name/(s)	Particulars
Executive Directors	Ms. Ayesha Aziz	Government of Pakistan
Non-Executive Directors	Mr. Sofian Mohammad Jani	Government of Brunei
	Mr. Tariq Mahmood Pasha	Government of Pakistan
	Mr. Edzwan Zukri Pehin Dato Haji Adanan	Government of Brunei

   The Company has obtained relaxation from the State Bank of Pakistan with regards to the requirement of independent director as required under BPRD Circular No. 04 of 2007.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred on the board during the year. However, Brunei Investment Agency nominated Mr. Edzwan Zukri Pehin Dato Haji Adanan in place of Mr. Azmi Abdul Rahman Ibrahim on April 18, 2017. Accordingly, Mr. Edzwan Zukri Pehin Dato Haji Adanan was appointed on May 30, 2017 in place of Mr. Azmi Abdul Rahman Ibrahim after requisite clearance was obtained from the State Bank of Pakistan.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, and non-executive directors, have been taken by the board/shareholders.

8. The meetings of the board were presided over by the Chairman and the board met four times during the year. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Directors are conversant with the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities. As required under CCG, at least half of the directors on Board of the Company are required to obtain certification under any Directors' Training Program (DTP) by June 30, 2018. One of the directors has already obtained training in prior years while another director has been granted exemption from the DTP certification requirement by the Securities and Exchange Commission of Pakistan.

10. The Board has approved the appointment of the Head of Internal Audit including his remuneration and terms and conditions of employment. No new appointment of Chief Financial Officer (CFO) and Company Secretary was made during the year.

11. The directors' report for this year has been prepared in compliance with the best practices of Corporate Governance and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee consisting of three non-executive directors, including the Chairman.

16. Four meetings of the audit committee were held during the year prior to the approval of interim and final results of the Company. Meeting due to be held in the third quarter was held in the fourth quarter after obtaining the required approval of the State Bank of Pakistan for submission of half-yearly financial statements. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed an HR and Compensation Committee. It comprises of three members, of whom two are non-executive directors. The Chairman of the committee is a non-executive director.

18. The board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. We confirm that all other material principles enshrined in the CCG have been compliance with.

Ayesha Aziz
Managing Director

March 11, 2018

Statement of Internal Control

The Board of Directors is ultimately responsible for the internal control system. It is the responsibility of the Company's management to establish and maintain an effective internal control system for an efficient working environment and to evaluate its efficacy by identifying control objectives, reviewing significant policies and procedures and monitoring its operating effectiveness.

The Company's internal control system has been designed to provide reasonable assurance regarding the effectiveness and efficiency of the Company's operations, reliability of financial information and compliance with applicable laws and regulations. All internal control systems have inherent limitations that they may not be able to prevent or detect material misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. However, control activities are ongoing processes that include identification, evaluation and management of significant risks faced by the Company.

The control activities are being closely monitored across the Company by Internal Audit Department, working independent of line management. In addition, Compliance Department is also in place to monitor control activities related to regulatory compliance. Internal Audit Department covers all activities in general and key risks areas in particular. The Audit Committee of the Board regularly reviews all significant and material findings of the internal and external auditors. Regular follow up reporting upon the audit finding is done by Compliance Department to the Audit Committee which ensures timely implementations to mitigate identified risks and to safeguard the interest of the Company.

An Annual Assessment on internal controls over financial reporting was conducted by the Internal Audit Department of the company, which was duly endorsed by Audit Committee of the Board. The observations identified and controls recommended in the report will be taken care of and necessary steps are being taken for their timely resolution.

The Company endeavours to follow the State Bank of Pakistan's guidelines on Internal Controls. The Company is continuously making efforts to ensure that an effective and efficient Internal Control System remains active and implemented. Based upon the results achieved from reviews and audits conducted during the year, management considers that the existing Internal Control System, including Internal Controls over Financial Reporting, is adequate and has been effectively implemented and monitored. The Board also endorses the above evaluation.

Mobin Siddiqui
Head – Internal Audit

Abdul Hafeez
Chief Financial Officer

Ayesha Aziz
Managing Director

March 11, 2018

Auditors' Report to the Members

We have audited the annexed unconsolidated statement of financial position of **Pak Brunei Investment Company Limited ("the Company")** as at December 31, 2017 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the unconsolidated statement of financial position and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2017 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and

d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

The financial statements of the Company for the year ended December 31, 2016 were audited by another firm of Chartered Accountants who had expressed an unqualified opinion thereon vide their report dated March 23, 2017.

Chartered Accountants
Engagement Partner: Salman Hussain
Dated: March 13, 2018
Karachi

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KARACHI LAHORE ISLAMABAD

Unconsolidated

Statement of Financial Position

As at December 31, 2017

2017	2016		Note	2017	2016
(US $ in '000)				(Rupees in '000)	
		ASSETS			
1,246	2,916	Cash and balances with treasury banks	5	**137,609**	322,004
675	17,542	Balances with other banks	6	**74,549**	1,936,970
21,925	4,511	Lendings to financial institutions	7	**2,420,909**	498,065
69,542	150,861	Investments - net	8	**7,678,634**	16,657,665
169,972	126,755	Advances - net	9	**18,767,825**	13,995,942
179	228	Operating fixed assets	10	**19,732**	25,160
1,699	981	Deferred tax asset - net	11	**187,551**	108,371
5,275	7,666	Other assets - net	12	**582,464**	846,420
270,513	311,460			**29,869,273**	34,390,597
		LIABILITIES			
–	–	Bills payable		**–**	–
126,575	185,595	Borrowings	13	**13,976,083**	20,492,898
43,029	26,386	Deposits and other accounts	14	**4,751,164**	2,913,487
–	–	Sub-ordinated loans		**–**	–
–	–	Liabilities against assets subject to finance lease		**–**	–
–	–	Deferred tax liability		**–**	–
6,211	5,032	Other liabilities	15	**685,802**	555,655
175,815	217,013			**19,413,049**	23,962,040
94,698	94,447	**NET ASSETS**		**10,456,224**	10,428,557
		REPRESENTED BY			
		Shareholders' equity			
54,339	54,339	Share capital	16	**6,000,000**	6,000,000
12,243	11,391	Reserves		**1,351,812**	1,257,721
29,943	29,279	Unappropriated profit		**3,306,156**	3,232,896
96,525	95,009			**10,657,968**	10,490,617
(1,827)	(562)	Deficit on revaluation of assets - net of deferred tax	17	**(201,744)**	(62,060)
94,698	94,447			**10,456,224**	10,428,557
		CONTINGENCIES AND COMMITMENTS	18		

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

President/Chief Executive **Chief Financial Officer** **Director** **Director** **Director**

Unconsolidated

Profit and Loss Account

For the Year ended December 31, 2017

2017	2016		Note	2017	2016
(US $ in '000)				(Rupees in '000)	
13,237	14,406	Mark-up / return / interest earned	19	**1,461,566**	1,590,722
8,225	9,814	Mark-up / return / interest expensed	20	**908,144**	1,083,660
5,012	4,592	Net mark-up / return / interest income		**553,422**	507,062
480	722	Provision against non-performing loans and advances - net	9.4	**52,984**	79,717
797	158	Provision for diminution in the value of investments	8.10	**88,011**	17,394
–	–	Bad debts written-off directly		**–**	–
1,277	880			**140,995**	97,111
3,735	3,712	**Net mark-up / return / interest income after provisions**		**412,427**	409,951
		Non mark-up / interest income			
460	980	Fee, commission and brokerage income		**50,779**	108,218
1,270	2,807	Dividend income		**140,275**	309,964
–	–	Income from dealing in foreign currencies		**–**	–
3,211	7,438	Gain on sale of securities - net	21	**354,591**	821,232
–	(7)	Unrealised gain / (loss) on revaluation of investments classified as held for trading - net		**10**	(782)
388	(18)	Other income	22	**42,801**	(1,975)
5,329	11,200	**Total non mark-up / interest income**		**588,456**	1,236,657
9,064	14,912			**1,000,883**	1,646,608
		Non mark-up / interest expenses			
2,523	2,660	Administrative expenses	23	**278,554**	293,714
337	(453)	Other provisions / write offs - net		**37,169**	(50,000)
129	627	Provision for Sindh Workers' Welfare Fund	24	**14,244**	69,285
–	10	Other charges	25	**–**	1,085
2,989	2,844	**Total non mark-up / interest expenses**		**329,967**	314,084
6,075	12,068			**670,916**	1,332,524
–	–	Extraordinary items / unusual items		**–**	–
6,075	12,068	**Profit before taxation**		**670,916**	1,332,524
2,030	2,999	Taxation - Current	26	**224,176**	331,191
367	455	- Prior years	26	**40,570**	50,197
(582)	(95)	- Deferred	26	**(64,286)**	(10,522)
1,815	3,359			**200,460**	370,866
4,260	8,709	**Profit after taxation**		**470,456**	961,658
				(Rupees)	
		Earnings per share - basic and diluted	27	**0.78**	1.60

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

President/Chief Executive **Chief Financial Officer** **Director** **Director** **Director**

Unconsolidated

Statement of comprehensive income

For the Year ended December 31, 2017

2017 (US $ in '000)	2016 (US $ in '000)		2017 (Rupees in '000)	2016 (Rupees in '000)
4,260	8,709	**Profit for the year after taxation**	**470,456**	961,658
		Other comprehensive (loss) / income - net		
		Items that will be reclassified to profit or loss in subsequent periods		
(40)	59	Remeasurement (loss) / gain on defined benefit plan	**(4,436)**	6,481
12	(18)	Related impact of related deferred tax	**1,331**	(1,944)
(28)	41		**(3,105)**	4,537
4,232	8,750	**Other comprehensive income transferred to equity**	**467,351**	966,195
		Components of comprehensive income not reflected in equity		
		Items that are not to be reclassified to profit or loss in subsequent periods		
(1,265)	(199)	Movement in deficit on revaluation of available-for-sale financial assets - net of deferred tax *	**(139,684)**	(21,939)
2,967	8,551	**Total comprehensive income for the year**	**327,667**	944,256

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

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

President/Chief Executive **Chief Financial Officer** **Director** **Director** **Director**

Unconsolidated

Cash Flow Statement

For the Year ended December 31, 2017

2017 (US $ in '000)	2016 (US $ in '000)		Note	2017 (Rupees in '000)	2016 (Rupees in '000)
		CASH FLOWS FROM OPERATING ACTIVITIES			
6,075	12,068	Profit before taxation		**670,916**	1,332,524
1,270	2,807	Less: Dividend income		**140,275**	309,964
4,805	9,261			**530,641**	1,022,560
		Adjustments for non-cash charges and other items			
87	152	Depreciation	10.1	**9,641**	16,799
7	11	Amortisation	10.2	**826**	1,203
129	627	Provision for Sindh Workers' Welfare Fund	24	**14,244**	69,285
480	722	Provision against non-performing loans and advances - net	9.4	**52,984**	79,717
797	158	Provision for diminution in the value of investments	8.10	**88,011**	17,394
(1)	(9)	Gain on sale of property and equipment	22	**(77)**	(1,007)
(818)	–	Gain on disposal of held-for-sale investment	8.12.1	**(90,375)**	–
–	7	Unrealised gain / (loss) on revaluation of investments classified as held for trading - net	8.1	**(10)**	782
681	1,668			**75,244**	184,173
5,486	10,929			**605,885**	1,206,733
		(Increase) / decrease in operating assets			
(13,339)	(2,247)	Lendings to financial institutions		**(1,472,844)**	(248,065)
2,806	(1,512)	Investments in held-for-trading securities		**309,880**	(166,974)
(43,697)	(34,762)	Advances		**(4,824,867)**	(3,838,318)
1,473	4,787	Other assets (excluding current taxation)		**162,614**	528,582
(52,757)	(33,734)			**(5,825,217)**	(3,724,775)
		Increase / (decrease) in operating liabilities			
(59,020)	53,880	Borrowings		**(6,516,815)**	5,949,306
16,643	(11,817)	Deposits and other accounts		**1,837,677**	(1,304,802)
1,050	(1,652)	Other liabilities		**115,903**	(182,441)
(41,327)	40,411			**(4,563,235)**	4,462,063
(88,598)	17,606			**(9,782,567)**	1,944,021
(2,470)	(3,557)	Income tax paid		**(272,717)**	(392,796)
(91,068)	14,049	**Net cash (used in) / generated from operating activities**		**(10,055,284)**	1,551,225
		CASH FLOWS FROM INVESTING ACTIVITIES			
45,927	(7,574)	Net investments in available for sale securities		**5,071,069**	(836,254)
(542)	1,719	Net investments in held to maturity securities		**(59,812)**	189,811
38,640	8,434	Net divestment from associates		**4,266,488**	931,255
(8,376)	–	Net investment in subsidiaries		**(924,842)**	–
2,404	–	Proceeds from disposal of investment classified as held for sale		**265,375**	–
1,316	2,773	Dividend income received		**145,152**	306,212
(46)	(106)	Fixed capital expenditure		**(5,069)**	(11,668)
1	11	Proceeds from disposal of property and equipment		**107**	1,179
79,324	5,257	Net cash generated from investing activities		**8,758,468**	580,535
		CASH FLOWS FROM FINANCING ACTIVITIES			
(2,717)	(1,811)	Dividend paid		**(300,000)**	(200,000)
(2,717)	(1,811)	**Net cash used in financing activities**		**(300,000)**	(200,000)
(14,461)	17,495	**Increase in cash and cash equivalents**		**(1,596,816)**	1,931,760
22,722	5,228	Cash and cash equivalents at the beginning of the year		**2,508,974**	577,214
8,261	22,723	**Cash and cash equivalents at the end of the year**	28	**912,158**	2,508,974

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

President/Chief Executive **Chief Financial Officer** **Director** **Director** **Director**

Unconsolidated

Statement of Changes in Equity

For the Year ended December 31, 2017

	Share capital	Capital reserve Statutory reserve	Revenue reserve Unappropriated profit	Total
	(Rupees in '000)			
As at January 01, 2016	6,000,000	1,065,388	2,659,034	9,724,422
Profit after taxation for the year ended December 31, 2016	–	–	961,658	961,658
Other comprehensive income	–	–	4,537	4,537
Total comprehensive income for the year ended December 31, 2016	–	–	966,195	966,195
Transfer to statutory reserve	–	192,333	(192,333)	–
Transaction with owners, recorded directly in equity				
Final cash dividend paid for the year ended December 31, 2015 @ Re. 0.33 per share	–	–	(200,000)	(200,000)
As at December 31, 2016	**6,000,000**	**1,257,721**	**3,232,896**	**10,490,617**
Profit after taxation for the year ended December 31, 2017	–	–	470,456	470,456
Other comprehensive income	–	–	(3,105)	(3,105)
Total comprehensive income for the year ended December 31, 2017	–	–	467,351	467,351
Transfer to statutory reserve	–	94,091	(94,091)	–
Transaction with owners, recorded directly in equity				
Final cash dividend paid for the year ended December 31, 2016 @ Re. 0.50 per share	–	–	(300,000)	(300,000)
As at December 31, 2017	**6,000,000**	**1,351,812**	**3,306,156**	**10,657,968**

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

President/Chief Executive **Chief Financial Officer** **Director** **Director** **Director**

Notes to and forming part of the Unconsolidated Financial Statements

For the Year ended December 31, 2017

1 LEGAL STATUS AND NATURE OF BUSINESS

Pak Brunei Investment Company Limited (the Company) is a Development Finance Institution (DFI) which was incorporated in Pakistan as an unlisted public limited company on November 28, 2006 under the (now repealed) Companies Ordinance, 1984. The State Bank of Pakistan (SBP) granted the approval for commencement of business with effect from August 20, 2007. The Company is a joint venture between the Government of Pakistan (GoP) and the Brunei Investment Agency (BIA). The Company's objectives interalia include making investments in the industrial and agro-based industrial fields in Pakistan on a commercial basis through carrying out industrial and agro-based industrial projects and marketing of their products in Pakistan and abroad and to undertake other feasible business and to establish and acquire companies to conduct various businesses. The registered office of the Company is situated at Horizon Vista, plot no. Commercial 10, Block 4, Scheme 5, Clifton, Karachi, Pakistan. The Company is in operation with 2 offices (December 31, 2016: 2) one located in Karachi and the other in Lahore.

2 STATEMENT OF COMPLIANCE

2.1 These unconsolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the requirements of the Banking Companies Ordinance, 1962 and the directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the directives issued by the SBP and the SECP differ with the requirements of IFRSs, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives issued by the SBP and the SECP prevail.

The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the SECP vide its circular no. 23 dated October 4, 2017, these financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

2.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for DFIs through BSD Circular no. 11 dated September 11, 2002 till further instructions. In addition, the Securities and Exchange Commission of Pakistan has deferred the applicability of International Financial Reporting Standard 7, Financial Instruments: Disclosures (IFRS 7) vide SRO 411(I) / 2008 dated April 28, 2008 till further orders. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

2.3 IFRS 8, 'Operating Segments' is effective for the Company's accounting period beginning on or after January 01, 2009. All DFIs in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Company believes that as the SBP has defined the segment categorization in the above mentioned circular, the SBP's requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.

2.4 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2017 but are considered not to be relevant or do not have any significant effect on the Company's operations and, therefore, not detailed in these financial statements.

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

The following revised standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned below against the respective standard, amendments or interpretations:

Standard or interpretation	Effective date (annual periods beginning on or after)
- IFRS 9 - Financial Instruments	July 1, 2018
- IFRS 15 - Revenue from contracts with customers	July 1, 2018
- IFRS 16 - Leases	January 1, 2019

The management is in the process of assessing the impact of these standards on the financial statements of the Company.

Furthermore, the SBP vide its circular 2 of 2018 dated January 25, 2018 has specified the new reporting format for financial statements of banking companies / DFIs. The new format has revised the disclosure requirements and will become applicable for the annual financial statements of the Company for the year ending December 31, 2018. The management is currently in the process of assessing the impact the new format will have on the financial statements of the Company.

There are certain other new and amended standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2018 but are considered not to be relevant or will not have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

3 BASIS OF PRESENTATION

3.1 Accounting convention

These unconsolidated financial statements have been prepared under the historical cost convention except that certain investments have been marked to market and are carried at fair values. In addition, the obligation in respect of staff retirement benefit is carried at present value of defined benefit obligation.

3.2 US Dollar equivalent

The US dollar amounts shown in the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income and unconsolidated cash flow statement are provided as additional information solely for the convenience of users of financial statements. For the purpose of conversion to US Dollars, the rate of Rs 110.4172 to US Dollars has been used for both 2017 and 2016, as it was the prevalent rate on December 31, 2017.

3.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pakistani Rupee which is the Company's functional and presentation currency.

3.4 Critical accounting estimates and judgements

The preparation of the financial statements in conformity with the approved accounting standards as applicable in Pakistan requires the management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgement in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions 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 revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgements were made by the management in the application of accounting policies are as follows:

i) classification and valuation of investments (notes 4.3 and 8);

ii) classification and provisioning against loans and advances (notes 4.5 and 9);

iii) provision for taxation (notes 4.10 and 26);

iv) accounting for defined benefit plan (notes 4.12 and 30);

v) residual values, depreciation / amortisation methods and useful lives of operating fixed assets (notes 4.6 and 10); and

vi) impairment of assets (note 4.7).

3.5 Separate financial statements

Furthermore, these unconsolidated financial statements represent the separate financial statements of the Company in which investment in subsidiaries and associates are stated at cost. The consolidated financial statements of the Company and its subsidiaries are presented separately.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

4.1 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement represent cash in hand, balances with treasury banks, balances with other banks in current and deposit accounts and short-term highly liquid investments with original maturities of three months or less.

4.2 Lendings to / borrowings from financial and other institutions

The Company enters into repurchase agreements (repo) and reverse repurchase agreements (reverse repo) at contracted rates for a specified period of time. These are recorded as under:

(a) Sale of securities under repurchase agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the unconsolidated financial statements and are measured in accordance with accounting policies for investment securities. The counterparty liability for amounts received under these agreements is included in borrowings. The difference between sale and repurchase price is treated as mark-up / return / interest expense and accrued over the life of the repo agreement using effective interest method.

(b) Purchase of securities under resale agreements
Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the unconsolidated financial statements as the Company does not obtain control over the securities. Amounts paid under these agreements are included in lendings to financial institutions. The difference between purchase and resale price is treated as mark-up / return / interest income and accrued over the life of the reverse repo agreement using effective interest method.

4.3 Investments (other than in subsidiaries and associates)

4.3.1 Classification
The Company classifies its investment portfolio, other than investments in subsidiaries and associates, into the following categories:

Held-for-trading
These represent securities which are either acquired for the purpose of generating profit from short-term fluctuations in market prices, interest rates or dealers' margins or are securities included in a portfolio in which a pattern of short-term profit making exists and are intended to be sold within 90 days of acquisition.

Held-to-maturity
These are securities with fixed or determinable payments and fixed maturity which the Company has the positive intent and ability to hold till maturity.

Available-for-sale
These are investments (other than those in subsidiaries and associates) that do not fall under the held-for-trading or held-to-maturity categories.

4.3.2 Initial measurement
All purchases and sales of investments that require delivery within the time frame established by regulations or market conventions are recognised at the trade date. Trade date is the date on which the Company commits to purchase or sell the investment.

Investments classified as held-for-trading are initially recognised at fair value, and transaction costs are expensed in the unconsolidated profit and loss account. Investments, other than those categorised as held-for-trading, are initially recognised at fair value which includes transaction costs associated with the investments.

4.3.3 Subsequent measurement

Held-for-trading
These are subsequently measured at fair value. Any unrealised surplus / deficit arising on revaluation is taken to the unconsolidated profit and loss account.

Held-to-maturity
These are carried at amortised cost using the effective interest method, less any impairment recognised to reflect irrecoverable amounts.

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

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

4.4 Investments in subsidiaries and associates

Investments in subsidiaries and associates are valued at cost less impairment, if any. A reversal of an impairment loss on subsidiaries and associates is recognised as it arises provided the increased carrying value does not exceed cost.

Gains and losses on disposal of investments in subsidiaries and associates are included in the unconsolidated profit and loss account in the period in which disposal is made.

4.5 Advances

Advances are stated net of specific and general provisions which are charged to the unconsolidated profit and loss account. Specific provisions are made in accordance with the requirements of the Prudential Regulations issued by the SBP which prescribe an age-based criteria for classification of non-performing loans and advances and computing provision / allowance there against. The Company also performs a subjective evaluation of its advances which is based on various factors including the historical repayment pattern, past dues, delinquency in the account, financial position of the borrowers, etc. as prescribed under the Prudential Regulations. General provision is maintained against financing to small enterprises as per the requirements of the Prudential Regulations. Advances are written-off where there are no realistic prospects of recovery.

Leases are classified as finance leases when the Company transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessee. A receivable is recognised at an amount equal to the present value of minimum lease payments, including guaranteed residual value, if any. The net investment in finance lease is included in advances to customers.

4.6 Operating fixed assets

4.6.1 Property and equipment

Owned assets
Operating fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged to the unconsolidated profit and loss account using the straight line method at the rates stated in note 10.1 after taking into account residual values, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date. Depreciation is charged from the date when the asset is available for use while no depreciation is charged on the date the asset is disposed of.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured. All other repair and maintenance expenditure are charged to the profit and loss account as and when incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gain / loss on disposal of fixed assets is recognised in the unconsolidated profit and loss account in the period in which disposal is made.

Leased assets
Assets held under finance lease are accounted for by recording the assets and the related liability. These are recorded at the lower of fair value and the present value of minimum lease payments at the inception of lease and are subsequently stated net of accumulated depreciation.

Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding finance lease liability.

Depreciation is charged on leased assets on a basis similar to that of owned assets.

4.6.2 Intangibles

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised using the straight line method at the rate stated in note 10.2. The residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, at each reporting date. Amortisation is charged from the date the asset is available for use while no amortisation is charged on the date the asset is disposed of.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Gains and losses on disposals, if any, are taken to the unconsolidated profit and loss account in the period in which these arise.

4.6.3 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during the installation and construction / development period is carried under this head. These are transferred to the relevant categories of assets as and when assets become available for use.

4.7 Impairment

4.7.1 Impairment of available-for-sale and held-to-maturity investments

Impairment loss in respect of investments categorised as available-for-sale (except term finance certificates and sukuks) and held-to-maturity is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. For available-for-sale financial assets when such an impairment arises, the cumulative loss that has been recognised directly in surplus / deficit on revaluation of securities on the statement of financial position below equity is removed therefrom and recognised in the unconsolidated profit and loss account. For investments classified as held-to-maturity, the impairment loss is recognised in the unconsolidated profit and loss account.

For listed equity securities, a significant or prolonged decline in fair value below cost is also considered to be an objective evidence of impairment. For 'significance', a threshold of 30% and for 'prolonged' a time period of one year has been set, above and after which, decline in value of the instrument is considered for impairment. However, the determination of what is significant or prolonged requires further judgment. In making this judgment, the Company evaluates, among other factors, the normal volatility in share prices (in the case of listed equity securities), the financial condition of investees, industry and sector performance and changes in technology. A subsequent increase in the fair value of a previously impaired quoted equity security is recorded in the statement of financial position in the surplus / deficit on revaluation of securities account and only recorded through the profit and loss account when realised on disposal. For unquoted equity securities, a decline in the carrying value is charged to the unconsolidated profit and loss account. Any subsequent increase in the carrying value upto the cost of the investment is credited to the unconsolidated profit and loss account.

In case of debt securities, provisions for diminution in the value are made as per the ageing criteria prescribed under the Prudential Regulations issued by the SBP. When a debt security classified as available-for-sale is considered to be impaired, the balance in the surplus/deficit on revaluation of securities account is transferred to the profit and loss account as an impairment charge. If, in a subsequent period, the fair value of the debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the unconsolidated profit and loss account.

Provision for diminution in the value of other securities is made after considering objective evidence of impairment.

4.7.2 Impairment of investments in subsidiaries and associates

The Company considers that a decline in the recoverable value of its investments in subsidiaries and associates below their cost may be evidence of impairment. Recoverable value is calculated as the higher of fair value less costs to sell and value in use. An impairment loss is recognised when the recoverable amount falls below the carrying value and is charged to the profit and loss account. Any subsequent reversal of an impairment loss, up to the cost of the investment in subsidiaries and associates is credited to the unconsolidated profit and loss account.

4.7.3 Impairment of non-financial assets (excluding deferred tax)

The carrying amounts of non-financial assets (other than deferred tax asset) are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists and where the carrying value exceeds the estimated recoverable amounts, assets are written down to their recoverable amounts and any resultant impairment losses are recognised immediately in the unconsolidated profit and loss account.

Impairment losses are reversed if there has been a change in the estimate used to determine the recoverable amounts. Such reversals are only made to the extent that the assets' carrying amounts do not exceed the amounts that would have been determined had no impairment loss been recognised.

4.8 Assets classified as held-for-sale

The Company classifies an asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

A held for sale asset is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognised in the unconsolidated profit and loss account for any initial or subsequent write down of the asset to fair value less costs to sell. Subsequent gains in fair value less costs to sell are recognised to the extent these do not exceed the cumulative impairment losses previously recorded. An asset is not depreciated while classified as held for sale.

4.9 Assets acquired in satisfaction of claims

The Company occasionally acquires assets in settlement of certain advances. These are stated at the lower of the net realisable value of the related advances or the fair value of such assets.

4.10 Taxation

Income tax expense comprises charge for current and prior years and deferred tax. Income tax expense is recognised in the unconsolidated profit and loss account except to the extent that it relates to items recognised directly in equity in which case it is recognised in equity.

4.10.1 Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

4.10.2 Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the amounts attributed to the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is calculated at the tax rates that are expected to be applicable to the temporary differences when these reverse based on the tax rates that have been enacted or substantively enacted as at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and any unused tax losses to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carry forward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Deferred tax liabilities are recognised for all taxable temporary differences.

"Deferred tax relating to gain / loss recognised in 'surplus / deficit on revaluation of assets' or items recognised in other comprehensive income (OCI) is charged / credited to 'surplus / deficit on revaluation of assets' or OCI, as the case may be."

4.11 Borrowings / deposits

Borrowings / deposits are recorded at the amount of proceeds received. The cost of borrowings / deposits is recognised as an expense in the period in which it is incurred. Any difference between the proceeds and the redemption value is recognised in the unconsolidated profit and loss account over the period of the borrowings / deposits using the effective interest method.

4.12 Staff retirement benefits

Defined benefit plan - staff gratuity fund
The Company operates a funded gratuity scheme for its eligible permanent employees. The liability recognised in the unconsolidated statement of financial position in respect of defined benefit gratuity scheme, is the present value of the defined benefit obligation as at the reporting date less the fair value of plan assets. Contributions to the fund are made on the basis of actuarial recommendations using the Projected Unit Credit Method under which the cost of providing gratuity is charged to the unconsolidated profit and loss account so as to spread the cost over the service lives of the employees. Valuations are conducted by an independent actuary with the last valuation conducted on December 31, 2017.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period. Past service cost is the change in the present value of defined benefit obligation resulting from a plan amendment or curtailment and is recognised as an expense in the unconsolidated profit and loss account when the plan amendment or curtailment occurs. Actuarial gains and losses that arise out of experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income with no subsequent recycling through the unconsolidated profit and loss account.

Defined contribution plan - staff provident fund
The Company operates a provident fund scheme for its employees. Equal monthly contributions are made into the Fund both by the Company and the employees at the rate of 10% of basic salary.

4.13 Financial instruments

Financial assets and liabilities carried on the statement of financial position include cash and bank balances, lendings to financial institutions, investments, advances, certain receivables, borrowings from financial institutions, deposits and certain payables. Financial assets and liabilities are recognised at the time when the Company becomes party to the contractual provision of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of ownership of the asset. Financial liabilities are de-recognised when obligation specific in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognised in the unconsolidated profit and loss account in the period in which these are derecognised. The particular recognition and subsequent measurement methods for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

Derivative financial instruments
Derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. These are carried as assets when the fair value is positive and liabilities when the fair value is negative. Any change in the fair value of derivative instruments arising during the period is taken to the unconsolidated profit and loss account.

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

4.14 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Company has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent assets are not recognised and are also not disclosed unless an inflow of economic benefits is probable. Contingent liabilities are not recognised and are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

4.15 Commitments

Commitments for capital expenditure contracted for but not incurred are disclosed in the financial statements at committed amounts.

4.16 Revenue recognition

Revenue is recognised to the extent that the economic benefits associated with the transaction will flow to the Company and the amount can be measured reliably.

- Mark-up / return / interest income on advances and investments is recognised on a time proportion basis taking into account effective yield on the instruments except in case of advances and investments classified as non-performing under the SBP's Prudential Regulations on which mark-up / return / interest is recognised on a receipt basis.

- Dividend income is recognised when the Company's right to receive dividend is established.

- Fee, commission and brokerage income and remuneration for trustee and advisory services are recognised when services are rendered.

- Premium or discount on debt securities is amortised using the effective interest method.

- Gains and losses on disposal of assets are recognised in the period in which these arise.

- Return on bank deposits is recognised on a time proportion basis using the effective interest method.

4.17 Earnings per share

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

4.18 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the unconsolidated profit and loss account.

4.19 Proposed dividends and transfers between reserves

Dividends declared and transfers between reserves made subsequent to the reporting date are considered as non-adjusting events and are recognised in the unconsolidated financial statements in the period in which such dividends are declared / transfers are made.

4.20 Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing product 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 Board of Directors and Chief Executive Officer have been identified as the chief operating decision-makers, who are responsible for allocating resources and assessing the performance of the operating segments.

4.20.1 Business segments

Corporate finance
Corporate finance includes services provided in connection with mergers and acquisitions, underwriting, privatisation, securitisation, research, debts (government, high yield corporate bonds, etc.), equity, syndication, initial public offering (IPO) and secondary private placements.

Trading and sales
This includes fixed income, equity, foreign exchange, commodities, credit, funding, lending, repos and brokerage activities.

Commercial banking
Commercial banking includes project finance, real estate, export finance, trade finance, factoring, leasing, lending, guarantees, bill of exchange and deposits.

4.20.2 Geographical segments
The operations of the Company are currently based only in Pakistan.

5 CASH AND BALANCES WITH TREASURY BANKS

	Note	2017	2016
		(Rupees in '000)	
With State Bank of Pakistan in			
Local currency current account	5.1	**137,609**	322,004

5.1 This includes minimum cash reserve required to be maintained with the SBP in accordance with the requirement of BSD Circular No. 04 dated May 22, 2004.

6 BALANCES WITH OTHER BANKS

	Note	2017	2016
		(Rupees in '000)	
In Pakistan			
In deposit accounts	6.1	**74,549**	1,936,970

6.1 These carry mark-up at rates ranging between 1.73% and 5.00% per annum (2016: 3.75% to 7.00% per annum).

7 LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2017	2016
		(Rupees in '000)	
Repurchase agreement lendings (reverse repo)	7.1	**1,720,909**	248,065
Term Deposit Receipts (TDRs)	7.2	**700,000**	250,000
		2,420,909	498,065
Particulars of lendings to financial institutions			
In local currency		**2,420,909**	498,065
In foreign currency		**–**	–
		2,420,909	498,065

7.1 These carry mark-up at rates ranging between 5.80% and 6.00% per annum (2016: 5.70% per annum) and are due to mature latest by January 2, 2018 (2016: January 4, 2017).

7.2 These carry mark-up at rates ranging between 6.65% and 7.30% per annum (2016: 7.00% per annum) and are due to mature latest by January 5, 2018 (2016: February 17, 2017).

7.3 The details of securities held as collateral against lendings to financial institutions are as follows:

	2017			2016		
	(Rupees in '000)					
	Held by the company	Further given as collateral	Total	Held by the company	Further given as collateral	Total
Market Treasury Bills	**1,720,909**	**–**	**1,720,909**	248,065	–	248,065

8. INVESTMENTS – NET

8.1 Investment by types:

(Rupees in '000)

	Note	2017 Held by the Company	2017 Given as collateral	2017 Total	2016 Held by the Company	2016 Given as collateral	2016 Total
Held-for-trading securities							
Ordinary shares - listed	8.3	**16,411**	**–**	**16,411**	327,073	–	327,073
		16,411	**–**	**16,411**	327,073	–	327,073
Available-for-sale securities							
Market Treasury Bills	8.4	**2,967,052**	**–**	**2,967,052**	843,353	5,241,975	6,085,328
Pakistan Investment Bonds	8.4	**39,269**	**–**	**39,269**	156,822	2,760,267	2,917,089
Ordinary shares of listed companies	8.5	**1,043,317**	**–**	**1,043,317**	938,022	–	938,022
Ordinary shares of unlisted companies	8.6	**141,331**	**–**	**141,331**	40,581	–	40,581
Preference shares	8.7	**3,250**	**–**	**3,250**	3,250	–	3,250
Term finance certificates and sukuks	8.8	**1,501,819**	**–**	**1,501,819**	1,287,273	–	1,287,273
Units of mutual funds	8.9	**504,436**	**–**	**504,436**	–	–	–
		6,200,474	**–**	**6,200,474**	3,269,301	8,002,242	11,271,543
Held-to-maturity securities							
Commercial paper		**59,812**	**–**	**59,812**	–	–	–
Investments in subsidiaries	8.12	**2,003,372**	**–**	**2,003,372**	1,078,530	–	1,078,530
Investments in associates	8.13	**–**	**–**	**–**	4,341,488	–	4,341,488
Investments at cost		**8,280,069**	**–**	**8,280,069**	9,016,392	8,002,242	17,018,634
Less: Provision for diminution in the value of investments	8.10	**(364,171)**	**–**	**(364,171)**	(276,160)	–	(276,160)
Investments - net of provisions		**7,915,898**	**–**	**7,915,898**	8,740,232	8,002,242	16,742,474
Surplus / (deficit) on revaluation of held-for-trading securities - net		**10**	**–**	**10**	(782)	–	(782)
Deficit on revaluation of available-for-sale securities - net	17	**(237,274)**	**–**	**(237,274)**	(21,977)	(62,050)	(84,027)
Total investments - net of provisions		**7,678,634**	**–**	**7,678,634**	8,717,473	7,940,192	16,657,665

8.2 Investments by segments

	Note	2017	2016
		(Rupees in '000)	
Federal government securities			
Market Treasury Bills	8.4	**2,967,052**	6,085,328
Pakistan Investment Bonds	8.4	**39,269**	2,917,089
		3,006,321	9,002,417
Fully paid-up ordinary shares			
Listed companies	8.3 & 8.5	**1,059,728**	1,265,095
Unlisted companies	8.6 & 8.12	**1,246,331**	220,581
		2,306,059	1,485,676
Term Finance and sukuk certificates			
Listed	8.8	**19,261**	18,596
Unlisted	8.8	**1,482,558**	1,268,677
		1,501,819	1,287,273
Units of mutual funds	8.9	**504,436**	4,341,488
Modaraba certificates	8.12	**898,372**	898,530
Commercial paper		**59,812**	–
Preference shares	8.7	**3,250**	3,250
Investments at cost		**8,280,069**	17,018,634
Less: Provision for diminution in the value of investments	8.1	**(364,171)**	(276,160)
Investments - net of provisions		**7,915,898**	16,742,474
Surplus / (deficit) on revaluation of held-for-trading securities - net		**10**	(782)
Deficit on revaluation of available-for-sale securities - net	17	**(237,274)**	(84,027)
Total investments - net of provisions		**7,678,634**	16,657,665

8.3 Particulars of investments in ordinary shares of listed companies - held for trading

Name of investee company / modaraba / mutual fund	2017 Number of ordinary shares / certificates held	2016 Number of ordinary shares / certificates held	2017 Cost (Rupees in '000)	2016 Cost (Rupees in '000)
Oil and gas marketing companies				
Hascol Petroleum Limited	–	65,000	–	22,094
Oil and gas exploration companies				
Pakistan Oilfields Limited	–	9,500	–	5,161
Power generation and distribution				
The Hub Power Company Limited	–	2,000	–	250
Commercial banks				
Askari Bank Limited	–	100,500	–	2,487
Bank Alfalah Limited	–	14,500	–	541
Habib Bank Limited	–	500	–	131
MCB Bank Limited	–	1,000	–	232
National Bank of Pakistan	–	10,000	–	739
The Bank of Punjab	–	6,241,500	–	109,163
Automobile assembler				
Ghandara Nissan Limited	**106,200**	–	**16,411**	–
Cement				
Cherat Cement Company Limited	–	9,000	–	1,554
D.G. Khan Cement Company Limited	–	34,500	–	7,523
Pioneer Cement Limited	–	1,000	–	140
Fertilizer				
Fauji Fertilizer Bin Qasim Limited	–	1,000	–	50
Fauji Fertilizer Company Limited	–	500	–	52
Food and personal care products				
Engro Foods Limited	–	2,000	–	359
Textile composite				
Nishat (Chunian) Limited	–	2,500	–	153
Cable and electrical goods				
Pak Elektron Limited	–	115,000	–	7,842
TPL Trakker Limited	–	1,501,500	–	26,160
Engineering				
Amreli Steels Limited	–	199,000	–	13,418
Technology and communication				
TRG Pakistan Limited	–	2,864,000	–	129,024
Carrying value (before revaluation and provision) of listed shares 'held-for-trading'			**16,411**	327,073
Less: Provision for diminution in the value of investments			**–**	–
Add: Surplus / (deficit) on revaluation of listed securities			**10**	(782)
Market value			**16,421**	326,291

8.3.1 The nominal value of each share held in a listed company is Rs.10 per share except for K-Electric Limited and Hum Television Network which are Rs.3.50 and Re.1 respectively.

8.4 Particulars of investments in Federal Government Securities

	2017	2016
	(Rupees in '000)	
Available-for-sale		
Market Treasury Bills	**2,967,052**	6,085,328
Pakistan Investment Bonds	**39,269**	2,917,089
Carrying value (before revaluation)	**3,006,321**	9,002,417
Surplus / (deficit) on revaluation of securities	**411**	(62,417)
Market value	**3,006,732**	8,940,000

8.4.1 Market Treasury Bills and Pakistan Investment Bonds are held with the SBP and are eligible for rediscounting. Market Treasury Bills embody effective yield ranging between 5.90% and 5.99% (2016: 5.78% to 5.90%) per annum and will mature within 3 months (2016: 12 months). Pakistan Investment Bonds carry mark-up ranging between 6.24% and 12.09% (2016: 7.84% to 13.07%) per annum on a semi-annual basis and will mature within 9 years. Certain government securities are kept with the SBP to meet the statutory liquidity requirement calculated on the basis of demand and time liabilities.

8.5 Particulars of investments in ordinary shares of listed companies - available-for-sale

Name of investee company / modaraba / mutual fund	2017	2016	2017	2016
	Number of ordinary shares / certificates held		Cost (Rupees in '000)	
Oil and gas marketing companies				
Sui Southern Gas Company Limited	–	1,000,000	–	44,018
Sui Northern Gas Pipelines Limited	–	600,000	–	40,897
Commercial banks				
Askari Bank Limited	500,000	–	10,866	–
Bank Alfalah Limited	–	500,000	–	17,385
Faysal Bank Limited	–	1,500,000	–	34,630
Habib Bank Limited	225,000	–	52,395	–
Power generation and distribution				
The Hub Power Company Limited	174,000	200,000	22,125	24,106
K-Electric Limited	9,000,000	–	78,932	–
Kot Addu Power Company Limited	515,500	400,000	38,139	34,957
Nishat Power Limited	1,421,000	–	67,779	–
Cement				
D.G. Khan Cement Company Limited	237,000	–	43,633	–
Dewan Cement Limited	3,633,000	550,000	85,435	16,982
Fauji Cement Company Limited	–	591,000	–	24,805
Pioneer Cement Limited	–	200,000	–	27,896
Chemicals				
Agritech Limited	1,657,214	1,657,214	49,507	49,507
Akzo Nobel Pakistan Limited	–	50,000	–	12,616
Berger Paints Pakistan Limited	87,000	162,000	17,982	33,663
Buxly Paints Limited	105,000	54,000	14,652	6,276
Engro Polymer and Chemicals Limited	–	100,000	–	1,061
Ghani Gases Limited	–	500,000	–	12,003
ICI Pakistan Limited	25,000	25,000	23,055	23,055
Lotte Chemical Pakistan Limited	–	2,000,000	–	18,167
Nimir Resins Limited	–	1,000,000	–	13,658
Automobile assembler				
Ghandara Nissan Limited	170,000	–	47,142	–
Automobile parts and accessories				
Thal Limited	–	35,000	–	16,055
Transport				
Pakistan International Airlines Corporation Limited "A"	–	1,000,000	–	9,596
Food and personal care products				
Al Shaheer Corporation Limited	1,150,000	–	51,191	–
Engro Foods Limited	580,000	–	64,126	–
Paper and board				
Century Paper & Board Mills Limited	–	180,000	–	11,348
Fertilizers				
Engro Corporation Limited	–	350,000	–	118,547
Engro Fertilizers Limited	250,000	375,000	17,833	26,627
Fauji Fertilizer Bin Qasim Limited	–	1,430,000	–	80,988
Fauji Fertilizer Company Limited	–	195,500	–	22,738
Textile composite				
Kohinoor Textile Mills Limited	500,000	–	46,105	–
Nishat (Chunian) Limited	–	500,000	–	29,748
Towellers Limited	440,000	–	47,986	–

Name of investee company / modaraba / mutual fund	2017	2016	2017	2016
	Number of ordinary shares / certificates held		Cost (Rupees in '000)	
Textile weaving				
Zephyr Textile Limited	950,000	–	19,950	–
Cable and electrical goods				
Pak Elektron Limited	900,000	600,000	60,320	47,044
Singer Pakistan Limited	–	100,000	–	4,600
TPL Trakker Limited	–	1,345,500	–	21,667
Pharmaceuticals				
Ferozsons Laboratories Limited	94,000	–	39,441	–
The Searle Company Limited	2,300	25,000	940	14,303
Engineering				
Aisha Steel Mills Limited	500,000	1,000,000	11,950	15,184
Amreli Steels Limited	200,000	200,000	25,561	15,186
Crescent Steel and Allied Products Limited	216,000	–	37,756	–
Dadex Eternit Limited	–	17,500	–	1,402
International Industries Limited	135,000	–	45,212	–
Mughal Iron and Steel Industries Limited	127,000	100,000	10,152	9,704
Insurance				
IGI Insurance Limited	15,000	–	4,947	–
Glass and ceramics				
Shabbir Tiles & Ceramics Limited	–	500,000	–	6,167
Tariq Glass Industries Limited	–	75,000	–	7,731
Leasing companies				
Orix Leasing Pakistan Limited	–	445,000	–	21,707
Investment banks / investment companies / securities companies				
Pakistan Stock Exchange Limited	176,994	–	4,955	–
Trust Investment Bank Limited	325,000	325,000	3,250	3,250
Miscellaneous				
Pace (Pakistan) Limited	–	1,500,000	–	18,748
Carrying value (before revaluation and provision) of listed shares 'available-for-sale'			1,043,317	938,022
Less: Provision for diminution in value of investments			(110,996)	(30,527)
Less: Deficit on revaluation of listed securities			(206,404)	(21,610)
			725,917	885,885

8.5.1 The nominal value of each share held in a listed company is Rs 10 per share except for K-Electric Limited which is Rs 3.50 per share.

8.6 Particulars of investments in ordinary shares of unlisted companies - available for sale

(Rupees in '000)

Name of investee company	Name of Chief Executive	2017	2016	2017	2016
		Number of shares held		Cost	
OBS Pakistan (Private) Limited Break-up value: Rs 179 Holding: 4.67%	Mr. Tariq Moinuddin Khan	724,200	–	120,000	–
Omer Jibran Engineering Industries Limited [2016: Break-up value: Rs 17.70] Holding: Nil% (2016: 5.64%)	Mr. Feroz Khan	–	1,925,000	–	19,250
Pakistan Mercantile Exchange Limited Break-up value: Rs. (2.51) [2016: Rs (2.05)] Holding: 6.8% (2016: 7.74%)	Mr. Ejaz Ali Shah	2,133,115	2,133,115	21,331	21,331
				141,331	40,581
Less: Provision for diminution in value of investments				(21,331)	(21,331)
				120,000	19,250

8.7 Particulars of investment in unlisted preference shares - available-for-sale

Name of investee company	Note	December 31, 2017	December 31, 2016	Cost as at December 31 2017	Cost as at December 31, 2016
		No. of shares held		(Rupees in 000)	
Trust Investment Bank Limited	8.7.1	**325,000**	325,000	**3,250**	3,250
Carrying value (before revaluation and provision) of preference shares 'available-for-sale'				**3,250**	3,250
Less: Provision for diminution in the value of investments				**(3,250)**	(3,250)
				–	–

8.7.1 These are cumulative, convertible, redeemable and non-participatory preference shares of Rs 10 each which carry dividend at the rate of 6 months kibor + 1% per annum.

8.8 Particulars of investments in Term Finance Certificates (TFCs) and Sukuks - available-for-sale

Name of the investee	Rate of interest (% per annum)	Profit payment	Maturity	Number of certificates held	Paid-up value per redemption (Rupees)	Total paid-up value (before redemption) (Rupees in '000)	As at December 31, 2017	Name of Chief Executive
Listed Term Finance Certificates								
Real estate developers								
Pace Pakistan Limited *	6 month Kibor+2.00%	Semi-annually	15-Feb-17	115	5,000	575	**575**	Ms. Aamna Taseer
Telecommunication								
World Call Telecom Limited *	6 month Kibor+1.60%	Semi-annually	7-Oct-21	10,000	5,000	50,000	**18,686**	Mr. Babar Ali Syed
							19,261	
Unlisted TFCs								
Commercial banks								
Askari Bank Limited TFC V	6 month Kibor+1.20%	Semi-annually	30-Sep-24	43,000	5,000	215,000	**214,798**	Syed Majeedullah Husaini
Askari Bank Limited TFC IV	6 month Kibor+1.75%	Semi-annually	23-Dec-21	100	1,000,000	100,000	**99,969**	Syed Majeedullah Husaini
JS Bank Limited PPTFC	6 month Kibor+1.40%	Semi-annually	16-Dec-23	40,000	5,000	200,000	**199,818**	Mr. Khalid Imran
Bank AL Habib Limited TFC II PRP	6 month Kibor+1.50%	Semi-annually	20-Dec-27	500	1,000,000	500,000	**500,000**	Mr. Mansoor Ali Khan
Fertilizer								
Agritech Limited TFC III *	3 month Kibor+3.25%	Quarterly	1-Dec-17	9,000	5,000	45,000	**42,527**	Mr. Faisal Muzammil
Agritech Limited TFC III *	6 month Kibor+1.75%	Semi-annually	29-Nov-17	1,000	5,000	5,000	**7,432**	Mr. Faisal Muzammil
Agritech Limited TFC IV *	0%	Semi-annually	2-Jan-15	1,672	5,000	8,360	**8,360**	Mr. Faisal Muzammil
Personal goods (textiles)								
Azgard Nine Limited - PPTFC *	0%	Quarterly	28-Jun-17	5,496	5,000	27,480	**27,480**	Mr. Ahmed H. Sheikh
Azgard Nine Limited - TFC IV *	3 month Kibor+1.25%	Quarterly	18-Nov-15	15,000	5,000	75,000	**7,196**	Mr. Ahmed H. Sheikh
Azgard Nine Limited III *	6 month Kibor+1.25%	Semi-annually	4-Dec-17	5,000	5,000	25,000	**10,838**	Mr. Ahmed H. Sheikh
							1,118,418	
Unlisted sukuks								
Consumer electronics								
New Allied Electronics Industries (Private) Limited *	3 month Kibor+2.20%	Quarterly	3-Dec-12	30,000	5,000	150,000	**105,500**	Mr. Mian Pervez Akhtar
Pak Elektron Limited	3 month Kibor+1.0%	Quarterly	31-Mar-19	40,000	5,000	200,000	**62,500**	Mr. M Murad Saigol
Real estate developers								
Eden Housing (Private) Limited *	3 month Kibor+3.00%	Quarterly	29-Jun-14	66,526	5,000	332,630	**43,640**	Dr. Mohammad Amjad
Microfinance banks								
U Microfinance Bank Limited	6 month Kibor+3.50%	Semi-annually	29-Jun-24	8,000	5,000	40,000	**40,000**	Syed Umar Viqar
NRSP Microfinance Bank Limited	3 month Kibor+2.35%	Quarterly	30-Jun-18	60,000	5,000	300,000	**112,500**	Mr. Zahoor Hussain
							364,140	
Carrying value (before revaluation and provision) of TFCs and Sukuks - 'available-for-sale'							**1,501,819**	
Provision for diminution in value of investments							**(228,594)**	
Deficit on revaluation of securities - net							**–**	
Market value							**1,273,225**	

* This represents non-performing term finance certificates / sukuks against which provision has been made as per the Prudential Regulations and the directives issued by the SBP.

Name of the investee	Rate of interest (% per annum)	Profit payment	Maturity	Number of certificates held	Paid-up value per redemption (Rupees)	Total paid-up value (before redemption) (Rupees in '000)	As at December 31, 2016	Name of Chief Executive
Listed TFCs								
Real estate developers								
Pace Pakistan Limited *	6 month Kibor+2.00%	Semi-annually	15-Feb-17	115	5,000	575	**575**	Ms. Aamna Taseer
Telecommunication								
World Call Telecom Limited *	6 month Kibor+1.60%	Semi-annually	7-Oct-21	10,000	5,000	50,000	**18,021**	Mr. Babar Ali Syed
							18,596	
Unlisted TFCs								
Commercial banks								
Askari Bank Ltd. TFC V	6 month Kibor+1.20%	Semi-annually	30-Sep-24	43,000	5,000	215,000	**214,981**	Syed Majeedullah Husaini
Askari Bank Ltd. TFC IV	6 month Kibor+1.75%	Semi-annually	23-Dec-21	25	1,000,000	25,000	**25,146**	Syed Majeedullah Husaini
Bank Alfalah Ltd. TFC IV	15.00%	Semi-annually	2-Dec-17	16,000	5,000	80,000	**53,796**	Mr. Atif Bajwa
Bank Alfalah Ltd. TFC IV	6 month Kibor+2.50%	Semi-annually	2-Dec-17	32,600	5,000	163,000	**108,608**	Mr. Atif Bajwa
Standard Chartered Bank Pak Ltd. TFC	6 month Kibor+0.75%	Semi-annually	29-Jun-22	3,000	5,000	15,000	**14,794**	Mr. Shazad Dada
Fertilizer								
Agritech Limited TFC III *	3 month Kibor+3.25%	Quarterly	1-Dec-17	9,000	5,000	45,000	**42,461**	Mr. Faisal Muzammil
Agritech Limited TFC III *	6 month Kibor+1.75%	Semi-annually	29-Nov-17	1,000	5,000	5,000	**7,377**	Mr. Faisal Muzammil
Agritech Limited TFC IV *	0%	Semi-annually	2-Jan-15	1,672	5,000	8,360	**8,360**	Mr. Faisal Muzammil
Personal goods (textiles)								
Azgard Nine Limited - PPTFC *	0%	Quarterly	28-Jun-17	5,496	5,000	27,480	**27,480**	Mr. Ahmed H. Sheikh
Azgard Nine Limited - TFC IV *	3 month Kibor+1.25%	Quarterly	18-Nov-15	15,000	5,000	75,000	**7,196**	Mr. Ahmed H. Sheikh
Azgard Nine Limited *	6 month Kibor+1.25%	Semi-annually	4-Dec-17	5,000	5,000	25,000	**10,838**	Mr. Ahmed H. Sheikh
							521,037	
Unlisted sukuks								
Consumer electronics								
New Allied Electronics Industries (Private) Limited *	3 month Kibor+2.20%	Quarterly	3-Dec-12	30,000	5,000	150,000	**105,500**	Mr. Mian Pervez Akhtar
Pak Elektron Limited	3 month Kibor+1.00%	Quarterly	31-Mar-19	40,000	5,000	200,000	**112,500**	Mr. M Murad Saigol
Pak Elektron Limited	3 month Kibor+2.50%	Quarterly	25-Nov-17	136	1,000,000	136,000	**136,000**	Mr. M Murad Saigol
Real estate developers								
Eden Housing (Private) Limited *	3 month Kibor+3.00%	Quarterly	29-Jun-14	66,526	5,000	332,630	**43,640**	Dr. Mohammad Amjad
Media and communication								
Independent Media Corporation (Private) Limited	3 month Kibor+3.00%	Quarterly	5-Aug-18	50,000	5,000	250,000	**87,500**	Mr. Mir Ibrahim Rahman
Microfinance banks								
NRSP Microfinance Bank Limited	3 month Kibor+2.35%	Quarterly	30-Jun-18	60,000	5,000	300,000	**262,500**	Mr. Zahoor Hussain
							747,640	
Carrying value (before revaluation and provision) of TFCs and Sukuks - 'available-for-sale'							**1,287,273**	
Provision for diminution in value of investments							**(221,052)**	
Deficit on revaluation of securities - net							**–**	
Market value							**1,066,221**	

*This represents non-performing term finance certificates / sukuks against which provision has been made as per the Prudential Regulations and the directives issued by the SBP.

8.9 Particulars of investments in units of mutual funds - available-for-sale

(Rupees in '000)

Names of open-end mutual funds - listed	Percentage of holding 2017	Percentage of holding 2016	Number of units held 2017	Number of units held 2016	2017	2016
PIML - Income Fund	**1.14**		**93,731**		**10,066**	
PIML - Daily Reserve Fund	**89.45**		**1,246,497**		**102,163**	
PIML - Strategic Multi Asset Fund	**68.96**		**937,016**		**98,736**	
PIML - Islamic Equity Fund	**37.83**	Note 8.13	**426,464**	Note 8.13	**47,339**	Note 8.13
PIML - Islamic Income Fund	**9.74**		**100,662**		**10,341**	
PIML - Value Equity Fund	**33.32**		**386,253**		**43,281**	
PIML - Asset Allocation Fund	**66.50**		**1,496,255**		**157,510**	
Meezan Islamic Fund	**0.08**	–	**491,219**	–	**35,000**	–
					504,436	–
Less: Deficit on revaluation of securities - net					**(31,281)**	–
As at December 31, 2017					**473,155**	–

	Note	2017	2016
8.10 Particulars of provision for diminution in the value of investments		(Rupees in '000)	
Opening balance		**276,160**	258,766
Charge for the year		**88,011**	21,711
Reversal during the year		**–**	(4,317)
		88,011	17,394
Closing balance	8.10.1	**364,171**	276,160

8.10.1 Particulars of provision in respect of type and segment

Available-for-sale securities			
Ordinary shares of listed companies	8.5	**110,996**	30,527
Ordinary shares of unlisted companies	8.6	**21,331**	21,331
Preference shares	8.7	**3,250**	3,250
Term finance and sukuks certificates	8.8	**228,594**	221,052
		364,171	276,160

8.11 Quality of available-for-sale securities

(Rupees in '000)

	December 31, 2017		December 31, 2016	
	Market value / Carrying value for unlisted securities	**Rating (where available)**	Market value / Carrying value for unlisted securities	Rating (where available)
Market Treasury Bills (T-Bills)				
1 year T-Bills	**971,201**	**Government securities**	6,006,795	Government securities
6 months T-Bills	**–**		73,118	
3 months T-Bills	**1,995,838**		–	
	2,967,039		6,079,913	–
Pakistan Investment Bonds (PIBs)				
20 years PIBs	**8,773**	**Government securities**	–	Government securities
15 years PIBs	**–**		6,551	
10 years PIBs	**3,378**		2,831,806	
5 years PIBs	**23,523**		21,730	
3 years PIBs	**4,019**		–	
	39,693	**–**	2,860,087	–
Ordinary shares of listed companies				
Oil and gas marketing companies				
Sui Northern Gas Pipelines Limited	**–**	**–**	48,942	AA-
Sui Southern Gas Company Limited	**–**	**–**	36,350	A+
Commercial banks				
Askari Bank Limited	**9,655**	**AA+**	–	–
Bank Alfalah Limited	**–**	**–**	18,980	AA
Faysal Bank Limited	**–**	**–**	32,670	AA
Habib Bank Limited	**37,595**	**AAA**	–	–
Power generation and distribution				
Hub Power Company Limited	15,834	**AA+**	24,696	AA+
K-Electric Limited	56,790	**AA**	–	–
Kot Addu Power Company Limited	27,785	**AA+**	31,520	AA+
Nishat Power Limited	48,314	**A+**	–	–

(Rupees in '000)

	December 31, 2017		December 31, 2016	
	Market value / Carrying value for unlisted securities	**Rating (where available)**	Market value / Carrying value for unlisted securities	Rating (where available)
Cement				
D.G. Khan Cement Company Limited	**31,692**	**Unrated**	–	–
Dewan Cement Limited	**62,815**	**Unrated**	21,472	Unrated
Fauji Cement Company Limited	**–**	**–**	26,642	Unrated
Pioneer Cement Limited	**–**	**–**	28,418	A
Chemicals				
Agritech Limited	**8,071**	Unrated	21,013	Unrated
Akzo Nobel Pakistan Limited	**–**	**–**	11,701	Unrated
Berger Paints Pakistan Limited	**13,987**	Unrated	30,182	Unrated
Buxly Paints Limited	**10,364**	Unrated	6,480	Unrated
Engro Polymer & Chemicals Limited	**–**	**–**	1,846	A-
Ghani Gases Limited	**–**	**–**	13,115	A-
ICI Pakistan Limited	**19,199**	**Unrated**	24,843	Unrated
Lotte Chemical Pakistan Limited	**–**	**–**	16,640	Unrated
Nimir Resins Limited	**–**	**–**	11,760	Unrated
Automobile assembler				
Ghandara Nissan Limited	**26,287**	**A**	–	–
Automobile parts and accessories				
Thal Limited	**–**	**–**	17,799	Unrated
Transport				
Pakistan International Airlines Corporation Limited "A"	**–**	**–**	9,160	Unrated
Food and personal care products				
Al Shaheer Corporation Limited	**25,553**	**Unrated**	–	–
Engro Foods Limited	**46,580**	**Unrated**	–	–
Pharmaceuticals				
Ferozsons Laboratories Limited	**19,158**	**Unrated**	–	–
The Searle Company Limited	**724**	**Unrated**	16,345	Unrated
Paper and board				
Century Paper & Board Mills Limited	**–**	**–**	11,169	A+
Fertilizer				
Engro Corporation Limited	**–**	**–**	110,632	AA
Engro Fertilizers Limited	**16,930**	**AA-**	25,493	AA-
Fauji Fertilizer Company Limited	**–**	**–**	20,404	AA
Fauji Fertilizer Bin Qasim Limited	**–**	**–**	73,230	Unrated
Textile composite				
Kohinoor Textile Mills Limited	**33,125**	**A+**	–	–
Nishat (Chunian) Limited	**–**	**–**	31,215	Unrated
Towellers Limited	**54,978**	**Unrated**	–	–
Textile weaving				
Zephyr Textile Limited	**14,222**	**A-**	–	–
Cable & electrical goods				
Pak Elektron Limited	**42,741**	**A+**	42,768	A+
Singer Pakistan Limited	**–**	**–**	5,294	Unrated
TPL Trakker Limited	**–**	**–**	23,721	A-
Engineering				
Aisha Steel Mills Limited	**8,870**	**A-**	15,730	Unrated
Amreli Steels Limited	**18,532**	**A**	13,318	A
Crescent Steel & Allied Products Limited	**27,499**	**A+**	–	–
Dadex Eternit Limited	**–**	**–**	1,208	Unrated
International Industries Limited	**32,415**	**AA-**	–	–
Mughal Iron and Steel Industries Limited	**7,380**	**A-**	8,816	Unrated

(Rupees in '000)

	December 31, 2017		December 31, 2016	
	Market value / Carrying value for unlisted securities	**Rating (where available)**	Market value / Carrying value for unlisted securities	Rating (where available)
Insurance				
IGI Insurance Limited	**4,393**	**AA**	–	–
Glass and ceramics				
Shabbir Tiles & Ceramics Limited	**–**	**–**	5,580	Unrated
Tariq Glass Industries Limited	**–**	**–**	7,534	Unrated
Leasing companies				
Orix Leasing Pakistan Limited	**–**	**–**	21,063	AA+
Investment banks / investment companies / securities companies				
Pakistan Stock Exchange Limited	**3,964**	Unrated	–	–
Trust Investment Bank Limited	**465**	Unrated	1,216	Unrated
Miscellaneous				
Pace (Pakistan) Limited	**–**	**–**	16,920	Unrated
	4,429	**–**	39,199	
	725,917		885,885	
Ordinary shares of unlisted companies				
OBS Pakistan (Private) Limited	**120,000**	**Unrated**	–	–
Omer Jibran Engineering Industries Limited	**–**	**Unrated**	19,250	Unrated
Pakistan Mercantile Exchange Limited	**–**	**Unrated**	–	–
	120,000		19,250	
Preference shares				
Trust Investment Bank Limited	**–**	**Unrated**	–	–
Term Finance Certificates (TFCs) and Sukuks				
Listed TFCs and sukuks				
Real estate developers				
Pace Pakistan Limited	**–**	**Unrated**	–	–
Technology and communication				
World Call Telecom Limited	**–**	**Unrated**	–	–
	–		–	
Unlisted TFCs and Sukuks				
Commercial banks				
Bank Alfalah Limited	**–**	**–**	162,404	AA-
JS Bank Limited	**199,818**	**Unrated**	–	–
Bank AL-Habib Limited	**500,000**	**Unrated**	–	–
Askari Bank Limited	**314,767**	**AA-**	240,127	AA-
Standard Chartered Bank (Pakistan) Limited	**–**	**–**	14,794	AAA
Microfinance banks				
NRSP Microfinance Bank Limited	**112,500**	**A**	262,500	A
U Microfinance Bank Limited	**40,000**	**BBB+**	–	–
Chemical				
Agritech Limited - TFC III	**–**	**D**	–	Unrated
Textile composite				
Azgard Nine Limited - TFC V	**–**	**D**	6,756	Unrated
Real estate developers				
Eden Housing (Private) Limited	**43,640**	**Unrated**	43,640	Unrated
Cable and electrical goods				
Pak Elektron Limited	**62,500**	**A+**	248,500	A
New Allied Electronics (Private) Limited	**–**	**Unrated**	–	–
Media and communication				
Independent Media Corporation (Private) Limited	**–**	**–**	87,500	BBB-
	1,273,225		1,066,221	

(Rupees in '000)

	December 31, 2017		December 31, 2016	
	Market value / Carrying value for unlisted securities	**Rating (where available)**	Market value / Carrying value for unlisted securities	Rating (where available)
Units of mutual funds - listed				
Meezan Islamic Fund	**30,966**	**Unrated**	–	–
PIML - Income Fund	**10,137**	**A+**	–	–
PIML - Daily Reserve Fund	**102,936**	**AA**	–	–
PIML - Strategic Multi Asset Fund	**96,073**	**Unrated**	–	–
PIML - Islamic Equity Fund	**45,948**	**Unrated**	–	–
PIML - Islamic Income Fund	**10,407**	**A**	–	–
PIML - Value Equity Fund	**40,723**	**Unrated**	–	–
PIML - Asset Allocation Fund	**135,965**	**Unrated**	–	–
	473,155		–	
	5,599,029		10,911,356	

8.12 Investments in subsidiaries

(Rupees in '000)

Name of investee company	Name of Chief Executive	**2017**	2016	**2017**	2016	**Cost as at December 31, 2017**	Cost as at December 31, 2016
		Percentage of holding		Number of ordinary shares/ certificates held			
(Shares / certificates* having a face value of Rs. 10 each)							
Unlisted Public Companies - strategic investment							
AWT Investments Limited (formerly Primus Investment Management Limited)	Mr. Salman Haider Sheikh	30	100	7,500,000	25,000,000	**75,000**	250,000
Investment classified as held-for-sale (note 8.12.1)		(30)	(70)	(7,500,000)	(17,500,000)	**(75,000)**	(175,000)
		–	30	–	7,500,000	**–**	75,000
Awwal Modaraba Management Limited (AMML)	Mr. Karim Hatim	100	100	10,500,000	10,500,000	**105,000**	105,000
Primus Leasing Limited	Mr. Irfan Ahmed	100	–	100,000,000	100,000,000	**1,000,000**	–
Listed Modaraba - non-strategic investment							
Awwal Modaraba* (note 8.12.2)	Mr. Karim Hatim	89.78	89.80	89,780,566	89,797,066	**898,372**	898,530
						2,003,372	1,078,530

8.12.1 On December 14, 2016, the Company entered into an agreement with Army Welfare Trust (AWT) for sale of 17.5 million shares representing 70% shares of AWT Investments Limited (formerly Primus Investment Management Limited). During the current year, the sale transaction for these shares has been executed after obtaining necessary regulatory approvals. In this respect, the Company has received consideration of Rs 265.375 million and has recognised a gain amounting to Rs 90.375 million in the profit and loss account.

Subsequent to the acquisition of a majority shares by AWT, the name of Primus Investment Management Limited was changed to AWT Investments Limited (AWTIL) with effect from July 26, 2017.

Furthermore, on October 13,2017, the Board of Directors of the Company approved the divestment of the Company's remaining 30% shareholding in AWTIL through the exercise of the put option contained in the shareholder's agreement dated December 14, 2016 at an exercise price of Rs. 15.45 per share less discount of 6.53% on the said price. The option was formally exercised and communicated to AWT on October 24, 2017. Accordingly, the residual investment remaining in AWTIL has been classified as held-for-sale (refer note 12). Subsequent to the year end, the transaction has been approved by the SECP on March 5, 2018 and is subject to the completion of certain formalities after which the sale will be executed.

8.12.2 During the current year, the Company has obtained clarification from the Securities and Exchange Commission of Pakistan with respect to categorisation of investment in Awwal Modaraba (listed modaraba being managed by AMML which is a wholly owned subsidiary of the Company). In accordance with the clarification, the Company has retrospectively changed categorisation of its investment in Awwal Modaraba from associate to subsidiary. This change does not have any financial impact in the unconsolidated financial statements as both investments in associates and subsidiaries are stated at cost. The related party transactions have also been presented in line with the above and comparative information has been restated (refer note 36).

8.13 Investments in associates

Open-end mutual funds - listed

(Rupees in '000)

Name of investee fund	Percentage of holding 2017	Percentage of holding 2016	Number of units held 2017	Number of units held 2016	2017	2016
PIML - Income Fund	–	66.37	–	26,269,494	–	2,675,488
PIML - Daily Reserve Fund	–	14.91	–	1,282,380	–	100,000
PIML - Strategic Multi Asset Fund	–	81.47	–	2,117,878	–	258,000
PIML - Islamic Equity Fund	–	61.91	–	1,106,318	–	159,000
PIML - Islamic Income Fund	–	–	–	–	–	–
PIML - Value Equity Fund	–	66.04	–	1,086,164	–	149,000
PIML - Asset Allocation Fund	–	84.63	–	9,473,285	–	1,000,000
					–	4,341,488

8.13.1 The Company's investments in units of mutual funds being managed by AWT Investments Limited (AWTIL, formerly Primus Investment Management Limited) had previously been classified as associates. With the approval by the Board of Directors of the Company for the divestment of its residual holding in AWTIL on exercise of the put option available with the Company (as explained in note 8.12.1), the management has classified the investment in AWTIL as held-for-sale. Consequently, the investments in units of mutual funds managed by AWTIL have also been classified as available-for-sale. Furthermore, the management has recognised an amount of Rs 37.169 million in the unconsolidated profit and loss account as the difference between the fair values determined at the time of recharacterisation of investments in units of these mutual funds and their respective carrying amounts as at that date. This has been disclosed as other provisions / write offs - net in the unconsolidated profit and loss account.

9 ADVANCES - NET

	Note	2017	2016
		(Rupees in '000)	
Loans, cash credits, running finances, etc. - in Pakistan		13,511,193	9,584,579
Advances under State Bank of Pakistan:			
- Long-Term Finance Facility Scheme		3,758,417	2,626,917
- Power Plants Using Renewable Energy Scheme		254,984	171,778
- Financing for Storage of Agriculture Produce Scheme		348,708	410,115
		4,362,109	3,208,810
Net investment in finance lease - in Pakistan	9.2	1,183,597	1,438,643
Advances - gross	9.1	19,056,899	14,232,032
Provision against advances			
- Specific	9.4	(287,826)	(235,191)
- General	9.4	(1,248)	(899)
		(289,074)	(236,090)
Advances - net of provision		18,767,825	13,995,942

9.1 Particulars of advances - gross

		2017	2016
		(Rupees in '000)	
9.1.1	In local currency	19,056,899	14,232,032
	In foreign currencies	–	–
		19,056,899	14,232,032
9.1.2	Short-term (upto one year)	9,105,312	4,221,793
	Long-term (over one year)	9,951,587	10,010,239
		19,056,899	14,232,032

9.2 Net investment in Finance Lease

(Rupees in '000)

	2017 Not later than one year	2017 Later than one year and less than five years	2017 Over five years	2017 Total	2016 Not later than one year	2016 Later than one year and less than five years	2016 Over five years	2016 Total
Lease rentals receivable	481,536	488,135	–	969,671	524,736	745,736	9,938	1,280,410
Residual value	123,745	209,066	–	332,811	90,033	257,969	2	348,004
Minimum lease payments	605,281	697,201	–	1,302,482	614,769	1,003,705	9,940	1,628,414
Finance charges for future periods	(73,588)	(45,297)	–	(118,885)	(102,065)	(87,510)	(196)	(189,771)
Present value of minimum lease payments	531,693	651,904	–	1,183,597	512,704	916,195	9,744	1,438,643

9.2.1 These leases are executed for a term of 1.5 to 5 years. Security deposit has been obtained within a range of 10% to 30% of the cost of investment at the time of disbursement and has been recorded in other liabilities. The rate of return ranges from 6.20% to 18.00% per annum (2016: 7.99% to 24.00% per annum). Lease rentals are receivable in monthly / quarterly / half yearly instalments. The assets are insured in favour of the Company.

9.3 Advances include Rs 953.997 million (2016: Rs. 451.407 million) which have been placed under non-performing status as detailed below:

(Rupees in '000)

Category of classification	December 31, 2017 Classified advances Domestic	Classified advances Overseas	Classified advances Total	Provision required Domestic	Provision required Overseas	Provision required Total	Provision held Domestic	Provision held Overseas	Provision held Total
Classified portfolio									
Other assets especially mentioned	–	–	–	–	–	–	–	–	–
Substandard	196,363	–	196,363	8,335	–	8,335	8,335	–	8,335
Doubtful	309,918	–	309,918	63,403	–	63,403	63,403	–	63,403
Loss	447,716	–	447,716	216,088	–	216,088	216,088	–	216,088
	953,997	–	953,997	287,826	–	287,826	287,826	–	287,826

(Rupees in '000)

Category of classification	December 31, 2016								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Classified portfolio									
Other assets especially mentioned	3,691	–	3,691	369	–	369	369	–	369
Substandard	17,059	–	17,059	4,264	–	4,264	4,264	–	4,264
Doubtful	118,950	–	118,950	59,475	–	59,475	59,475	–	59,475
Loss	311,707	–	311,707	30,457	–	30,457	171,083	–	171,083
	451,407	–	451,407	94,565	–	94,565	235,191	–	235,191

9.4 Particulars of provision against non-performing advances

(Rupees in '000)

	Note	December 31, 2017			December 31, 2016		
		Specific	**General**	**Total**	Specific	General	Total
As at January 01		**235,191**	**899**	**236,090**	155,854	519	156,373
Charge during the year		**84,228**	**349**	**84,577**	79,337	380	79,717
Reversals during the year		**(31,593)**	**–**	**(31,593)**	–	–	–
		52,635	**349**	**52,984**	79,337	380	79,717
Amounts written-off	9.6	**–**	**–**	**–**	–	–	–
Closing balance		**287,826**	**1,248**	**289,074**	235,191	899	236,090

9.4.1 Particulars of provision against advances

(Rupees in '000)

	December 31, 2017			December 31, 2016		
	Specific	**General**	**Total**	Specific	General	Total
In local currency	**287,826**	**1,248**	**289,074**	235,191	899	236,090
In foreign currencies	**–**	**–**	**–**	–	–	–
	287,826	**1,248**	**289,074**	235,191	899	236,090

9.4.2 The general provision denotes provision maintained against small enterprises at an amount equal to 1% of the fully secured portfolio as required under the Prudential Regulations for Small and Medium Enterprises Financing issued by the SBP.

9.4.3 The Company has availed the benefit of Forced Sale Value (FSV) of certain mortgaged properties held as collateral against non-performing advances as allowed under BSD Circular 1 of 2011. Had the benefit under the said circular not been taken, the specific provision against non-performing advances would have been higher by Rs. 357.727 million (December 31, 2016: Rs. 140.625 million). The FSV benefit availed - net of tax is not available for the distribution as either cash or stock dividend to the shareholders.

9.5 Particulars of loans and advances to executives, directors, associated companies, etc.

Debts due by directors, executives or officers of the Company or any of them either severally or jointly with any other persons

	2017	2016
	(Rupees in '000)	
As at January 01	**126,472**	108,012
Loans granted during the year	**52,332**	41,886
Repayments during the year	**(22,282)**	(23,426)
As at December 31	**156,522**	126,472

9.6 Details of loans written-off of Rs.500,000 and above

During the years ended December 31, 2017 and 2016, there were no write-offs of loans of Rs 500,000 and above.

10 OPERATING FIXED ASSETS

	Note	2017	2016
		(Rupees in '000)	
Property and equipment	10.1	**15,981**	22,218
Intangible assets	10.2	**772**	1,598
Capital work-in-progress	10.3	**2,979**	1,344
		19,732	25,160

10.1 Property and equipment

(Rupees in '000)

Description	December 31, 2017									
	COST				DEPRECIATION				Net book value as at December 31, 2017	Rate of depreciation (% per annum)
	As at January 01, 2017	Additions	Deletions	As at December 31, 2017	As at January 01, 2017	Charge for the year	Depreciation on deletions	As at December 31, 2017		
Owned										
Leasehold improvement	**43,187**	**54**	**–**	**43,241**	**40,707**	**1,947**	**–**	**42,654**	**587**	**20**
Furniture and fixtures	**14,691**	**895**	**–**	**15,586**	**13,650**	**525**	**–**	**14,175**	**1,411**	**20**
Office equipment	**8,495**	**272**	**(1,191)**	**7,576**	**3,990**	**1,157**	**(1,172)**	**3,975**	**3,601**	**20**
Computers	**17,114**	**2,057**	**(1,859)**	**17,312**	**14,003**	**1,975**	**(1,859)**	**14,119**	**3,193**	**33.33**
Vehicles	**18,754**	**51**	**–**	**18,805**	**7,832**	**3,894**	**–**	**11,726**	**7,079**	**25**
Mobile phones	**297**	**105**	**(15)**	**387**	**138**	**143**	**(4)**	**277**	**110**	**50**
	102,538	**3,434**	**(3,065)**	**102,907**	**80,320**	**9,641**	**(3,035)**	**86,926**	**15,981**	

(Rupees in '000)

Description	December 31, 2016									
	COST				DEPRECIATION				Net book value as at December 31, 2016	Rate of depreciation (% per annum)
	As at January 01, 2016	Additions	Deletions	As at December 31, 2016	As at January 01, 2016	Charge for the year	Depreciation on deletions	As at December 31, 2016		
Owned										
Leasehold improvement	42,643	544	–	43,187	32,127	8,580	–	40,707	2,480	20
Furniture and fixtures	14,162	529	–	14,691	12,345	1,305	–	13,650	1,041	20
Office equipment	5,755	2,740	–	8,495	3,017	973	–	3,990	4,505	20
Computers	14,712	2,402	–	17,114	12,265	1,738	–	14,003	3,111	33.33
Vehicles	17,494	2,713	(1,453)	18,754	5,056	4,069	(1,293)	7,832	10,922	25
Mobile phones	441	190	(334)	297	326	134	(322)	138	159	50
	95,207	9,118	(1,787)	102,538	65,136	16,799	(1,615)	80,320	22,218	

10.1.1 The cost of fully depreciated assets still in use by the Company amounted to Rs. 21.491 million (2016: Rs.21.427 million).

10.1.2 The details of assets whose original cost or the book value exceeds rupees one million or two hundred and fifty thousand respectively, whichever is lower are given below:

(Rupees in '000)

Particulars of assets	Cost	Net Book Value	Sale proceeds	Gain	Mode of Disposal	Particulars of Purchaser
2017	–	–	–	–		
2016	1,786	172	1,179	1,007		

10.2 Intangible assets

(Rupees in '000)

Description	December 31, 2017									
	Cost				Accumulated amortisation				Net book value as at December 31, 2017	Rate of Amortization (% per annum)
	As at January 01, 2017	Additions	Deletions	As at December 31, 2017	As at January 01, 2017	Charge for the year	Deletions	As at December 31, 2017		
Computer software	**14,660**	**–**	**–**	**14,660**	**13,062**	**826**	**–**	**13,888**	**772**	**33.33**

(Rupees in '000)

Description	December 31, 2016									
	Cost				Accumulated amortisation				Net book value as at December 31, 2016	Rate of Amortization (% per annum)
	As at January 01, 2016	Additions	Deletions	As at December 31, 2016	As at January 01, 2016	Charge for the year	Deletions	As at December 31, 2016		
Computer software	13,135	1,525	–	14,660	11,859	1,203	–	13,062	1,598	33.33

10.2.1 The cost of fully amortised assets still in use amounts to Rs 12.133 million (2016: Rs 10.481 million).

	2017	2016
10.3 Capital work-in-progress	(Rupees in '000)	
Leasehold improvements	**970**	–
Software	**2,009**	1,344
	2,979	1,344

11 DEFERRED TAX ASSETS - NET

	2017	2016
Deductible temporary differences		
Provision for diminution in the value of investments	**88,915**	66,316
Provision for bonus	**–**	9,000
Provision against non-performing loans and advances	**86,722**	70,827
Surplus on revaluation of securities - net	**35,530**	21,967
Difference between accounting book value of fixed assets and tax base	**2,100**	1,590
Remeasurements of defined benefit plan	**595**	–
Unrealized loss on revaluation	**578**	–
Taxable temporary differences		
Amortisation of discount on investments	**(17,397)**	(26,633)
Net investment in finance lease	**(9,492)**	(33,960)
Remeasurements of defined benefit plan	**–**	(736)
	187,551	108,371

11.1 Movement in temporary differences during the year

(Rupees in '000)

	Balance as at January 01, 2016	Recognised in profit and loss account	Recognised in OCI or surplus/(deficit) in revaluation of assets	Balance as at December 31, 2016	Recognised in profit and loss account	Recognised in OCI or surplus/(deficit) in revaluation of assets	**Balance as at December 31, 2017**
Taxable temporary differences							
Amortisation of discount on investments	16,401	10,232	–	26,633	(9,236)	–	**17,397**
Net Investment in finance lease	38,930	(4,970)	–	33,960	(24,468)	–	**9,492**
Deductible temporary differences							
Provision for diminution in the value of investments	(55,132)	(11,184)	–	(66,316)	(22,599)	–	**(88,915)**
Provision against other assets	(16,000)	16,000	–	–	–	–	–
Provision for bonus	(11,672)	2,672	–	(9,000)	9,000	–	–
Provision against non-performing loans and advances	(50,039)	(20,788)	–	(70,827)	(15,895)	–	**(86,722)**
Remeasurements of defined benefit plan	(1,208)	–	1,944	736	–	(1,331)	**(595)**
Surplus on revaluation of securities - net	12,881	–	(34,848)	(21,967)	–	(13,563)	**(35,530)**
Difference between accounting book value of fixed assets and tax base	894	(2,484)	–	(1,590)	(510)	–	**(2,100)**
Unrealised loss on revaluation	–	–	–	–	(578)	–	**(578)**
	(64,945)	(10,522)	(32,904)	(108,371)	(64,286)	(14,894)	**(187,551)**

12 OTHER ASSETS - NET

	Note	2017	2016
		(Rupees in '000)	
Income / mark-up accrued in local currency		**184,482**	229,124
Advances, deposits and other prepayments		**48,832**	42,302
Advance tax (payments less provisions)		**206,325**	198,354
Dividend receivable		**–**	4,877
Non-banking asset acquired in satisfaction of claim		**–**	–
Receivable against sale of shares		**–**	172,920
Receivable from related parties	12.1	**31,986**	23,843
Investment in AWT Investment Limited (formerly Primus Investment Management Limited) - held for sale	8.12.1	**75,000**	175,000
Receivable from AWT Investments Limited		**2,535**	–
Unrealised gain on fair value of option		**33,304**	–
		582,464	846,420
Less: Provision held against advances, deposits and other prepayments		**–**	–
Other assets (net of provisions)		**582,464**	846,420

12.1 Receivable from related parties

		2017	2016
Receivable from AWT Investments Limited		**–**	1,924
Receivable from Awwal Modaraba Management Limited (subsidiary company)		**6,777**	13,726
Receivable from Awwal Modaraba (subsidiary company)		**3,561**	–
Receivable from Primus Leasing Limited (subsidiary company)		**17,545**	1,533
Receivable from PIML Asset Allocation Fund		**–**	178
Receivable from defined benefit plan	30.3	**4,103**	6,482
		31,986	23,843

13 BORROWINGS

	Note	2017	2016
		(Rupees in '000)	
In Pakistan		**13,976,083**	20,492,898
Outside Pakistan		**–**	–
		13,976,083	20,492,898

13.1 Particulars of borrowings

	2017	2016
In local currency	**13,976,083**	20,492,898
In foreign currency	**–**	–
	13,976,083	20,492,898

13.2 Details of borrowings secured / unsecured

	Note	2017	2016
Secured			
Borrowings from the State Bank of Pakistan			
- Long-Term Finance Facility (LTFF) scheme	13.3	**3,745,152**	2,586,388
- Power Plants Using Renewable Energy (PPRE) scheme		**229,056**	162,026
- Finance for Storage of Agriculture Produce (FSAP) scheme		**359,250**	410,115
		4,333,458	3,158,529
Repurchase agreement borrowings (Repo)		**–**	7,835,143
Borrowing from Banks	13.4	**5,459,625**	3,749,500
		9,793,083	14,743,172
Unsecured			
Letters of placement	13.5	**4,183,000**	5,749,726
		13,976,083	20,492,898

13.3 The Company has entered into agreements for financing with the SBP for Long-Term Financing under Export Oriented Projects to customers. According to the terms of the respective agreements, the SBP has the right to receive the outstanding amount from the Company at the due date by directly debiting the current account maintained by the Company with SBP. The rate of return ranges between 2.00% and 8.40% per annum (2016: 2.00% to 8.40% per annum). These are repayable within 6 years (2016: 10 years).

13.4 These represent borrowings secured against hypothecation of receivables and floating charge over term finance certificates. These carry mark-up at rates ranging between 6.23% and 6.71% per annum (2016: 6.14% to 6.56% per annum) and are repayable within 4 years (2016: 3 years).

13.5 These carry mark-up at rates ranging between 6.10% and 6.50% per annum (2016: 6.05% to 6.35% per annum), have a tenor of 3 months (2016: 3 months) and are due to mature latest by March 29, 2018.

14 DEPOSITS AND OTHER ACCOUNTS

	Note	2017	2016
		(Rupees in '000)	
Customers			
Certificates of investment - remunerative	14.1	**500,000**	253,487
Financial institutions			
Certificates of investment - remunerative	14.2	**4,251,164**	2,660,000
		4,751,164	2,913,487

14.1 These carry mark-up at rates ranging between 6.20% and 6.30% per annum (2016: 6.00% per annum), have tenors ranging between 6 to 12 months (2016: 12 months) and are repayable latest by December 7, 2018.

14.2 These carry mark-up at rates ranging between 6.45% and 6.50% per annum (2016: 6.25% and 6.40% per annum), have a tenor of 6 months (2016: 3 to 6 months) and are repayable latest by March 28, 2018.

14.3 Particulars of deposits and other accounts

	Note	2017	2016
		(Rupees in '000)	
In local currency		**4,751,164**	2,913,487
In foreign currencies		**–**	–
		4,751,164	2,913,487

15 OTHER LIABILITIES

	Note	2017	2016
Mark-up / return / interest payable in local currency		**88,999**	97,577
Accrued expenses		**16,822**	35,726
Brokerage / commission payable		**406**	7,706
Unearned commission		**20,075**	13,290
Security deposit against advances		**298,823**	313,637
Payable against purchase of shares		**148,411**	–
Payable to Awwal Modaraba - related party		**–**	6,551
Provision for Sindh Workers' Welfare Fund	24.1	**83,529**	69,285
Others		**28,737**	11,883
		685,802	555,655

16 SHARE CAPITAL

16.1 Authorised capital

2017	2016		2017	2016
(Number of shares)			(Rupees in '000)	
600,000,000	600,000,000	Ordinary shares of Rs.10 each	**6,000,000**	6,000,000

16.2 Issued, subscribed and paid-up

600,000,000	600,000,000	Ordinary shares fully paid in cash	**6,000,000**	6,000,000

The Ministry of Finance and Secretary Economic Affairs Division, Government of Pakistan, holds 299,995,999 and 4,001 shares (2016: 299,995,999 and 4,001 shares) respectively on behalf of the Government of Pakistan and remaining 300,000,000 shares (2016: 300,000,000 shares) are held by the Brunei Investment Agency.

17 DEFICIT ON REVALUATION OF ASSETS - NET OF DEFERRED TAX

	2017	2016
	(Rupees in '000)	
Available-for-sale		
Federal Government Securities - Market Treasury Bills	**(13)**	(5,415)
Federal Government Securities - Pakistan Investment Bonds	**424**	(57,002)
Ordinary shares of listed companies	**(206,404)**	(21,610)
Units of open-ended mutual funds	**(31,281)**	–
	(237,274)	(84,027)
Deferred tax asset / (liability) recognised	**35,530**	21,967
	(201,744)	(62,060)

18 CONTINGENCIES AND COMMITMENTS

18.1	**Transaction-related contingent liabilities**		
	Letters of credit	**2,008,754**	1,125,660
18.2	**Commitments in respect of repo transactions**		
	Repurchase of government securities	**–**	1,558,062
18.3	**Commitment to extend credit**	**3,871,876**	5,466,485
18.4	**Other commitments in respect of:**		
	- government securities	**1,722,024**	7,592,065
	- shares	**–**	329,712

18.5 In the year 2009, Burj Bank Limited [now Al Baraka Bank (Pakistan) Limited] filed a legal suit amounting to Rs 200 million for damages against the Company for alleged non-performance of underwriting commitment to issue shares at a premium. The legal advisors of the Company are of the opinion that the Company has a strong case and that the matter will most likely be decided in favour of the Company.

18.6 Tax contingencies have been discussed in note 26.2 to these unconsolidated financial statements.

19 MARK-UP / RETURN / INTEREST EARNED

	Note	2017	2016
		(Rupees in '000)	
On loans and advances to customers		**981,396**	867,137
On investments classified as:			
- Held-for-trading		**566**	14,689
- Available-for-sale		**442,523**	686,607
- Held-to-maturity		**10,860**	10,189
		453,949	711,485
On deposits with financial institutions		**10,506**	8,649
On securities purchased under resale agreements		**15,715**	3,451
		1,461,566	1,590,722

20 MARK-UP / RETURN / INTEREST EXPENSED

Securities sold under repurchase agreements	**179,489**	291,952
Short-term borrowings	**247,809**	284,634
Deposits	**116,562**	252,740
Long-term borrowings	**364,284**	254,334
	908,144	1,083,660

21 GAIN ON SALE OF SECURITIES - NET

Federal Government securities			
- Market Treasury Bills		**(450)**	12,088
- Pakistan Investment Bonds		**15,275**	436,859
		14,825	448,947
Units of mutual funds - associates		**97,595**	291,045
Units of mutual funds - others		**–**	181
Units of modaraba		**68**	–
Ordinary shares of listed companies		**103,595**	78,564
Ordinary shares of unlisted companies		**47,572**	–
Term finance certificates		**561**	2,495
Gain on disposal of AWT Investments Limited (formerly Primus Investment management Limited)	8.12.1	**90,375**	–
		354,591	821,232

22 OTHER INCOME

(Loss) / gain on forward contracts	**–**	(2,978)
Unrealised gain on fair value of option	**33,304**	–
Gain on sale of property and equipment	**77**	1,007
Gain on sale of non-banking asset acquired against satisfaction of claims	**9,287**	–
Exchange loss	**–**	(4)
Other income	**133**	–
	42,801	(1,975)

23 ADMINISTRATIVE EXPENSES

	Note	2017	2016
		(Rupees in '000)	
Salaries and allowances		**139,810**	150,019
Charge for defined benefit plan	30.5	**5,689**	6,407
Contribution to defined contribution plan	31	**7,128**	6,042
Non-executive directors' fees, allowances and other expenses		**4,052**	3,178
Rent, taxes, insurance, electricity, etc.		**28,544**	26,232
Legal and professional charges		**11,341**	12,745
Travelling and accommodation		**6,304**	4,350
Communications		**3,132**	3,013
Repairs and maintenance		**9,493**	6,628
Brokerage commission		**11,960**	19,899
Stationery and printing		**3,028**	2,123
Advertisement and publicity		**583**	805
Auditors' remuneration	23.1	**1,667**	1,536
Depreciation	10.1	**9,641**	16,799
Amortisation	10.2	**826**	1,203
Vehicle running expenses		**23,103**	21,081
Medical expense		**4,949**	3,867
Fee and subscription		**805**	1,508
Bank charges		**856**	815
Others		**5,643**	5,464
		278,554	293,714

23.1 Auditors' remuneration

	2017	2016
Audit fee	**675**	675
Half yearly review fee	**250**	250
Fee for special certifications and other services	**375**	375
Out-of-pocket expenses	**367**	236
	1,667	1,536

24 PROVISION FOR SINDH WORKERS' WELFARE FUND

	Note	2017	2016
Provision for Sindh Workers' Welfare Fund	24.1	**14,244**	69,285

24.1 As a consequence of the 18th amendment to the Constitution of Pakistan, the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh in May 2015 as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs.0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. Accordingly, as a matter of abundant caution, the management has maintained a provision for SWWF in the unconsolidated financial statements amounting to Rs 83.529 million which includes a provision of Rs 14.244 million for the current year.

25 OTHER CHARGES

	Note	2017	2016
		(Rupees in '000)	
Penalties imposed by the State Bank of Pakistan		**–**	1,085

26 TAXATION

	Note	2017	2016
For the year			
Current	26.2	**224,176**	331,191
Deferred		**(64,286)**	(10,522)
For prior years			
Current	26.1	**40,570**	50,197
		200,460	370,866

26.1 The Finance Act, 2017 further extended the imposition of levy of super tax for rehabilitation of temporarily displaced person at the rate of 3% of the taxable income for Tax Year 2017 (accounting year ended December 31, 2016). Accordingly, an amount of Rs 38.920 million has been recognised in these unconsolidated financial statements of the Company for the year ended December 31, 2017 as prior year charge in respect of super tax.

26.2 Commencing from the tax year 2008 upto tax year 2014, the assessment orders filed by the Company have been revised and tax demands have been raised of which Rs. 33.029 million are outstanding as at December 31, 2017. The matters which have been raised in these demands mainly include allocation of common expenses, taxation of discount income, additions on account of concessional loans to employees and deletion of the charge pertaining to the Workers' Welfare Fund. The Company is contesting these demands and appeals have been filed by the Company against the same which are pending adjudication at various appellate forums including the Honourable Sindh High Court.

26.3 Relationship between tax expense and accounting profit

	2017	2016
	(Rupees in '000)	
Profit before taxation	**670,916**	1,332,524
Applicable tax rate	**30%**	31%
Tax calculated at the applicable rate	**201,275**	413,082
Tax effect of:		
- Income chargeable to tax at special rate	**(54,516)**	(76,726)
- Income exempt from tax	**(8,585)**	(7,935)
- Permanent differences	**13,990**	(5,667)
- Prior year charge	**40,570**	50,197
- Effect of change in tax rate	**(1,084)**	–
- Others	**8,810**	(2,085)
Tax charge for the year	**200,460**	370,866

27 EARNINGS PER SHARE - BASIC AND DILUTED

	2017	2016
	(Rupees in '000)	
Profit for the year after taxation	**470,456**	961,658
	(Numbers in '000)	
Weighted average number of ordinary shares (in '000)	**600,000**	600,000
	(Rupees)	
Basic earnings per share	**0.78**	1.60

27.1 Diluted earnings per share has not been presented separately as there were no convertible dilutive potential ordinary shares outstanding as on December 31, 2017 and 2016.

28 CASH AND CASH EQUIVALENTS

	Note	2017	2016
		(Rupees in '000)	
Cash and balances with treasury banks	5	**137,609**	322,004
Balances with other banks	6	**74,549**	1,936,970
Term deposit receipts (maturity within 3 months)	7.2	**700,000**	250,000
		912,158	2,508,974

29 STAFF STRENGTH

	2017	2016
Permanent	**60**	53
Temporary / on contractual basis	**35**	33
Company's own staff strength at the end of the year	**95**	86

30 STAFF RETIREMENT BENEFITS

30.1 General description

As mentioned in note 4.12, the Company operates a funded gratuity scheme for all its permanent employees. The benefits under the gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn basic salary for each year of eligible service with the Company subject to a minimum qualifying period of service of five years. The plan assets and defined benefit obligations are based in Pakistan.

		2017	2016
30.2	**Principal actuarial assumptions**	(Rupees in '000)	
a)	Discount factor used (% per annum)	**8.25**	9.50
b)	Expected rate of salary increase (% per annum)	**8.25**	9.50
c)	Mortality rates (for death in service)*	**SLIC (2001-05)-1**	SLIC (2001-05)-1
d)	Rate of employee turnover	**Moderate**	Moderate

* Assumptions regarding future mortality are set based on actuarial advice in accordance with the published statistics and experience in Pakistan. The rates assumed are based on the State Life Insurance Corporation Limited [SLIC (2001 - 2005)] ultimate mortality tables rated down one year.

30.3 Reconciliation of payable to defined benefit plan	2017	2016
	(Rupees in '000)	
Present value of defined benefit obligation	**(42,980)**	(42,363)
Fair value of plan assets	**47,083**	48,845
	4,103	6,482

30.4 The movement in the defined benefit obligation is as follows:

	Present value of obligation	Fair value of plan assets	Total
	(Rupees in '000)		
	2017		
As at January 01	**42,363**	**(48,845)**	**(6,482)**
Current service cost	**6,277**	**–**	**6,277**
Interest expense / (income)	**4,232**	**(4,820)**	**(588)**
	52,872	**(53,665)**	**(793)**
Remeasurements:			
- Return on plan assets, excluding amounts included in interest expense	**–**	**6,582**	**6,582**
- (Gain) / loss from change in financial assumptions	**(247)**	**–**	**(247)**
- (Gain) / loss from change in experience adjustments	**(1,899)**	**–**	**(1,899)**
	(2,146)	**6,582**	**4,436**
Contributions during the year	**–**	**–**	**–**
Benefits paid to outgoing members	**(7,746)**	**–**	**(7,746)**
As at December 31	**42,980**	**(47,083)**	**(4,103)**

	Present value of obligation	Fair value of plan assets	Total
	(Rupees in '000)		
	2016		
As at January 01	37,879	(36,206)	1,673
Current service cost	6,243	–	6,243
Interest expense / (income)	4,008	(3,844)	164
	48,130	(40,050)	8,080
Remeasurements:			
- Return on plan assets, excluding amounts included in interest income	–	(3,966)	(3,966)
- (Gain) / loss from change in financial assumptions	(97)	–	(97)
- (Gain) / loss from change in experience adjustments	(2,418)	–	(2,418)
	(2,515)	(3,966)	(6,481)
Contributions during the year	–	(8,081)	(8,081)
Benefits paid to outgoing members	(3,252)	3,252	–
As at December 31	42,363	(48,845)	(6,482)

	2017	2016
30.5 Charge for defined benefit plan	(Rupees in '000)	
Current service cost	**6,277**	6,243
Interest cost	**4,232**	4,008
Expected return on plan assets	**(4,820)**	(3,844)
	5,689	6,407

30.6 Composition of plan assets

(Rupees in '000)

	As on December 31, 2017			As on December 31, 2016		
	Quoted	**Non-quoted**	**Total**	Quoted	Non-quoted	Total
Cash and bank balances	**–**	**550**	**550**	–	956	956
Equity instruments:						
- Mutual funds and shares	**9,052**	**–**	**9,052**	11,736	–	11,736
Debt instruments:						
- Government	**–**	**37,481**	**37,481**	–	36,153	36,153
	9,052	**38,031**	**47,083**	11,736	37,109	48,845

	Note	2017	2016
30.7 Analysis of present value of defined benefit obligation		(Rupees in '000)	
Split by vested / non-vested			
(i) Vested benefits		**38,895**	38,523
(ii) Non-vested benefits		**4,085**	3,840
		42,980	42,363

30.8 The plan assets and defined benefit obligations are based in Pakistan.

30.9 Historical information

(Rupees in '000)

	2017	2016	2015	2014
Present value of defined benefit obligation	**(42,980)**	(42,363)	(37,879)	(26,938)
Fair value of plan assets	**47,083**	48,845	36,206	24,899
Surplus / (deficit)	**4,103**	6,482	1,673	2,039
Experience adjustments on plan liabilities	**(2,146)**	(2,515)	(2,735)	(2,039)
Experience adjustments on plan assets	**6,582**	(3,966)	1,062	–
	4,436	(6,481)	(1,673)	(2,039)

30.10 Loss on plan assets during the year amounted to Rs 0.356 million (2016: actual return of Rs 7.81 million).

30.11 The Gratuity scheme exposes the Company to the following risks:

Mortality risks
This is the risk that the actual mortality experience is different. The effect depends on the beneficiaries' service / age distribution and the benefit.

Investment risks
This is the risk of the investment underperforming and not being sufficient to meet the liabilities.

Final salary risks
This is the risk that the final salary at the time of cessation of service is greater than what was assumed. Since the benefit is calculated on the basis of final salary, the benefit amount increases similarly.

Withdrawal risks
This is 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.

30.12 The sensitivities of the defined benefit obligation to changes in the principal actuarial assumptions are as under:

Particulars	As on December 31, 2017			As on December 31, 2016		
	Change in assumption	**Increase / (decrease) in present value of defined benefit obligation**		Change in assumption	Increase / (decrease) in present value of defined benefit obligation	
		%	**(Rupees in '000)**		%	(Rupees in '000)
Discount rate	**+1%**	**-9.93%**	**(4,267)**	+1%	-9.89%	(4,190)
	-1%	**11.60%**	**4,985**	-1%	11.53%	4,886
Salary increase rate	**+1%**	**12.00%**	**5,156**	+1%	11.93%	5,053
	-1%	**-10.43%**	**(4,483)**	-1%	-10.38%	(4,399)

The above sensitivities analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the statement of financial position.

30.13 The weighted average duration of the defined benefit obligation is 9.93 years (December 31, 2016: 10.65 years).

30.14 Expected maturity analysis of undiscounted defined benefit obligation for the gratuity scheme is as follows:

(Rupees in '000)

Particulars	As at December 31, 2017			
	Within a year	Between 2 and 3 years	Between 4 and 5 years	Between 6 and 10 years
Defined benefit obligation	**1,829**	**4,453**	**13,552**	**20,850**

30.15 The expected gratuity expense for the next year commencing January 1, 2018 works out to be Rs 6.327 million (2016: Rs 5.7 million).

30.16 The disclosures provided in notes 30.1 to 30.15 are based on the information included in the independent actuarial valuation report of the Company as at December 31, 2017.

31 DEFINED CONTRIBUTION PLAN

The Company operates an approved funded provident fund scheme for all its permanent confirmed employees. Equal monthly contributions are made, both by the Company and its employees, to the fund at the rate of 10 percent (2016: 10 percent) of basic salaries of the employees. The contribution made by the Company during the year amounted to Rs 7.128 million (2016: Rs. 6.042 million each). The total number of employees as at December 31, 2017 eligible under the scheme were 60 (2016: 53 employees).

32 COMPENSATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVE

(Rupees in '000)

	Chief Executive		Directors		Executives	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Fee for attending meetings	–	–	3,203	3,178	–	–
Managerial remuneration	22,828	23,561	–	–	109,930	91,061
Performance bonus	6,522	4,815	–	–	19,265	16,888
Charge for defined benefit plan	1,031	1,225	–	–	3,735	4,159
Contribution to defined contribution plan	1,349	1,349	–	–	5,611	4,607
Utilities	309	268	–	–	7,247	5,662
Medical	712	657	–	–	4,087	3,216
Travelling allowance	413	283	–	–	933	338
	33,163	32,158	3,203	3,178	150,808	125,931
Number of persons	1	1	4	3	51	48

32.1 The Chief Executive is provided with Company maintained car. Executives denote employees other than the Managing Director and Directors, whose basic salary exceed five hundred thousand rupees in a financial year.

32.2 In addition to the fees for attending the meetings, the Directors are also provided with related traveling and accommodation.

33 FAIR VALUE MEASUREMENT

All quoted investments have been stated at their market values as disclosed in note 8. All unquoted investments have been stated at the lower of cost or break-up value, being their estimated fair values.

The fair values of loans and advances, other assets (excluding properties acquired in satisfaction of claims) and other liabilities cannot be determined with reasonable accuracy due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. Loans and advances are repriced frequently on market rates and are reduced for any impairment against non-performing advances determined in accordance with Prudential Regulations as stated in note 4.5. The re-pricing and maturity profiles of assets and liabilities are stated in note 38.

In the opinion of the management, the fair values of the remaining assets and liabilities are not significantly different from their carrying values since they are either short-term in nature or, in the case of customer advances and deposits, are frequently repriced.

Fair value hierarchy
All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Valuation techniques and inputs used in determination of fair values

Item	Valuation techniques and input used
Fully paid-up ordinary shares	Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the stock exchange.
Pakistan Investment Bonds / Market Treasury Bills	Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV rates (Reuters page).
Term Finance certificates and Sukuks	Investments in debt securities (comprising term finance certificates, bonds, sukuk certificates and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan. In the determination of the rates, the MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities.
Units of mutual funds	Fair values of investments in units of mutual funds are determined based on redemption prices as at the close of the business day.

The following table provides the fair value measurement hierarchy of the Company's assets:

(Rupees in '000)

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Asset measured at fair value				
Held-for-trading				
Ordinary shares of listed companies	16,421	–	–	16,421
Available-for-sale securities				
Market Treasury Bills	–	2,967,039	–	2,967,039
Pakistan Investment Bonds	–	39,693	–	39,693
Ordinary shares of listed companies	725,917	–	–	725,917
Units of mutual funds	473,155	–	–	473,155
Term Finance Certificates and Sukuks	–	1,273,225	–	1,273,225
	1,199,072	4,279,957	–	5,479,029
	1,215,493	4,279,957	–	5,495,450

The fair value of put option (note 12) was determined by adjusting the book value as at the December 31, 2015 of shares held in AWT Investments Limited for a premium of 32.5% over book value net of discount of 6.53% given on the adjusted price as negotiated between the Company and AWT.

	(Rupees in '000)			
	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Asset measured at fair value				
Held-for-trading				
Ordinary shares of listed companies	326,291	–	–	326,291
Derivative liability	(2,978)	–	–	(2,978)
	323,313	–	–	323,313
Available-for-sale securities				
Market Treasury Bills	–	6,079,913	–	6,079,913
Pakistan Investment Bonds	–	2,860,087	–	2,860,087
Ordinary shares of listed companies	885,885	–	–	885,885
Units of mutual funds	–	–	–	–
Term Finance Certificates and Sukuks	–	2,261,955	–	2,261,955
	885,885	11,201,955	–	12,087,840
	1,209,198	11,201,955	–	12,411,153

34 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	(Rupees in '000)			
	Corporate finance	Trading and sales	Commercial banking	Total
2017				
Total income	**50,779**	**1,044,225**	**955,018**	**2,050,022**
Total expenses	**8,173**	**730,420**	**640,513**	**1,379,106**
Net income	**42,606**	**313,805**	**314,505**	**670,916**
Segment assets (gross)	**–**	**11,254,128**	**19,268,390**	**30,522,518**
Segment non performing loans	**–**	**6,097**	**947,900**	**953,997**
Investment provided for	**–**	**413,097**	**–**	**413,097**
Segment provision required *	**–**	**367,459**	**285,786**	**653,245**
Segment liabilities	**–**	**7,071,036**	**12,342,013**	**19,413,049**
Segment return on assets (ROA) (%)	**–**	**1.85%**	**2.00%**	**–**
Segment return on net assets (ROA) (%)	**–**	**8.22%**	**4.72%**	**–**
Segment cost of funds (%)	**–**	**5.27%**	**5.27%**	**–**
2016				
Total income	108,218	1,878,457	840,704	2,827,379
Total expenses	53,493	946,459	494,903	1,494,855
Net income	54,725	931,998	345,801	1,332,524
Segment assets (gross)	–	22,757,367	12,145,480	34,902,847
Segment non performing loans	–	3,691	447,716	451,407
Investment provided for	–	348,772	–	348,772
Segment provision required *	–	277,428	234,822	512,250
Segment liabilities	–	15,623,738	8,338,302	23,962,040
Segment return on assets (ROA) (%)	–	4.55%	2.92%	–
Segment return on net assets (ROA) (%)	–	14.41%	9.43%	–
Segment cost of funds (%)	–	5.94%	5.94%	–

* The provision required against each segment represents provision held on advances and investments.

35 TRUST ACTIVITIES

The Company has assumed the role of Trustee to various Term Finance Certificates (TFCs) / Sukuk Issues and is holding trust properties in fiduciary capacity for and on behalf of the trust beneficiaries. The Company is meeting all its obligations and duties in accordance with the provisions of respective trust documents. The Company is registered as Debt Securities Trustee (DST) under the Debt Securities Trustee Regulations, 2012 (DST Regulations, 2012) issued by the SECP and has been approved as DST under the Debt Securities Trustees Regulations, 2016 (DST Regulation, 2016).

The Company is acting as trustee to Term Finance Certificates, SUKUK and Commercial Papers issued by Agritech Limited, Al-Baraka Bank (Pakistan) Limited, Askari Bank Limited, Azgard Nine Limited, Bank Alfalah Limited, Bank AL Habib Limited, the Bank of Punjab, Crescent Steel & Allied Products Limited, Engro Fertilizers Limited, Fatima Fertilizer Company Limited, Habib Bank Limited, International Brands Limited, Jahangir Siddiqui & Co. Limited, JS Bank Limited, K-Electric Limited, Neelum Jhelum Hydro Power Company Limited, NIB Bank Limited, Pak Electron Limited, Pak Water & Power Development Authority, Pakistan International Airlines Corporation, Silk Bank Limited, Sindh Nooriabad Power Co Phase (II) (Private) Limited, Sindh Nooriabad Power Co (Private) Limited, Soneri Bank Limited, Summit Bank Limited, TPL Trakker (Private) Limited, U Microfinance Bank Limited, and WAPDA 3rd SUKUK Company. The combined value of these debt securities as at December 31, 2017 amounted to Rs.350,995 million (2016: Rs.249,195 million).

36 TRANSACTIONS WITH RELATED PARTIES / ASSOCIATED UNDERTAKINGS

The Company has related party relationship with subsidiary companies (namely Primus Leasing Limited, Awwal Modaraba and Awwal Modaraba Management Limited), associates (collective investment schemes managed by AWT Investment Management Limited on which the Company exercises significant influence), employees' defined benefit and defined contribution plan, its key management personnel, state controlled entities and other related parties (such as Nimir Industrial Chemicals Limited, Allahdin Power Limited, Bunny's (Private) Limited and Atlas Cables (Private) Limited mainly on account of common directorship.

The details of loans and advances to the executives are given in note 9.5 to these unconsolidated financial statements. There are no transactions with key management personnel other than those carried out as per their terms of employment. Contributions to approved defined benefit and contribution plans are disclosed in notes 30 and 31 to these unconsolidated financial statements. Remuneration to executives is disclosed in note 32 to the unconsolidated financial statements. Transactions with owners have been disclosed in 'Unconsolidated Statement of Changes in Equity'. All other transactions between the Company and its related parties are carried out under normal course of business except employee staff loans that are as per terms of employment. The details of transactions with related parties during the year and balances with them as at year end, other than those which have been disclosed elsewhere in these unconsolidated financial statements, are as follows:

(Rupees in '000)

	Note	2017 Key management personnel	2017 Other related parties	2017 Subsidiary	2017 Associates	2016 Key management personnel	2016 Other related parties	2016 Subsidiary	2016 Associates
Advances									
As at January 01		**55,380**	**359,808**	**–**	**–**	61,644	540,232	–	–
Disbursement during the year		**14,306**	**475,641**	**–**	**–**	7,717	292,465	–	–
Removal / transfer from other related parties		**(15,496)**	**(15,496)**	**–**	**–**	–	(400,200)	–	–
Repaid during the year		**(8,120)**	**(210,032)**	**–**	**–**	(13,981)	(72,689)	–	–
As at December 31		**46,070**	**609,921**	**–**	**–**	55,380	359,808	–	–
Borrowings / deposits									
As at January 01		**–**	**–**	**–**	**–**	–	–	–	630,000
Received during the year		**–**	**–**	**–**	**–**	–	–	–	900,000
Repaid during the year		**–**	**–**	**–**	**–**	–	–	–	(1,530,000)
As at December 31		**–**	**–**	**–**	**–**	–	–	–	–
Investments									
As at January 01		**–**	**19,250**	**1,078,530**	**4,341,488**	–	187,309	355,000	5,996,273
Investments / additions made during the year		**–**	**41,210**	**1,000,072**	**762,218**	–	289,424	–	23,156,924
Redemption during the year		**–**	**(60,460)**	**(230)**	**(4,619,087)**	–	(457,496)	(175,000)	(23,838,178)
Transfer to available-for-sale securities on recharacterisation of investment		**–**	**–**	**–**	**(484,619)**	–	–	–	–
Transfer in / (out)		**–**	**–**	**(75,000)**	**75,000**	–	–	–	–
Classified as held-for-sale		**–**	**–**	**–**	**(75,000)**	–	–	–	–
As at December 31		**–**	**–**	**2,003,372**	**–**	–	19,237	180,000	5,315,019
Other assets									
As at January 01		**–**	**6,482**	**8,707**	**2,102**	–	(1,673)	17,099	2,335
Investments / additions made during the year		**–**	**–**	**29,186**	**9,253**	–	–	28,560	9,129
Redemption during the year		**–**	**–**	**(10,010)**	**(9,696)**	–	–	(36,952)	(9,362)
Charge for the year		**–**	**(5,689)**	**–**	**–**	–	(6,407)	–	–
Remeasurements arising during the year		**–**	**(4,436)**	**–**	**–**	–	6,481	–	–
Transfer to other assets		**–**	**–**	**–**	**(1,659)**	–	–	–	–
Benefits paid to outgoing members		**–**	**7,746**	**–**	**–**	–	8,081	–	–
As at December 31		**–**	**4,103**	**27,883**	**–**	–	6,482	8,707	2,102
Mark-up / return / interest earned		**2,395**	**57,384**	**–**	**–**	1,766	18,496	–	–
Mark-up / return / interest expensed		**–**	**–**	**–**	**–**	–	–	–	22,954
Gain on sale of securities - net		**–**	**21,665**	**90,375**	**97,596**	–	12,153	–	291,016
Dividend income		**–**	**109,981**	**7,800**	**–**	–	70,389	–	196,271
Salaries and other benefits		**88,003**	**–**	**–**	**–**	74,685	–	–	–
Contribution to provident fund		**3,992**	**7,128**	**–**	**–**	–	6,042	–	–
Contribution to gratuity fund		**2,840**	**–**	**–**	**–**	–	8,081	–	–
Reimbursement of expenses		**5,403**	**–**	**–**	**–**	4,711	–	–	–
Expenses charged to the group companies	36.1	**–**	**–**	**29,186**	**9,253**	–	–	28,560	9,129

36.1 These denote administrative expenses charged by the Company under the cost sharing agreement entered into between the Company and its subsidiaries (namely Primus Leasing Limited, Awwal Modaraba Management Limited and Awwal Modaraba) and former associate, AWT Investments Limited.

37 CAPITAL ASSESSMENT AND ADEQUACY

37.1 Capital adequacy

Capital Management aims to ensure that there is sufficient capital to meet the capital requirements of the Bank as determined by the underlying business strategy and the minimum requirements of the SBP. The Capital Management process is governed by the Company's Asset and Liability Committee (ALCO). Further, capital adequacy and management is overseen by the Board approved Risk Management Committee (RMC).

The Company's regulatory capital is analyzed into two tiers:

Tier 1 capital, which includes fully issued, subscribed and paid-up capital, balance in share premium account, reserve for bonus issue, general reserves as per the financial statements and net un-appropriated profits, etc. after deductions for investments in the equity of subsidiary companies engaged in banking and financial activities, reciprocal cross holdings in capital instruments of banking, financial, and insurance entities and deficit on revaluation of available-for-sale investments.

The Company's capital management seeks:

- to comply with the capital requirements set by the regulators and comparable to the peers;
- to actively manage the supply of capital costs and increase capital velocity;
- to increase strategic and tactical flexibility in the deployment of capital to allow for the timely reallocation of capital;
- to improve the liquidity of the Company's assets to allow for an optimal deployment of the Company's resources;
- to protect the Company against unexpected events and maintain strong ratings;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide adequate return to shareholders;
- availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Company to expand; and
- to achieve low overall cost of capital with appropriate mix of capital elements.

Pak Brunei Investment Company maintains sufficient cushion of capital over required regulatory capital. The capital buffer is sufficient to cater current and future business needs of the Company. Maintained capital comprise of Tier I capital only with small amount of Tier II capital in form of general reserves.

37.2 Scope of Applications

The Basel Framework is applicable to Pak Brunei Investment Company both at the consolidated level and also on a stand alone basis. The Company has three subsidiaries namely Primus Investment Management Limited, Awwal Modaraba Management Limited and Awwal Modaraba. All the subsidiaries are consolidated as per International Financial Reporting Standards (IFRS).

Detail of the Company's eligible capital (on an unconsolidated basis) is as follows:

	Note	2017	2016
		(Rupees in '000)	
Common Equity Tier 1 capital (CET1): Instruments and reserves			
Fully paid-up capital / capital deposited with SBP		**6,000,000**	6,000,000
Balance in share premium account		**–**	–
Reserve for issue of bonus shares		**–**	–
Discount on Issue of shares		**–**	–
General / statutory reserves		**1,351,812**	1,257,721
Gain / (losses) on derivatives held as cash flow hedge		**–**	–
Unappropriated / unremitted profits / (losses)		**3,306,156**	3,232,896
Minority Interests arising from CET1 capital instruments consolidated Company subsidiaries (amount allowed in CET1 capital of the consolidation group)		**–**	–
CET 1 before regulatory adjustments		**10,657,968**	10,490,617
Total regulatory adjustments applied to CET1	37.2.1	**(1,616,857)**	(2,576,342)
Common Equity Tier 1	a	**9,041,111**	7,914,275

	Note	2017	2016
		(Rupees in '000)	
Additional Tier 1 (AT 1) Capital			
Qualifying Additional Tier-1 instruments plus any related share premium			
of which: Classified as equity		**–**	–
of which: Classified as liabilities		**–**	–
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which: instrument issued by subsidiaries subject to phase out		**–**	–
AT1 before regulatory adjustments		**–**	–
Total regulatory adjustment applied to AT1 capital	37.2.2	**(1,402,752)**	(2,511,340)
Additional Tier 1 capital recognized for capital adequacy	b	**–**	–
Tier 1 Capital (CET1 + admissible AT1)	(c=a+b)	**9,041,111**	7,914,275
Tier 2 Capital			
Qualifying Tier 2 capital instruments under Basel III plus any related share premium		**–**	–
Tier 2 capital instruments subject to phase out arrangement issued under Pre-Basel III rules		**–**	–
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2) of which: instruments issued by subsidiaries subject to phase out		**–**	–
General Provisions or general reserves for loan losses - up to maximum of 1.25% of Credit Risk Weighted Assets		**1,248**	899
Revaluation reserves			
of which: Revaluation reserves on property		**–**	–
of which: Unrealised gains / losses on AFS		**–**	–
Foreign exchange translation reserves		**–**	–
Undisclosed / other reserves (if any)		**–**	–
T2 before regulatory adjustments		**1,248**	899
Total regulatory adjustment applied to T2 capital	37.2.3	**(158,814)**	(35,101)
Tier 2 capital (T2) after regulatory adjustments		**–**	–
Tier 2 capital recognized for capital adequacy		**–**	–
Portion of Additional Tier 1 capital recognized in Tier 2 capital		**–**	–
Total Tier 2 capital admissible for capital adequacy	d	**–**	–
TOTAL CAPITAL (T1 + admissible T2)	(e=c+d)	**9,041,111**	7,914,275
Total Risk Weighted Assets (RWA) f	37.2.4 & 37.5	**29,528,383**	30,930,970

	Note	2017	2016
		(Rupees in '000)	
Capital ratios and buffers (in percentage of risk weighted assets)			
CET1 to total RWA	(a/f)	**30.62%**	25.59%
Tier-1 capital to total RWA	(c/f)	**30.62%**	25.59%
Total capital to RWA	(e/f)	**30.62%**	25.59%
Company specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		**12.50%**	12.50%
of which: capital conservation buffer requirement		**1.28%**	0.65%
of which: countercyclical buffer requirement		**0.00%**	0.00%
of which: D-SIB or G-SIB buffer requirement		**0.00%**	0.00%
CET1 available to meet buffers (as a percentage of risk weighted assets)		**20.62%**	15.59%
National minimum capital requirements prescribed by SBP			
CET1 minimum ratio		**6.00%**	6.00%
Tier 1 minimum ratio		**7.50%**	7.50%
Total capital minimum ratio		**10.00%**	10.00%

37.2.1 *Common Equity Tier 1 capital: Regulatory adjustments*

	December 31, 2017	Amounts subject to Pre-Basel III treatment	December 31, 2016
	(Rupees in '000)		
Goodwill (net of related deferred tax liability)	**–**	–	–
All other intangibles (net of any associated deferred tax liability)	**2,781**	–	2,942
Shortfall of provisions against classified assets	**–**	–	–
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	**–**	–	–
Defined-benefit pension fund net assets	**–**	–	–
Reciprocal cross holdings in CET1 capital instruments	**–**	–	–
Cash flow hedge reserve	**–**	–	–
Investment in own shares / CET1 instruments	**–**	–	–
Securitization gain on sale	**–**	–	–
Capital shortfall of regulated subsidiaries	**–**	–	–
Deficit on account of revaluation from Company's holdings of property / AFS	**201,744**	–	62,060
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	**9,580**	2,395	–
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	**–**	–	–
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	**–**	–	–
Amount exceeding 15% threshold of which: significant investments in the common stocks of financial entities of which: deferred tax assets arising from temporary differences	**–**	–	–
National specific regulatory adjustments applied to CET1 capital	**–**	–	–
Investment in TFCs of other banks exceeding the prescribed limit	**–**	–	–
Any other deduction specified by SBP	**–**	–	–
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	**1,402,752**	22,854	2,511,340
Total regulatory adjustments applied to CET1	**1,616,857**	25,249	2,576,342

37.2.2 *Additional Tier 1 Capital: regulatory adjustments*

	December 31, 2017	Amounts subject to Pre-Basel III treatment	December 31, 2016
	(Rupees in '000)		
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	**1,091,584**	–	2,440,239
Investment in own AT1 capital instruments	**–**	–	–
Reciprocal cross holdings in Additional Tier 1 capital instruments	**–**	–	–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	**43,102**	10,776	–
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	**–**	–	–
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	**110,500**	–	36,000
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	**157,566**	–	35,101
Total of Regulatory Adjustment applied to AT1 capital	**1,402,752**	10,776	2,511,340

37.2.3 *Tier 2 Capital: regulatory adjustments*

Portion of deduction applied 50:50 to core capital and supplementary capital based on Pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	**110,500**	–	36,000
Reciprocal cross holdings in Tier 2 instruments	**–**	–	–
Investment in own Tier 2 capital instrument	**–**	–	–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	**48,314**	12,079	–
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	**–**	–	–
Total regulatory adjustment applied to T2 capital	**158,814**	12,079	36,000

37.2.4 Additional information

	Note	2017	2016
		(Rupees in '000)	
Total Risk Weighted Assets subject to pre-Basel III treatment			
Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment		**372,723**	–
of which: recognised portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity		**400,367**	–
of which: deferred tax assets		**–**	–
of which: Defined-benefit pension fund net assets		**–**	–
of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity		**(27,644)**	–
of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity		**–**	–

	2017	2016
	(Rupees in '000)	
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financial entities	**1,045,344**	632,978
Significant investments in the common stock of financial entities	**1,044,386**	180,000
Deferred tax assets arising from temporary differences (net of related tax liability)	**187,551**	–
Applicable caps on the inclusion of provisions in Tier 2		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	**–**	–
Cap on inclusion of provisions in Tier 2 under standardized approach	**–**	–
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	**–**	–
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	**–**	–

37.3 Leverage Ratio

The Company calculates leverage ratio in line with SBP's issued guidelines on Basel III. Pak Brunei's leverage ratio on standalone basis, as on December 31, 2017 is 26.33%. The same was 19.58% as on December 31, 2016.

37.4 Capital Structure Reconciliation

37.4.1 Step 1

	December 31, 2017	
	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	(Rupees in '000)	
Assets		
Cash and balances with treasury banks	**137,609**	137,609
Balances with other banks	**74,549**	74,549
Lendings to financial institutions	**2,420,909**	2,420,909
Investments	**7,678,634**	7,678,634
Advances	**18,767,825**	18,767,825
Operating fixed assets	**19,732**	19,732
Deferred tax assets	**187,551**	187,551
Other assets	**582,464**	582,464
Total assets	**29,869,273**	29,869,273
Liabilities and equity		
Bills payable	**–**	–
Borrowings	**13,976,083**	13,976,083
Deposits and other accounts	**4,751,164**	4,751,164
Sub-ordinated loans	**–**	–
Liabilities against assets subject to finance lease	**–**	–
Deferred tax liabilities	**–**	–
Other liabilities	**685,802**	685,802
Total liabilities	**19,413,049**	19,413,049

	Reference	December 31, 2017 Balance sheet as in published financial statements	 Under regulatory scope of consolidation
		(Rupees in '000)	
Common Equity Tier 1 capital (CET1): Instruments and reserves			
Fully paid-up capital / capital deposited with SBP		**6,000,000**	6,000,000
Reserves		**1,351,812**	1,351,812
Unappropriated / unremitted profit / (losses)		**3,306,156**	3,306,156
Minority interest		**–**	–
Surplus on revaluation of assets		**(201,744)**	(201,744)
Total liabilities and equity		**10,456,224**	10,456,224

37.4.2 Step 2

	Reference	Balance sheet as in published financial statements	Under regulatory scope of consolidation
Assets			
Cash and balances with treasury banks		**137,609**	137,609
Balance with other banks		**74,549**	74,549
Lending to financial institutions		**2,420,909**	2,420,909
Investments		**7,678,634**	7,678,634
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	a	**126,246**	126,246
of which: significant capital investments in financial sector entities exceeding regulatory threshold	b	**–**	–
of which: Mutual Funds exceeding regulatory threshold	c	**1,091,584**	1,091,584
of which: Reciprocal cross holdings in CET1	d	**–**	–
of which: Reciprocal cross holdings in Tier2		**–**	–
of which: others	e	**–**	–
Advances	f	**18,767,825**	18,767,825
shortfall in provisions / excess of total EL amount over eligible provisions under IRB general provisions reflected in Tier 2 capital	g	**1,248**	1,248
Fixed Assets	h	**19,732**	19,732
of which: Intangibles	i	**2,781**	2,781
Deferred tax assets		**187,551**	187,551
of which: DTAs excluding those arising from temporary differences	j	**187,551**	187,551
of which: DTAs arising from temporary differences exceeding regulatory threshold	k		
Other assets	l	**582,464**	582,464
of which: Goodwill	m	**–**	–
of which: Intangibles		**–**	–
of which: Defined-benefit pension fund net assets		**–**	–
Total assets		**29,869,273**	29,869,273
Liabilities and equity			
Bills payable		**–**	–
Borrowings		**13,976,083**	13,976,083
Deposits and other accounts		**4,751,164**	4,751,164
Sub-ordinated loans		**–**	–
of which: eligible for inclusion in AT1	n	**–**	–
of which: eligible for inclusion in Tier 2	o	**–**	–
Liabilities against assets subject to finance lease		**–**	–
Deferred tax liabilities		**–**	–
of which: DTLs related to goodwill	p	**–**	–
of which: DTLs related to intangible assets	q	**–**	–
of which: DTLs related to defined pension fund net assets	r	**–**	–
of which: other deferred tax liabilities	s	**–**	–
Other liabilities		**685,802**	685,802
Total liabilities		**19,413,049**	19,413,049

	Reference	December 31, 2017 Balance sheet as in published financial statements	 Under regulatory scope of consolidation
		(Rupees in '000)	
Share capital		**6,000,000**	6,000,000
of which: amount eligible for CET1	t	**6,000,000**	6,000,000
of which: amount eligible for AT1	u	**–**	–
Reserves		**1,351,812**	1,351,812
of which: portion eligible for inclusion in CET1: Share premium	v	**1,351,812**	1,351,812
of which: portion eligible for inclusion in CET1 general / statutory reserve	w	**–**	–
of which: portion eligible for inclusion in Tier 2	x	**–**	–
Unappropriated profit / (losses)	y	**3,306,156**	3,306,156
Minority Interest		**–**	–
of which: portion eligible for inclusion in CET1	z	**–**	–
of which: portion eligible for inclusion in AT1	aa	**–**	–
of which: portion eligible for inclusion in Tier 2		**–**	–
Surplus on revaluation of assets	ab	**(201,744)**	(201,744)
of which: Revaluation reserves on fixed assets	ac	**–**	–
of which: Unrealised gains / losses on AFS	ac	**(201,744)**	(201,744)
In case of deficit on revaluation (deduction from CET1)	ad	**–**	–
Total liabilities and equity		**29,869,273**	29,869,273

37.4.3 Step 3

	Source based on reference number from step 2	Component of regulatory capital reported by Company
		(Rupees in '000)
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully paid-up capital / capital deposited with SBP	(t)	**6,000,000**
Balance in share premium account		**–**
Reserve for issue of Bonus Shares		**–**
General / statutory reserves	(v)	**1,351,812**
Gain / (losses) on derivatives held as cash flow hedge		**–**
Unappropriated/unremitted profits / (losses)	(y)	**3,306,156**
Minority interests arising from CET1 capital instruments issued to third party by consolidated Company subsidiaries (amount allowed in CET1 capital of the consolidation group)	(z)	**–**
CET 1 before regulatory adjustments		**10,657,968**

	Source based on reference number from step 2	Component of regulatory capital reported by Company
		(Rupees in '000)
Common Equity Tier 1 capital: Regulatory adjustments		
Goodwill (net of related deferred tax liability)	(l) - (p)	–
All other intangibles (net of any associated deferred tax liability)	(m) - (q)	2,781
Shortfall of provisions against classified assets	(g)	–
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	{(h) - (r} * x%	–
Defined-benefit pension fund net assets	{(l) - (q)} * x%	–
Reciprocal cross holdings in CET1 capital instruments	(d)	–
Cash flow hedge reserve		–
Investment in own shares / CET1 instruments		–
Securitization gain on sale		–
Capital shortfall of regulated subsidiaries		–
Deficit on account of revaluation from Company's holdings of property / AFS	(ab)	201,744
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	(a) - (ac) - (ae)	9,580
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	(b) - (ad) - (af)	–
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i)	–
Amount exceeding 15% threshold		
of which: significant investments in the common stocks of financial entities		–
of which: deferred tax assets arising from temporary differences		–
National specific regulatory adjustments applied to CET1 capital		–
Investment in TFCs of other banks exceeding the prescribed limit		–
Any other deduction specified by SBP (mention details)		–
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		1,402,752
Total regulatory adjustments applied to CET1 (sum of 9 to 25)		1,616,857
Common Equity Tier 1		**9,041,111**

	Source based on reference number from step 2	Component of regulatory capital reported by Company
		(Rupees in '000)
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 instruments plus any related share premium		–
of which: Classified as equity	(t)	–
of which: Classified as liabilities	(m)	–
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	(y)	–
of which: instrument issued by subsidiaries subject to phase out		–
AT1 before regulatory adjustments		–
Additional Tier 1 Capital: regulatory adjustments		–
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	(c)	1,091,584
Investment in own AT1 capital instruments		–
Reciprocal cross holdings in Additional Tier 1 capital instruments		–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	(ac)	43,102
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)	–
Portion of deduction applied 50:50 to core capital and supplementary capital based on Pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital		110,500
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		157,566
Total of regulatory adjustment applied to AT1 capital		1,402,753
Additional Tier 1 capital		–
Additional Tier 1 capital recognised for capital adequacy		–
Tier 1 capital (CET1 + admissible AT1)		**9,041,111**
Tier 2 capital		
Qualifying Tier 2 capital instruments under Basel III		–
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	(n)	–
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	(z)	–
of which: instruments issued by subsidiaries subject to phase out		–
General Provisions or general reserves for loan losses-up to maximum of 1.25% of credit risk weighted assets	(g)	1,248
Revaluation Reserves eligible for Tier 2		–
of which: Revaluation reserves on fixed assets	portion of (aa)	–
of which: Unrealized gains / losses on AFS	portion of (aa)	–
Foreign exchange translation reserves	(v)	–
Undisclosed / other reserves (if any)		–
T2 before regulatory adjustments		**1,248**

	Source based on reference number from step 2	Component of regulatory capital reported by Company
		(Rupees in '000)
Tier 2 Capital: regulatory adjustments		
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital		**110,500**
Reciprocal cross holdings in Tier 2 instruments		–
Investment in own Tier 2 capital instrument		–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	(ae)	**48,314**
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	–
Amount of regulatory adjustment applied to T2 capital		**158,814**
Tier 2 capital (T2)		–
Tier 2 capital recognised for capital adequacy		–
Excess Additional Tier 1 capital recognised in Tier 2 capital		–
Total Tier 2 capital admissible for capital adequacy		–
TOTAL CAPITAL (T1 + admissible T2)		**9,041,111**

37.5 Main Features of Regulatory Capital Instruments

Sr. No.	Main Features	Common Shares	Instrument-2	Explanation
1	Issuer	6,000,000		Pak Brunei Investment Company Limited. Common shares are held by Ministry of Finance, Government of Pakistan and Brunei Investment Agency in a 50:50 ratio
2	Unique identifier (e.g. KSE Symbol or Bloomberg identifier etc.)			N/A
3	Governing law(s) of the instrument			Repealed Companies Ordinance, 1984, and Companies Act, 2017
Regulatory treatment				
4	Transitional Basel III rules			N/A
5	Post-transitional Basel III rules			Common Equity Tier 1
6	Eligible at solo / group / group and solo			Solo
7	Instrument type			Ordinary Shares
8	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)			10,657,968
9	Par value of instrument			Rs.10 per share
10	Accounting classification			Shareholder's Equity
11	Original date of issuance			4-Nov-06
12	Perpetual or dated			Perpetual
13	Original maturity date			N/A
14	Issuer call subject to prior supervisory approval			No
15	Optional call date, contingent call dates and redemption amount			N/A
16	Subsequent call dates, if applicable Coupons / dividends			N/A
17	Fixed or floating dividend / coupon			N/A
18	Coupon rate and any related index/ benchmark			N/A
19	Existence of a dividend stopper			Yes (please refer PR-11)
20	Fully discretionary, partially discretionary or mandatory			Fully discretionary
21	Common Equity Tier 1 capital (CET1): Instruments and reserves Existence of step up or other incentive to redeem			No
22	Non-cumulative or cumulative			Non cumulative
23	Convertible or non-convertible			Non-convertible
24	If convertible, conversion trigger (s)			N/A
25	If convertible, fully or partially			N/A
26	If convertible, conversion rate			N/A
27	If convertible, mandatory or optional conversion			N/A
28	If convertible, specify instrument type convertible into			N/A
29	If convertible, specify issuer of instrument it converts into			N/A
30	Write-down feature			No
31	If write-down, write-down trigger(s)			N/A
32	If write-down, full or partial			N/A
33	If write-down, permanent or temporary			N/A
34	If temporary write-down, description of write-up mechanism			N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)			N/A
36	Non-compliant transitioned features			No
37	If yes, specify non-compliant features			N/A

37.6 Risk weighted assets

The capital requirements for the Company as per the major risk categories is indicated below:

(Rupees in '000)

	Capital Requirements		Risk Weighted Assets	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Credit risk				
Portfolios subject to standardised approach (Simple or Comprehensive)				
Cash and cash equivalents	**–**	–	**–**	–
Sovereign	**–**	–	**–**	–
Public sector entities	**3,527**	4,498	**35,271**	44,982
Banks	**81,166**	62,149	**811,660**	621,492
Corporate	**1,605,472**	1,251,585	**16,054,715**	12,515,846
Retail	**2,486**	2,029	**24,858**	20,294
Residential mortgages	**4,318**	3,479	**43,182**	34,795
Past due loans	**75,858**	22,919	**758,575**	229,185
Operating fixed assets	**1,695**	2,221	**16,951**	22,214
Other assets	**38,417**	158,173	**384,174**	1,581,730
	1,812,939	1,507,053	**18,129,386**	15,070,538
Portfolios subject to Internal Rating Based (IRB) approach				
Off - balance sheet				
Non-market related	**489,922**	513,073	**4,899,217**	5,130,732
Market related exposures	**–**	–	**–**	–
Equity exposure risk in the banking book				
Under simple risk weight method	**286,914**	5,110	**2,869,135**	51,104
Under Internal models approach	**–**	–	**–**	–
	776,836	518,183	**7,768,352**	5,181,836
Market risk				
Capital requirement for portfolios subject to standardised approach				
Interest rate risk	**4,734**	204,754	**59,174**	2,047,538
Equity position risk	**161,547**	707,219	**2,019,343**	7,072,188
Foreign Exchange risk	**–**	1	**5**	5
	166,281	911,974	**2,078,522**	9,119,731
Capital requirement for portfolios subject to internal models approach	**–**	–	**–**	–
Operational risk				
Capital requirement for operational risks	**124,170**	124,709	**1,552,123**	1,558,865
Total	**2,880,225**	3,061,919	**29,528,383**	30,930,970

* Based on minimum capital requirement excluding capital conservation buffer.

(Rupees in '000)

	December 31, 2017		December 31, 2016	
	Required	Actual	Required	Actual
CET1 to total RWA	**6.00%**	30.62%	**6.00%**	25.59%
Tier-1 capital to total RWA	**7.50%**	30.62%	**7.50%**	25.59%
Total capital to total RWA	**10.00%**	30.62%	**10.00%**	25.59%

37.7 Capital adequacy

Objectives of managing capital

Capital Management aims to ensure that there is sufficient capital to meet the capital requirements of the Company as determined by the underlying business strategy and the minimum requirements of the SBP. The Capital Management process is governed by the Company's Asset and Liability Committee (ALCO). Further, capital adequacy and management is overseen by the Board Risk Management Committee (RMC).

Company's capital management seeks:

- to comply with the capital requirements set by the regulators and comparable to the peers;
- to actively manage the supply of capital costs and increase capital velocity;
- to increase strategic and tactical flexibility in the deployment of capital to allow for the timely reallocation of capital;
- to improve the liquidity of the Company's assets to allow for an optimal deployment of the Company's resources;
- to protect the Company against unexpected events and maintain strong ratings;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide adequate return to shareholders;
- availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Company to expand; and
- to achieve low overall cost of capital with appropriate mix of capital elements.

Externally imposed capital requirements

In order to strengthen the solvency of Banks / Development Financial Institutions (DFI), SBP through its BSD Circular No. 19 of 2008 dated September 05, 2008 has asked the DFIs to raise their minimum paid up capital to Rs.6 billion free of losses by the end of financial year 2009.

SBP through its BSD Circular No. 09 dated April 15, 2009 has asked Banks to achieve the minimum Capital Adequacy Ratio (CAR) of 10% on standalone as well as on consolidated basis latest by December 31, 2010.

The paid-up capital and CAR of the Company stands at Rs.10.658 billion and 30.62% of its risk weighted exposure as at December 31, 2017.

The Company has complied with all externally imposed capital requirements as at year end.

38 RISK MANAGEMENT POLICIES AND OBJECTIVES

The Risk Management Framework (the Framework) of the Company provides principles for identifying, assessing and monitoring risk within the Company. The Framework specifies the key elements of the risk management process in order to maximise opportunities, to minimise adversity and to achieve improved outcomes and outputs based on informed decision making.

Categories of risk

The Company generates most of its revenues by accepting credit, liquidity and market risk, the effective management of which is the decisive factor in its profitability. In addition, the Company is subject to certain consequential risks that are common to all business undertakings. These risks are grouped under operational and reputational risks. Hence, the Framework is organised with reference to these five risk categories as detailed below:

Credit risk This risk is defined as the possibility of loss due to unexpected default or a deterioration of credit worthiness of a counter party.

Market risk This is the risk of loss generated by adverse changes in the price of assets or contracts currently held by the Company. It includes yield / interest rate risk, currency risk and price risk.

Liquidity risk This is the risk that the Company would be unable to meet its payment obligations or fund increases in assets when these fall due without incurring an unacceptable cost the consequences of which may be the failure to meet obligations to repay investors and fulfil commitments to lend.

Operational risk This is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events and includes legal risk.

Reputational risk This is the risk of failing to meet the standards of performance or behaviour required or expected by stakeholders in commercial activities or the way in which business is conducted.

Risk responsibilities
The Board of Directors (the Board) is accountable for overall supervision of the risk management process. The Board is responsible for the approval of all risk policies and in ensuring that these are properly implemented. Furthermore, the Board approves the appointment of senior management personnel who are capable of managing the risk activities conducted by the Company.

Risk Management comprises of two areas namely Credit Risk Management (CRM) and Middle Office and Operational Risk (MOOR). CRM oversees credit risk taken by the Company while MOOR function overviews market, interest rate, liquidity and operational risks of the Company. The functions of both of these units are subject to the policies and manuals approved by the Board, provisions contained in the Prudential Regulations and additional regulatory directives issued by the SBP from time to time. These units are independent of business generation and risk taking. For all credit exposures taken by the Company, CRM prepares a comprehensive credit advice highlighting business, financial and structural risks for credit committee members. The CRM monitors the credit portfolio of the Company on a regular basis to ensure prudent lending. Moreover, this department also sets parameters for various risks including i) sectoral concentration, ii) exposure limits for single and group clients, and iii) monitoring watch list accounts and the entire portfolio. The risk management philosophy is to identify and monitor risk on a portfolio basis and assess the risk taking capacity of the balance sheet as a whole.

Different Management Committees have been set up to review different kinds of risks; mainly being the Assets and Liabilities Committee (ALCO), Credit Committee (CC) and Risk Management Committee (RMC). Comprehensive risk management manuals have been designed which cover all significant risks including credit, liquidity, market and operational risks and provide guidance to management on risk controls, limits, risk measurement tools and a reporting framework.

38.1 Credit risk

Credit risk, being the potential default of one or more debtors, is the largest source of risk for the Company. The Company is exposed to credit risk through its lending and investment activities. The credit risk arising from exposure to corporate entities is governed by the Credit Risk Management Policy and Credit Administration Frameworks. The counter party credit risk arising from interbank lines are addressed in the Treasury policy framework. The Company has adopted Standardized Approach of the Basel II Accord.

The Company manages 3 principal sources of credit risk:

i) Sovereign credit risk on its public sector advances.
When the Company lends to public sector borrowers, it prefers obtaining a full sovereign guarantee or the equivalent from the Government of Pakistan (GoP). However, certain public sector enterprises have a well defined cash flow stream and appropriate business model, based on which the lending is secured through collaterals other than GoP guarantee.

ii) Non-sovereign credit risk on its private sector advances.
When the Company lends to private sector borrowers it does not benefit from sovereign guarantees or the equivalent. Consequently, each borrower's credit worthiness is analysed on a standalone basis. Two new internal rating models are in use to rate (i) Corporate / Commercial customers (ii) SME customers. Frameworks of both these models have been duly approved by the Board.

iii) Counter party credit risk on interbank limits
In the normal course of its business, the Company's Treasury department utilises products such as reverse repos and call lending to meet the needs of the borrowers and manages its exposure to fluctuations in market interest rates and to temporarily invest its liquidity prior to disbursement. All of these financial instruments involve, to varying degrees, the risk that the counterparty in the transaction may be unable to meet its obligation towards the Company.

Reflecting a preference for minimizing exposure to counterparty credit risk, the Company maintains eligibility criteria that link the exposure limits to counterparty credit ratings by external rating agencies. For example, the minimum rating for counterparties to be eligible for a financing relationship with the Company is BBB.

Credit administration
Credit Administration Department is involved in minimizing losses that could arise due to security and documentation deficiencies.

Risk analytics
To ensure a prudent distribution of asset portfolio, the Company manages its lending and investment activities within a framework of Borrower, Group, Product, Geographical and Sector exposure limits and risk profile benchmarks.

Stress testing
The Company also conducts stress testing of its existing portfolio which includes all assets i.e., advances as well as investments. This exercise is conducted on a quarterly basis through assigning shocks to distressed / non-performing assets of the Company and assessing its resulting affect on capital adequacy.

Regular monitoring
Regular monitoring of the advances portfolio is carried out which focuses on early problem recognition and influences the front office to carry out an assessment of the borrower's ability to rectify the identified problem / weakness within a reasonable time-frame, consider tighter structuring of facilities, confirm that there are no critical deficiencies in the existing security position and, if possible, arrange for strengthening of the same through obtaining additional collateral. It should, however, be noted that these actions are taken prior to incurring overdues on the facility.

Portfolio diversification
While expanding the advances and the investment (TFCs) portfolio, efficient portfolio diversification has been a key consideration despite the relatively small size of operations.

38.2 Market risk

The market risk is the risk of reductions in earnings, value and / or reserves arising from changes in market rates (such as interest rates, exchange rates, credit spreads) and market prices (such as commodities, equities, property, etc.) as well as their correlations and volatilities. The Company is exposed to market risk primarily through its trading activities, which are centered in the Treasury and Capital market groups.

The Company classifies its assets in banking and trading books as per instructions from the SBP. The Company's trading book comprises positions in financial instruments held with trading intent or in order to hedge other elements of the trading book and free of any restrictive covenants on their tradability. In addition, positions need to be frequently and accurately valued and the portfolio should be actively managed. The positions which do not fulfil the criteria of trading book falls under the banking Book and are treated as per SBP requirements. The Company is using Standardized Approach for exposure in its balance sheet to calculate market risk, capital charge and risk weighted assets for Capital Adequacy Ratio (CAR) calculation purposes.

The Company actively measures, controls and manages market risk on a day-to-day basis. Controls are applied to all investment portfolios by setting limits to the exposures taken. This includes stop loss limits on shares in the 'held-for-trading' portfolio, individual and sectoral concentration limits, volatility and value-at-risk limits, etc.

The Company measures market risk using various techniques like duration analysis for interest rate sensitivity, Value-at-Risk for adverse price movement and stress testing. The results are communicated to the ALCO and Risk Management Committee on a monthly and quarterly basis respectively. Market risk is effectively managed at portfolio level.

Policies, valuation and accounting of equity investments
In accordance with the requirements of the SBP, valuation and accounting of equity investments is done as per the accounting policies of investments (other than subsidiaries and associates) mentioned in note 4.3. Furthermore, the composition of equity investments is available in note 8.

38.2.1 Currency risk

Currency risk is the risk of loss arising from fluctuations in exchange rates. The Company is not exposed to any significant funded or non-funded foreign exchange exposure as it does not have significant assets or liabilities denominated in foreign currencies as at the reporting date.

(Rupees in '000)

	As at December 31, 2017			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistani Rupee	**29,869,268**	**19,413,049**	**–**	**10,456,219**
United States Dollar	**5**	**–**	**–**	**5**
	29,869,273	**19,413,049**	**–**	**10,456,224**

(Rupees in '000)

	As at December 31, 2016			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistani Rupee	34,390,593	23,962,040	–	10,428,553
United States Dollar	4	–	–	4
	34,390,597	23,962,040	–	10,428,557

38.2.2 Price risk
The Company is exposed to price risk on its investments in equity capital markets. The Board with the recommendations of ALCO approves exposure limits applicable to investments in trading books.

Equity investments in Company's trading book are subject to limits and controls imposed by risk management policy to reduce the risk. The risk is managed by applying trading limit, scrip–wise and portfolio wise nominal limits, stop-loss limits and volatility limits. Stress test and value-at-risk figures are also reported to the management for timely decisions.

The Equity Investment Committee is responsible for making investment decisions in the capital market.

38.2.3 Yield / interest rate risk
Yield / interest rate risk is the uncertainty resulting from changes in interest rates, including changes in the shape of yield curves. Interest rate risk arises from factors such as mismatches between contractual maturities or re-pricing of on and off balance sheet assets and liabilities. The objective of yield / interest rate risk management is to minimise adverse variances in the Company's profitability.

Government securities (PIBs and T-Bills), investment in TFCs and Sukuks, loans and advances and other money market placements classified under the 'held-for-trading' and the 'available-for-sale' categories are subject to interest rate risk. The duration analysis is carried out to capture the risk associated with these securities. Stress testing is also in place to capture the sensitivity of the portfolio to adverse movement in interest rates. For prudent risk management, all money market placements are marked to market to assess changes in the market values of these investments due to interest rate movements.

38.2.3.1 Mismatch of interest rate sensitive assets and liabilities
Interest rate risk can arise on account of rising interest rates causing a fall in the value of assets or falling interest rates causing an increase in the value of liabilities. While the Company is largely engaged in transactions on a floating rate basis in both borrowings and lendings, rate reset frequency, ceilings and floors and choice of base rate can translate into interest rate risk.

Interest rate risk is monitored through regular reports on interest rate matching and duration estimates. Furthermore stress techniques are also used to estimate maximum losses in case of adverse movements in interest rates.

(Rupees in '000)

	Effective yield/ interest rate	Total	December 31, 2017 — Exposed to yield/interest risk: 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	Non-interest Bearing Financial Instruments
On-balance sheet financial instruments												
Asset												
Cash and balances with treasury banks	–	137,609	–	–	–	–	–	–	–	–	–	137,609
Balances with other banks	1.73% to 5.00%	74,549	74,549	–	–	–	–	–	–	–	–	–
Lendings	5.80% to 7.30%	2,420,909	2,420,909	–	–	–	–	–	–	–	–	–
Investments	5.90% to 12.09%	7,678,634	1,067,346	2,333,144	775,006	1,132	23,395	–	3,129	12,036	–	3,463,446
Advances	6.20% to 18.00%	18,767,825	4,343,505	5,991,413	3,805,686	386,686	867,308	769,345	1,169,557	1,409,025	–	25,300
Other assets	–	376,139	–	–	–	–	–	–	–	–	–	376,139
		29,455,665	7,906,309	8,324,557	4,580,692	387,818	890,703	769,345	1,172,686	1,421,061	–	4,002,494
Liabilities												
Borrowings	2.00% to 8.40%	13,976,083	711,535	3,564,060	5,552,049	282,633	638,225	697,164	1,151,854	1,378,563	–	–
Deposits and other accounts	6.20% to 6.50%	4,751,164	–	4,251,164	250,000	250,000	–	–	–	–	–	–
Other liabilities	–	582,198	–	–	–	–	–	–	–	–	–	582,198
		19,309,445	711,535	7,815,224	5,802,049	532,633	638,225	697,164	1,151,854	1,378,563	–	582,198
On-balance sheet gap		10,146,220	7,194,774	509,333	(1,221,357)	(144,815)	252,478	72,181	20,832	42,498	–	3,420,296
Off–balance sheet financial instruments												
Forward purchase of Government Securities		–	–	–	–	–	–	–	–	–	–	–
Forward Sale of Government Securities		1,722,024	1,722,024	–	–	–	–	–	–	–	–	–
Interest rate derivatives – short position		–	–	–	–	–	–	–	–	–	–	–
Interest rate derivatives – long position		–	–	–	–	–	–	–	–	–	–	–
Off-balance sheet gap		1,722,024	1,722,024	–	–	–	–	–	–	–	–	–
Total yield / interest risk sensitivity gap		11,868,244	8,916,798	509,333	(1,221,357)	(144,815)	252,478	72,181	20,832	42,498	–	3,420,296
Cumulative yield / interest risk sensitivity gap			8,916,798	9,426,131	8,204,774	8,059,959	8,312,437	8,384,618	8,405,450	8,447,948	8,447,948	11,868,244

(Rupees in '000)

	Effective yield/ interest rate	Total	December 31, 2016 — Exposed to yield/interest risk: 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	Non-interest Bearing Financial Instruments
On-balance sheet financial instruments												
Asset												
Cash and balances with treasury banks	–	322,004	–	–	–	–	–	–	–	–	–	322,004
Balances with other banks	3.75% to 7%	1,936,970	1,936,970	–	–	–	–	–	–	–	–	–
Lendings	5.7% to 7%	498,065	248,065	250,000	–	–	–	–	–	–	–	–
Investments	6.03% to 8.71%	16,657,665	82,321	848,565	155,249	6,060,578	1,615	20,115	94,544	2,743,813	–	6,650,865
Advances	4.34% to 16.26%	13,995,942	836,536	666,072	277,099	3,432,728	222,037	263,169	458,082	365,002	–	7,475,217
Other assets	–	648,066	–	–	–	–	–	–	–	–	–	648,066
		34,058,712	3,103,892	1,764,637	432,348	9,493,306	223,652	283,284	552,626	3,108,815	–	15,096,152
Liabilities												
Borrowings	2.55% to 6.30%	20,492,898	7,848,147	5,786,716	47,834	114,620	2,023,835	2,430,893	924,674	1,315,030	1,149	–
Deposits and other accounts	6.28%	2,913,487	–	2,660,000	–	253,487	–	–	–	–	–	–
Other liabilities	–	473,080	–	–	–	–	–	–	–	–	–	473,080
		23,879,465	7,848,147	8,446,716	47,834	368,107	2,023,835	2,430,893	924,674	1,315,030	1,149	473,080
On-balance sheet gap		10,179,247	(4,744,255)	(6,682,079)	384,514	9,125,199	(1,800,183)	(2,147,609)	(372,048)	1,793,785	(1,149)	14,623,072
Off–balance sheet financial instruments												
Forward purchase of Government Securities		–	–	–	–	–	–	–	–	–	–	–
Forward Sale of Government Securities		7,592,065	7,592,065	–	–	–	–	–	–	–	–	–
Interest rate derivatives – short position		–	–	–	–	–	–	–	–	–	–	–
Interest rate derivatives – long position		–	–	–	–	–	–	–	–	–	–	–
Off-balance sheet gap		7,592,065	7,592,065	–	–	–	–	–	–	–	–	–
Total yield / interest risk sensitivity gap		17,771,312	2,847,810	(6,682,079)	384,514	9,125,199	(1,800,183)	(2,147,609)	(372,048)	1,793,785	(1,149)	14,623,072
Cumulative yield / interest risk sensitivity gap			2,847,810	(3,834,269)	(3,449,755)	5,675,444	3,875,261	1,727,652	1,355,604	3,149,389	3,148,240	17,771,312

38.3 Liquidity risk

Liquidity risk is the risk that the Company is unable to fund its current obligations and operations in the most cost efficient manner. ALCO is the forum to oversee liquidity management.

Liquidity risk can arise from the Company's activities and can be grouped into three categories:

- inflows / outflows from on-balance sheet items (other than marketable securities and wholesale borrowings) and off-balance sheet items;
- marketability of trading securities; and
- capacity to borrow from the wholesale markets for funding as well as trading activities.

The Company's main funding source is the inter-bank money market. Changes in the monetary policy announced by the government and market expectations of interest rate are all important factors that can adversely affect the key funding source. Efficient and accurate planning plays a critical role in liquidity management. Company's MIS provides information on expected cash inflows / out flows which allows the Company to take timely decisions based on the future requirements. The Company monitors all the possible sources from which liquidity risk can emanate including market reputation, borrowing terms, deterioration in the quality of credit portfolio, etc. Other sources are also identified for which early warning indicators are created and monitored for early intervention of management sensing a potential liquidity crunch.

Gap analysis and stress testing is done on a periodic basis to capture any adverse effect of market movements on liquidity position. Based on the results produced, ALCO devises the liquidity management strategy to maintain sufficient liquidity to deal with any related catastrophe.

38.3.1 Maturities of assets and liabilities - on the basis approved by the Assets and Liabilities Management Committee (ALCO) of the Company

(Rupees in '000)

	Total	December 31, 2017: 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
Assets										
Cash and balances with treasury banks	137,609	34,403	103,206	–	–	–	–	–	–	–
Balances with other banks	74,549	18,637	55,912	–	–	–	–	–	–	–
Lendings to financial institutions	2,420,909	2,420,909	–	–	–	–	–	–	–	–
Investments	7,678,634	1,163,118	2,651,693	320,353	410,613	60,118	50,127	63,474	955,764	2,003,374
Advances	18,767,825	1,888,870	2,704,749	1,836,599	2,427,747	2,432,548	2,111,293	3,062,020	2,276,952	27,047
Operating fixed assets	19,732	5,203	2,836	3,565	3,186	4,365	577	–	–	–
Deferred tax assets	187,551	(913)	7,975	(1,392)	123,412	37,903	16,399	16,688	(12,521)	–
Other assets	582,464	40,872	96,902	218,378	122,598	99,964	750	–	–	3,000
	29,869,273	5,571,099	5,623,273	2,377,503	3,087,556	2,634,898	2,179,146	3,142,182	3,220,195	2,033,421
Liabilities										
Borrowings	13,976,083	711,535	3,564,060	1,452,312	1,382,494	2,588,100	1,747,164	1,151,853	1,378,565	–
Deposits and other accounts	4,751,164	–	4,251,164	250,000	250,000	–	–	–	–	–
Deferred tax liabilities	–	–	–	–	–	–	–	–	–	–
Other liabilities	685,802	226,312	45,951	84,094	139,432	98,992	47,582	43,439	–	–
	19,413,049	937,847	7,861,175	1,786,406	1,771,926	2,687,092	1,794,746	1,195,292	1,378,565	–
Net assets	10,456,224	4,633,252	(2,237,902)	591,097	1,315,630	(52,194)	384,400	1,946,890	1,841,630	2,033,421
Share capital	6,000,000									
Reserves	1,351,812									
Unappropriated profit	3,306,156									
Surplus on revaluation of assets - net of tax	(201,744)									
	10,456,224									

(Rupees in '000)

	December 31, 2016									
	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
Assets										
Cash and balances with treasury banks	322,004	80,501	241,503	–	–	–	–	–	–	–
Balances with other banks	1,936,970	484,243	1,452,727	–	–	–	–	–	–	–
Lendings to financial institutions	498,065	248,065	250,000	–	–	–	–	–	–	–
Investments	16,657,665	1,077,439	1,437,236	2,193,352	7,649,791	164,211	32,712	133,722	2,965,668	1,003,534
Advances	13,995,942	2,071,583	1,542,499	1,233,898	1,240,203	2,233,022	1,963,712	2,265,250	1,396,893	48,882
Operating fixed assets	25,160	2,345	6,042	3,938	3,273	5,894	3,668	–	–	–
Deferred tax assets	108,371	13,778	5,767	(5,833)	60,005	18,345	9,825	11,986	(5,502)	–
Other assets	846,420	250,706	255,190	95,928	238,498	3,196	1	50	–	2,851
	34,390,597	4,228,660	5,190,964	3,521,283	9,191,770	2,424,668	2,009,918	2,411,008	4,357,059	1,055,267
Liabilities										
Borrowings	20,492,898	7,857,763	5,794,038	580,528	1,158,913	2,115,064	1,174,806	858,526	953,260	–
Deposits and other accounts	2,913,487	–	2,660,000	253,487	–	–	–	–	–	–
Deferred tax liabilities	–	–	–	–	–	–	–	–	–	–
Other liabilities	555,655	71,476	100,321	38,364	112,206	92,935	101,587	38,766	–	–
	23,962,040	7,929,239	8,554,359	872,379	1,271,119	2,207,999	1,276,393	897,292	953,260	–
Net assets	10,428,557	(3,700,579)	(3,363,395)	2,648,904	7,920,651	216,669	733,525	1,513,716	3,403,799	1,055,267
Share capital	6,000,000									
Reserves	1,257,721									
Unappropriated profit	3,232,896									
Surplus on revaluation of assets - net of tax	(62,060)									
	10,428,557									

38.3.2 Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the Company

(Rupees in '000)

	December 31, 2017									
	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
Assets										
Cash and balances with treasury banks	**137,609**	**34,403**	**103,206**	–	–	–	–	–	–	–
Balances with other banks	**74,549**	**18,637**	**55,912**	–	–	–	–	–	–	–
Lendings to financial institutions	**2,420,909**	**2,420,909**	–	–	–	–	–	–	–	–
Investments	**7,678,634**	**1,163,118**	**2,651,693**	**320,353**	**410,613**	**60,118**	**50,127**	**63,474**	**955,764**	**2,003,374**
Advances	**18,767,825**	**1,888,870**	**2,704,749**	**1,836,599**	**2,427,747**	**2,432,548**	**2,111,293**	**3,062,020**	**2,276,952**	**27,047**
Operating fixed assets	**19,732**	**5,203**	**2,836**	**3,565**	**3,186**	**4,365**	**577**	–	–	–
Deferred tax assets	**187,551**	**(913)**	**7,975**	**(1,392)**	**123,412**	**37,903**	**16,399**	**16,688**	**(12,521)**	–
Other assets	**582,464**	**40,872**	**96,902**	**218,378**	**122,598**	**99,964**	**750**	–	–	**3,000**
	29,869,273	**5,571,099**	**5,623,273**	**2,377,503**	**3,087,556**	**2,634,898**	**2,179,146**	**3,142,182**	**3,220,195**	**2,033,421**
Liabilities										
Borrowings	**13,976,083**	**711,535**	**3,564,060**	**1,452,312**	**1,382,494**	**2,588,100**	**1,747,164**	**1,151,853**	**1,378,565**	–
Deposits and other accounts	**4,751,164**	–	**4,251,164**	**250,000**	**250,000**	–	–	–	–	–
Deferred tax liabilities	–	–	–	–	–	–	–	–	–	–
Other liabilities	**685,802**	**226,312**	**45,951**	**84,094**	**139,432**	**98,992**	**47,582**	**43,439**	–	–
	19,413,049	**937,847**	**7,861,175**	**1,786,406**	**1,771,926**	**2,687,092**	**1,794,746**	**1,195,292**	**1,378,565**	–
Net assets	**10,456,224**	**4,633,252**	**(2,237,902)**	**591,097**	**1,315,630**	**(52,194)**	**384,400**	**1,946,890**	**1,841,630**	**2,033,421**
Share capital	**6,000,000**									
Reserves	**1,351,812**									
Unappropriated profit	**3,306,156**									
Deficit on revaluation of assets - net of tax	**(201,744)**									
	10,456,224									

(Rupees in '000)

	December 31, 2016									
	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
Assets										
Cash and balances with treasury banks	322,004	80,501	241,503	–	–	–	–	–	–	–
Balances with other banks	1,936,970	484,243	1,452,727	–	–	–	–	–	–	–
Lendings to financial institutions	498,065	248,065	250,000	–	–	–	–	–	–	–
Investments	16,657,665	1,077,439	1,437,236	2,193,352	7,649,791	164,211	32,712	133,722	2,965,668	1,003,534
Advances	13,995,942	2,071,583	1,542,499	1,233,898	1,240,203	2,233,022	1,963,712	2,265,250	1,396,893	48,882
Operating fixed assets	25,160	2,345	6,042	3,938	3,273	5,894	3,668	–	–	–
Deferred tax assets	108,371	13,778	5,767	(5,833)	60,005	18,345	9,825	11,986	(5,502)	–
Other assets	846,420	250,706	255,190	95,928	238,498	3,196	1	50	–	2,851
	34,390,597	4,228,660	5,190,964	3,521,283	9,191,770	2,424,668	2,009,918	2,411,008	4,357,059	1,055,267
Liabilities										
Borrowings	20,492,898	7,857,763	5,794,038	580,528	1,158,913	2,115,064	1,174,806	858,526	953,260	–
Deposits and other accounts	2,913,487	–	2,660,000	253,487	–	–	–	–	–	–
Deferred tax liabilities	–	–	–	–	–	–	–	–	–	–
Other liabilities	555,655	71,476	100,321	38,364	112,206	92,935	101,587	38,766	–	–
	23,962,040	7,929,239	8,554,359	872,379	1,271,119	2,207,999	1,276,393	897,292	953,260	–
Net assets	10,428,557	(3,700,579)	(3,363,395)	2,648,904	7,920,651	216,669	733,525	1,513,716	3,403,799	1,055,267
Share capital	6,000,000									
Reserves	1,257,721									
Unappropriated profit	3,232,896									
Surplus on revaluation of assets - net of tax	(62,060)									
	10,428,557									

38.3.3 Liquidity Coverage Ratio (LCR)

According to Basel III instructions issued by the State Bank of Pakistan (BPRD circular # 08 dated 23 June 2016), it is mandatory for all the Banks and DFIs to calculate and report the LCR statement on monthly basis however, no minimum requirement of LCR is being stipulated currently by the SBP for DFIs.

The objective is to promote the short-term resilience of the liquidity risk profile of banks by ensuring that they preserve enough unencumbered high quality liquid assets (HQLA) to survive total net cash outflows for the next thirty days horizon.

The LCR has two components:

a) Value of the stock of High Quality Liquid Assets (HQLA) in stressed conditions; and

b) Total net cash outflows, calculated according to the stress scenario for which a DFI would need sufficient liquidity on hand to survive for up to 30 days.

(Rupees in '000)

	Particulars	Total Unweighted [a] Value (Average)	Total Weighted [b] Value (Average)
	HIGH QUALITY LIQUID ASSETS		
1	Total high quality liquid assets (HQLA)	2,417,965	2,191,876
	CASH OUTFLOWS		
2	Retail deposits and deposits from small business customers of which:		
2.1	Stable deposit	–	–
2.2	Less stable deposit	–	–
3	Unsecured wholesale funding of which:		
3.1	Operational deposits (all counterparties)	–	–
3.2	Non-operational deposits (all counterparties)	–	–
3.3	Unsecured debt	5,898,024	5,708,955
4	Secured wholesale funding	–	–
5	Additional requirements of which:		
5.1	Outflows related to derivative exposures and other collateral requirements	–	–
5.2	Outflows related to loss of funding on debt products	–	–
5.3	Credit and Liquidity facilities	5,806,388	580,639
6	Other contractual funding obligations	241,147	241,147
7	Other contingent funding obligations	832,303	41,615
8	**Total Cash Outflows**	12,777,862	6,572,356
	CASH INFLOWS		
9	Secured lending	–	–
10	Inflows from fully performing exposures	2,484,903	1,397,164
11	Other Cash inflows	651,535	648,929
12	**Total Cash Inlflows**	3,136,438	2,046,093
		Total Adjusted Value	
21	**Total HQLA**	2,417,965	2,191,876
22	**Total Net Cash Outflows**	9,641,424	4,526,263
23	**Liquidity Coverage Ratio**		48.43%

a Unweighted values must be calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows).

b Weighted values must be calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows).

c Adjusted values must be calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (i.e. cap on level 2B and level 2 assets for HQLA and cap on inflows.

38.3.4 Net Stable Funding Ratio (NSFR)

According to Basel III instructions issued by State Bank of Pakistan (BPRD circular # 08 dated 23 June 2016), it is mandatory for all the Banks and DFIs to calculate and report the Net Stable Funding Ratio (NSFR) on a quarterly basis with the minimum of 100% on an ongoing basis from December 31, 2017.

The purpose of the net stable funding ratio ("NSFR") is to ensure that Banks and DFIs hold a minimum amount of stable funding based on the liquidity characteristics of their assets and off-balance sheet activities over a one year horizon.

The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on- and off-balance sheet items and promotes funding stability. The objective is to reduce maturity mismatches between the asset and liability items on the balance sheet and thereby reduce funding and rollover risk.

(Rupees in '000)

	Particulars	No Maturity	unweighted value by residual maturity < 6 months	6 months to < 1 yr	≥ 1 yr	weighted value
	Available Stable Funding (ASF) Item					
1	Capital:					
2	Regulatory capital	10,657,968	–	–	–	10,657,968
3	Other capital instruments	–	–	–	–	
4	Retail deposits and deposit from small business customers:	–	–	–	–	–
5	Stable deposits	–	–	–	–	–
6	Less stable deposits	–	–	–	–	–
7	Wholesale funding:	–	–	–	–	–
8	Operational deposits	–	–	–	–	–
9	Other wholesale funding	–	250,000	1,771,926	7,055,695	8,066,658
10	Other liabilities:	–	–	–	–	–
11	NSFR derivative liabilities	–				
12	All other liabilities and equity not included in other categories	–	10,335,428	–	–	–
13	**Total ASF**					**18,724,626**
	Required Stable Funding (RSF) Item					
14	Total NSFR high-quality liquid assets (HQLA)				2,438,541	209,080
15	Deposits held at other financial institutions for operational purposes	–	–	–	–	–
16	Performing loans and securities:					
17	Performing loans to financial institutions secured by Level 1 HQLA	–	1,720,909	–	–	172,091
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	–	700,000	–	–	105,000
19	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	–	–	–	8,698,333	7,393,583
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	–	–	–	780,964	507,627
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	–	–	–	1,789,404	1,520,993
22	Other assets:	–	7,346,030	3,611,011	–	5,478,521
23	Physical traded commodities, including gold	–	–	–	–	–
24	Assets posted as initial margin for derivative contracts	–	–	–	–	–
25	NSFR derivative assets					
26	NSFR derivative liabilities before deduction of variation margin posted					
27	All other assets not included in the above categories	–	2,756,279	4,303	23,500	2,781,930
28	Off-balance sheet items		5,880,631	–	–	294,032
29	Total RSF					18,462,857
30	Net Stable Funding Ratio (%)					101.42%

38.4 Operational risk

The Company, like all financial institutions, is exposed to many types of operational risks, including the potential losses arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and procedures and the execution of legal, fiduciary and agency responsibilities.

The Company maintains a system of internal controls designed to keep operational risk at appropriate levels, in view of the Company's financial strength and the characteristics of the activities and market in which it operates. These internal controls are periodically updated to conform to industry's best practices. The Company has developed a Business Continuity Plan applicable to all its functional areas. Currently, the Company uses the Basic Indicator Approach for assessing its operational risk capital charge.

39 SEGMENTAL INFORMATION

39.1 Segments by class of business

	December 31, 2017					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Cement	1,000,000	5.25	–	–	–	–
Textile	4,181,432	21.94	–	–	1,641,095	21.59
Sugar	732,965	3.85	–	–	35,000	0.46
Chemicals and pharmaceuticals	950,201	4.99	–	–	351,490	4.62
Production and transmission of energy	2,149,648	11.26	–	–	875,298	11.50
Auto and allied	17,982	0.09	–	–	–	–
Financial	545,964	2.86	4,251,164	89.48	1,722,024	22.65
Individuals	156,522	0.82	–	–	–	–
Health and pharma	1,278,233	6.71	–	–	–	–
Telecommunication	64,684	0.34	–	–	–	–
Paper and board	3,792	0.02	–	–	–	–
Food and confectionary	563,553	2.96	–	–	–	–
Entertainment	262,555	1.38	–	–	–	–
Printing	479,877	2.52	–	–	626,854	8.25
Public sector	–	–	500,000	10.52	–	–
Transportation	327,315	1.72	–	–	–	–
Packaging	–	–	–	–	–	–
Services	6,888	0.04	–	–	–	–
Electronics and electrical appliances	2,305,000	12.10	–	–	130,000	1.71
Engineering	662,891	3.48	–	–	224,901	2.96
Construction	375,771	1.97	–	–	852,337	11.21
Poultry	281,250	1.48	–	–	–	–
Agricultural and dairy	481,003	2.52	–	–	66,167	0.87
Food and Beverages	81,486	0.43	–	–	561,588	7.39
Steel & Engineering	662,652	3.48	–	–	300,000	3.95
Real State & Developers	950,000	4.99	–	–	200,000	2.63
Information Technologies	500,000	2.62	–	–	–	–
Others	35,235	0.18	–	–	15,900	0.21
	19,056,899	100.00	4,751,164	100.00	7,602,654	100.00

	December 31, 2016					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Cement	–	–	–	–	–	–
Textile	3,378,066	23.74	–	–	2,157,389	13.42
Sugar	944,107	6.63	–	–	–	–
Chemicals and pharmaceuticals	753,840	5.30	–	–	641,324	3.99
Production and transmission of energy	1,585,818	11.14	–	–	1,911,714	11.90
Auto and allied	3,422	0.02	–	–	–	–
Financial	120,000	0.84	2,660,000	91.30	10,159,839	63.21
Individuals	126,472	0.89	–	–	–	–
Health and pharma	1,279,465	8.99	–	–	–	–
Telecommunication	64,805	0.46	–	–	430,000	2.68
Paper and board	–	–	–	–	–	–
Food and confectionary	873,411	6.14	–	–	70,000	0.44
Entertainment	57,715	0.41	–	–	12,500	0.08
Printing	–	–	–	–	–	–
Public sector	–	–	250,000	8.58	–	–
Transportation	357,881	2.51	–	–	–	–
Packaging	366,615	2.58	–	–	106,423	0.66
Services	4,818	0.03	–	–	–	–
Electronics and electrical appliances	1,023,403	7.19	–	–	56,590	0.35
Engineering	21,786	0.15	–	–	–	–
Construction	1,225,400	8.61	–	–	522,347	3.25
Poultry	281,250	1.98	–	–	–	–
Agricultural and dairy	446,782	3.14	–	–	30	–
Others	1,316,976	9.25	3,487	0.12	3,828	0.02
	14,232,032	100.00	2,913,487	100.00	16,071,984	100.00

39.2 Segment by sector

	December 31, 2017					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	73,236	0.38	500,000	10.52	1,489,394	19.59
Private	18,983,663	99.62	4,251,164	89.48	6,113,260	80.41
	19,056,899	100.00	4,751,164	100.00	7,602,654	100.00

	December 31, 2016					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	89,963	0.63	250,000	8.58	4,222,113	26.27
Private	14,142,069	99.37	2,663,487	91.42	11,849,871	73.73
	14,232,032	100.00	2,913,487	100.00	16,071,984	100.00

39.3 Details of non-performing advances and specific provisions by class of business segments

(Rupees in '000)

	2017		2016	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
Poultry	**281,250**	**131,992**	281,250	140,625
Chemicals and Pharmaceuticals	**261**	**65**	–	–
Textile	**30,457**	**30,457**	30,457	30,457
Production and transmission of energy	**138,169**	**–**	–	–
Sugar	**118,950**	**36,581**	118,950	59,475
Engineering	**8,720**	**7,397**	9,961	1,937
Food and confectionary	**307,859**	**62,373**	–	–
Services	**3,647**	**912**	–	–
Telecommunication	**64,684**	**18,049**	10,789	2,697
	953,997	**287,826**	451,407	235,191

39.4 Details of non-performing advances and specific provisions by sector

(Rupees in '000)

	2017		2016	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
Public / Government	**–**	**–**	–	–
Private	**953,997**	**287,826**	451,407	235,191
	953,997	**287,826**	451,407	235,191

39.5 Geographical segment analysis

(Rupees in '000)

	December 31, 2017			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Pakistan	**670,916**	**29,869,273**	**10,456,224**	**7,602,654**

	December 31, 2016			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Pakistan	1,332,524	34,390,597	10,428,557	16,071,984

40 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors have proposed a final dividend for the year ended December 31, 2017 of Rs. **0.50** per share (2016: Re.0.50 per share), amounting to Rs. **300** million (2016: Rs.300 million) in their meeting held on **11 March, 2018** , for approval of the members at the annual general meeting to be held on **6 April, 2018** . These unconsolidated financial statements for the year ended December 31, 2017 do not include the effect of this appropriations which will be accounted for in the unconsolidated financial statements of the Company for the year ending December 31, 2018.

41 DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue on **11 March, 2018** by the Board of Directors of the Company.

42 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison and better presentation. No significant rearrangements or reclassifications have been made in these financial statements during the current year.

43 CREDIT RATING

The JCR-VIS Credit Rating Company Limited has assigned a long-term entity rating of 'AA+' (Double A plus) and short-term rating of 'A-1+' (Single A One Plus) to the Company in June 2017. Outlook on the assigned ratings is 'Stable'. These ratings denote a very low expectation of credit risk and indicate a very strong capacity for timely payment of financial commitments.

44 GENERAL

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

President/Chief Executive **Chief Financial Officer** **Director** **Director** **Director**

Consolidated Financial Statements

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Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising Consolidated Statement of Financial Position of **Pak Brunei Investment Company Limited** (the Holding Company) and its subsidiaries as at December 31, 2017 and the related Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Pak Brunei Investment Company Limited and its subsidiaries except for Awwal Modaraba which was audited by other firm of auditors whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such entity, is based solely on the report of such other auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Pak Brunei Investment Company Limited and its subsidiaries as at December 31, 2017 and the results of their operations for the year then ended.

The consolidated financial statements for the year ended December 31, 2016 were audited by another firm of Chartered Accountants who had expressed an unqualified opinion thereon vide their report dated March 23, 2017.

Chartered Accountants
Engagement Partner: Salman Hussain
Dated: March 13, 2018
Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
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KARACHI ▪ LAHORE ▪ ISLAMABAD

Consolidated
Statement of Financial Position

As at December 31, 2017

2017	2016 (Restated)		Note	2017	2016 (Restated)
(US $ in '000)				(Rupees in '000)	
		ASSETS			
1,246	2,916	Cash and balances with treasury banks	5	**137,621**	322,011
4,980	21,129	Balances with other banks	6	**549,900**	2,333,056
28,989	4,511	Lendings to financial and other institutions	7	**3,200,909**	498,065
53,605	141,946	Investments - net	8	**5,918,860**	15,673,268
175,081	131,567	Advances - net	9	**19,331,908**	14,527,306
256	248	Operating fixed assets	10	**28,303**	27,423
1,716	917	Deferred tax asset - net	11	**189,506**	101,224
6,100	9,853	Other assets - net	12	**673,523**	1,087,913
271,973	313,087			**30,030,530**	34,570,266
		LIABILITIES			
–	–	Bills payable		**–**	–
126,575	185,595	Borrowings	13	**13,976,083**	20,492,898
43,029	26,386	Deposits and other accounts	14	**4,751,164**	2,913,488
–	–	Sub-ordinated loans		**–**	–
–	–	Liabilities against assets subject to finance lease		**–**	–
–	–	Deferred tax liability		**–**	–
6,686	5,610	Other liabilities	15	**738,202**	619,458
176,290	217,591			**19,465,449**	24,025,844
95,683	95,496	**NET ASSETS**		**10,565,081**	10,544,422
		REPRESENTED BY			
		Shareholders' equity			
54,339	54,339	Share capital	16	**6,000,000**	6,000,000
12,243	11,391	Reserves		**1,351,812**	1,257,721
30,908	30,308	Unappropriated profit		**3,412,835**	3,346,556
97,490	96,038	Total equity attributable to the equity holders of the Holding Company		**10,764,647**	10,604,277
20	20	Non-controlling interest		**2,178**	2,205
97,510	96,058			**10,766,825**	10,606,482
(1,827)	(562)	Deficit on revaluation of assets - net of deferred tax	17	**(201,744)**	(62,060)
95,683	95,496			**10,565,081**	10,544,422
		CONTINGENCIES AND COMMITMENTS	18		

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

President/Chief Executive **Chief Financial Officer** **Director** **Director** **Director**

Consolidated
Profit and Loss Account

For the Year ended December 31, 2017

2017	2016 (Restated)		Note	2017	2016 (Restated)
(US $ in '000)				(Rupees in '000)	
14,295	15,068	Mark-up / return / interest earned	19	**1,578,436**	1,663,785
8,225	9,814	Mark-up / return / interest expensed	20	**908,144**	1,083,660
6,070	5,254	Net mark-up / return / interest income		**670,292**	580,125
481	722	Provision against non-performing loans and advances - net	9.4	**53,144**	79,717
797	158	Provision for diminution in the value of investments	8.10	**88,011**	17,394
–	–	Bad debts written-off directly		**–**	–
1,278	880			**141,155**	97,111
4,792	4,374	**Net mark-up / return / interest income after provisions**		**529,137**	483,014
		Non mark-up / interest income			
1,551	1,777	Fee, commission and brokerage income		**171,276**	196,202
204	1,030	Dividend income		**22,494**	113,693
–	–	Income from dealing in foreign currencies		**–**	–
2,037	4,800	Gain on sale of securities - net	21	**224,899**	530,007
–	(7)	Unrealised loss on revaluation of investments classified as held for trading - net		**(33)**	(782)
388	(27)	Other income / (expenses)	22	**42,801**	(2,969)
4,180	7,573	**Total non mark-up / interest income**		**461,437**	836,151
8,972	11,947			**990,574**	1,319,165
		Non mark-up / interest expenses			
3,333	3,194	Administrative expenses	23	**368,073**	352,684
–	(453)	Other provisions / write offs - net		**–**	(50,000)
158	648	Provision for Sindh Workers' Welfare Fund	24	**17,404**	71,523
–	10	Other charges	25	**–**	1,085
3,491	3,399	**Total non mark-up / interest expenses**		**385,477**	375,292
5,481	8,548			**605,097**	943,873
–	–	Extraordinary items / unusual items		**–**	–
483	4,037	Share of profit of associates		**53,279**	445,729
5,964	12,585	**Profit before taxation**		**658,376**	1,389,602
2,084	3,005	Taxation - Current	26	**230,091**	331,774
367	454	Taxation - Prior years	26	**40,533**	50,171
(665)	(16)	Taxation - Deferred	26	**(73,388)**	(1,791)
1,786	3,443			**197,236**	380,154
4,178	9,142	**Profit after taxation for the year from continuing operations**		**461,140**	1,009,448
		Discontinued operations			
25	86	Profit after taxation for the year from discontinued operations	12.1	**2,721**	9,495
4,203	9,228			**463,861**	1,018,943
		Attributable to:			
4,200	9,226	Equity shareholders of the Holding Company		**463,490**	1,018,714
3	2	Non-controlling interest		**371**	229
4,203	9,228			**463,861**	1,018,943
				(Rupees)	
		Earnings per share (basic and diluted)			
		- From continuing operation	27.1	**0.7686**	1.6824
		- From discontinued operation	27.1	**0.0045**	0.0158
				0.7731	1.6982

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

President/Chief Executive **Chief Financial Officer** **Director** **Director** **Director**

Consolidated

Statement of comprehensive income

For the Year ended December 31, 2017

2017	2016 (Restated)		2017	2016 (Restated)
(US $ in '000)			(Rupees in '000)	
		Profit for the year after taxation attributable to:		
4,200	9,226	Equity shareholders of the Holding Company	**463,490**	1,018,714
3	2	Non-controlling interest	**371**	229
4,203	9,228		**463,861**	1,018,943
		Other comprehensive (loss) / income - net		
		Items that will be reclassified to profit or loss in subsequent periods		
		Premeasurement (loss) / gain on defined benefit plan		
(40)	59	Equity shareholders of the holding company	**(4,436)**	6,481
–	–	Non-controlling interest	**–**	–
12	(18)	Related impact of related deferred tax	**1,331**	(1,944)
(28)	41		**(3,105)**	4,537
(28)	41	**Other comprehensive income transferred to equity**	**460,756**	1,023,480
		Components of comprehensive income not reflected in equity		
		Items that are not to be reclassified to profit or loss in subsequent periods		
(1,265)	(199)	Movement in deficit on revaluation of available-for-sale financial assets - net of deferred tax *	**(139,684)**	(21,939)
(1,293)	(158)	**Total comprehensive income for the year**	**321,072**	1,001,541

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

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

President/Chief Executive **Chief Financial Officer** **Director** **Director** **Director**

Consolidated

Cash Flow Statement

For the Year ended December 31, 2017

2017	2016 (Restated)		Note	2017	2016 (Restated)
(US $ in '000)				(Rupees in '000)	
		CASH FLOWS FROM OPERATING ACTIVITIES			
5,963	12,585	Profit before taxation from continuing operation		**658,376**	1,389,602
61	232	Profit before taxation from discontinued operation		**6,721**	25,567
204	1,030	Less: Dividend income		**22,494**	113,693
5,820	11,787			**642,603**	1,301,476
		Adjustments for non-cash charges and other items:			
96	194	Depreciation		**10,631**	21,441
8	13	Amortisation		**921**	1,485
–	5	Amortisation of license fee		**–**	500
158	648	Provision for Sindh Workers' Welfare Fund		**17,404**	71,523
481	722	Provision against non-performing loans and advances - net		**53,144**	79,717
797	158	Provision for diminution in the value of investments		**88,011**	17,394
(1)	–	Gain on sale of property and equipment		**(77)**	(13)
(528)	–	Gain on disposal of held-for-sale investment		**(58,304)**	–
(172)	–	Gain on reclassification of AWT Investments Limited as associate		**(19,019)**	–
–	1	Asset written off		**–**	69
–	453	Other provisions / write offs - net		**–**	50,000
–	4	Unrealised (gain) / loss on revaluation of investment classified as held-for-trading -net		**33**	481
(481)	(4,038)	Share of profit of associates		**(53,279)**	(445,729)
358	(1,840)			**39,465**	(203,132)
6,178	9,947			**682,068**	1,098,344
		(Increase) / decrease in operating assets			
(13,611)	(2,247)	Lendings to financial institutions		**(1,502,844)**	(248,065)
607	(1,387)	Investments in held-for-trading securities		**67,021**	(153,176)
–	(18)	Loans and advances disbursed		**–**	(1,971)
(43,994)	(39,517)	Advances		**(4,857,746)**	(4,363,343)
1,556	7,469	Other assets (excluding current taxation)		**171,849**	824,710
(55,442)	(35,700)			**(6,121,720)**	(3,941,845)
		Increase / (decrease) in operating liabilities			
(59,020)	53,879	Borrowings		**(6,516,815)**	5,949,150
16,643	(11,817)	Deposits and other accounts		**1,837,676**	(1,304,801)
873	(1,452)	Other liabilities		**96,370**	(160,367)
(41,504)	40,610			**(4,582,769)**	4,483,982
(90,768)	14,857			**(10,022,421)**	1,640,481
(2,521)	(3,522)	Taxes paid relating continuing profit		**(278,387)**	(388,870)
(43)	(128)	Taxes paid relating discontinuing profit		**(4,748)**	(14,184)
(93,332)	11,207	Net cash (used in) / generated from operating activities		**(10,305,556)**	1,237,427
		CASH FLOWS FROM INVESTING ACTIVITIES			
45,926	(7,540)	Net investments in available-for-sale securities		**5,071,069**	(832,499)
364	960	Net investments in held-to-maturity securities		**40,188**	105,957
40,245	17,287	Net divestment from associates		**4,443,751**	1,908,764
2,403	–	Proceeds from disposal of investment classified as held for sale		**265,375**	–
248	996	Dividend income received		**27,371**	109,941
(113)	(130)	Fixed capital expenditure		**(12,462)**	(14,320)
1	20	Proceeds from disposal of property and equipment		**107**	2,216
89,074	11,593	Net cash generated from investing activities		**9,835,399**	1,280,059
		CASH FLOWS FROM FINANCING ACTIVITIES			
(2,717)	(1,811)	Dividend paid		**(300,000)**	(200,000)
(2,717)	(1,811)	Net cash used in financing activities		**(300,000)**	(200,000)
(6,975)	20,989	**(Decrease) / increase in cash and cash equivalents**		**(770,157)**	2,317,486
26,334	5,345	Cash and cash equivalents at the beginning of the year		**2,907,678**	590,192
19,359	26,334	**Cash and cash equivalents at the end of the year**	28	**2,137,521**	2,907,678

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

President/Chief Executive **Chief Financial Officer** **Director** **Director** **Director**

Consolidated

Statement of Changes in Equity

For the Year ended December 31, 2017

	Share capital	Capital reserve Statutory reserve	Revenue reserve Unappropriated profit	Non-controlling interest	Total
	(Rupees in '000)				
As at January 01, 2016	6,000,000	1,065,388	2,716,198	–	9,781,586
Non-controling interest (NCI) upon initial recognition (restated - note 2.5)	–	–	–	8,318	8,318
Profit after taxation for the year ended December 31, 2016 (restated - note 2.5)	–	–	1,018,714	229	1,018,943
Other comprehensive income	–	–	4,537	–	4,537
Total comprehensive income for the year ended December 31, 2016 - restated	–	–	1,023,251	229	1,023,480
Transfer to statutory reserve (restated)	–	192,333	(192,333)	–	–
Transaction with owners, recorded directly in equity					
Final cash dividend paid for the year ended December 31, 2015 @ Re.0.33 per share	–	–	(200,000)	–	(200,000)
Movement in NCI's holding - (restated - note 2.5)	–	–	(560)	(6,342)	(6,902)
As at December 31, 2016 - restated	6,000,000	1,257,721	3,346,556	2,205	10,606,482
Profit after taxation for the year ended December 31, 2017	–	–	463,490	371	463,861
Other comprehensive income	–	–	(3,105)	–	(3,105)
Total comprehensive income for the year ended December 31, 2017	–	–	460,385	371	460,756
Transfer to statutory reserve	–	94,091	(94,091)	–	–
Transaction with owners, recorded directly in equity					
Final cash dividend paid for the year ended December 31, 2016 @ Re 0.50 per share	–	–	(300,000)	–	(300,000)
Dividend payout by Awwal Modaraba @ Rs. 1.225 per certificate	–	–	–	(269)	(269)
Movement in NCI's holding	–	–	(15)	(129)	(144)
As at December 31, 2017	6,000,000	1,351,812	3,412,835	2,178	10,766,825

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

President/Chief Executive **Chief Financial Officer** **Director** **Director** **Director**

Consolidated

Notes to the Financial Statements

For the Year ended December 31, 2017

1 STATUS AND NATURE OF BUSINESS

The "Group" consists of:

Holding Company
Pak Brunei Investment Company Limited (the “Holding Company” or “parent”) is a Development Finance Institution (DFI) incorporated as an un-listed public limited company under the (now repealed) Companies Ordinance, 1984. The State Bank of Pakistan (the SBP) granted the approval for commencement of business with effect from August 20, 2007. The Holding Company is a joint venture between the Government of Pakistan and the Brunei Investment Agency. The Holding Company's objectives interalia include making investments in the industrial and agro based industrial fields in Pakistan on commercial basis through carrying out of industrial and agro based industrial projects and marketing of their products in Pakistan and abroad and to undertake other feasible businesses and to establish and acquire companies to conduct various businesses. The registered office of the Holding Company is situated at Horizon Vista, plot no. Commercial 10, Block 4, Scheme 5, Clifton, Karachi, Pakistan. The Company is in operation with 2 offices (December 31, 2016: 2) one located in Karachi and the other in Lahore.

Subsidiaries

- Awwal Modaraba Management Limited (AMML) - 100% holding
Awwal Modaraba Management Limited (the Company) was incorporated in Pakistan on June 05, 2014 as an unlisted public company under the (now repealed) Companies Ordinance, 1984. Subsequently, it was registered as a Modaraba Management Company with the Registrar of Modaraba Companies and Modarabas under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. The Company is a wholly owned subsidiary of Pak Brunei Investment Company Limited (the Holding Company) with its registered office situated at Horizon Vista, plot no. Commercial 10, Block 4, Scheme 5, Clifton, Karachi, Pakistan.

The principal activity of the Company is to engage in the business of floatation of Modarabas and to function as a Modaraba Company within the meaning of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. Presently, the Company is managing Awwal Modaraba only which is a perpetual Modaraba engaged in providing working capital, term finance, ijarah, musharika, morabaha and other shariah compliant instruments to credit worthy customers. The Modaraba is listed on the Pakistan Stock Exchange Limited.

- Primus Leasing Limited (PLL) - 100% holding
PLL was incorporated in Pakistan as a public unlisted company on July 13, 2017 under the Companies Act, 2017. The registered office of PLL is situated at Horizon Vista, plot no. Commercial 10, Block 4, Scheme 5, Clifton, Karachi, Pakistan. PLL is licensed to carry out leasing business as a Non-Banking Finance Company (NBFC) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 issued by the Securities and Exchange Commission of Pakistan (SECP).

The principal objective of PLL is to carry on and undertake the business of leasing of movable and immovable property for any purpose whatsoever including but not being limited to industrial, commercial, agricultural and other development purposes on such terms, covenants and conditions and at such rentals as may be deemed fit.

- Awwal Modaraba (AM) - 99.78% holding
AM has been floated under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder. AM is managed by the AMML. After receiving certificate of minimum subscription, AM commenced its business operations with effect from February 10, 2016. The registered office is situated at Horizon Vista, plot no. Commercial 10, Block 4, Scheme 5, Clifton, Karachi, Pakistan.

AM is a perpetual, multi purpose and multi dimensional Modaraba and is primarily engaged in providing working capital, Term Finance, Ijarah, Musharika, Morabaha and other Shari'ah compliant investments / instruments to credit worthy customers. AM is listed on the Pakistan Stock Exchange Limited.

2 STATEMENT OF COMPLIANCE

2.1 These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the requirements of the Banking Companies Ordinance, 1962 and the directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the directives issued by the SBP and the SECP differ with the requirements of IFRSs, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives issued by the SBP and the SECP prevail.

The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the SECP vide its circular no. 23 dated October 4, 2017, these consolidated financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

2.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for DFIs through BSD Circular no. 11 dated September 11, 2002 till further instructions. In addition, the Securities and Exchange Commission of Pakistan has deferred the applicability of International Financial Reporting Standard 7, Financial Instruments: Disclosures (IFRS 7) vide SRO 411(I) / 2008 dated April 28, 2008 till further orders. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

2.3 IFRS 8, 'Operating Segments' is effective for the DFI's accounting period beginning on or after January 01, 2009. All DFIs in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the DFI believes that as the SBP has defined the segment categorization in the above mentioned circular, the SBP's requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these consolidated financial statements is based on the requirements laid down by the SBP.

2.4 IFRS 10 "Consolidated Financial Statements" was made applicable from period beginning on or after January 01, 2015 vide S.R.O 633(I)/2014 dated July 10, 2014 by SECP. However, SECP vide S.R.O 56(I) /2016 dated January 28, 2016 has directed that the requirements of consolidation under section 237 of the Companies Ordinance 1984 and IFRS-10 "Consolidated Financial Statements" were not applicable in case of investments made by companies in mutual funds established under trust structure.

Keeping in view the provisions of the aforementioned SRO, the management was of the opinion that the exemption was also applicable to Modarabas. Accordingly, the financial statements of Awwal Modaraba, in which more than 99 percent of the certificates were owned by the Group, was not consolidated and the Modaraba was treated as an associate as at December 31, 2016.

2.5 On September 25, 2017, the SECP upon the request of the Holding Company, clarified vide its letter no. SC/M/PRDD/AMML/2017-268 that Modarabas were not established under a trust structure. Hence, the exemption granted to notified entities vide S.R.O. 56(I)/2016 dated January 28, 2016 was not applicable to Modarabas as the structure of Modarabas was not similar to that of Collective Investments Schemes. Based on this clarification of the SECP, the results of Awwal Modaraba have now been consolidated in the consolidated financial statements of the Group for the year ended December 31, 2017 from the date of its formation i.e. February 10, 2016.

In order to give effect to the aforementioned clarification issued by the SECP, the requirements of IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" have been considered and the comparative information has been restated. The effects are summarised below:

	December 31 2016 (Rupees in '000)
Impact on Consolidated Statement of Financial Position	
Increase in cash and balances with treasury banks	7
Increase in balances with other banks	382,048
Decrease in investments - net	985,378)
Increase in advances - net	530,573
Increase in operating fixed assets	3,301
Increase in other assets - net	86,077
Increase in other liabilities	14,009
Increase in reserves	21,931
Impact on Consolidated Profit and Loss Account	
Increase in mark-up / return / interest earned	72,287
Increase in fee, commission and brokerage income	84,709
Increase in administrative expenses	40,788
Increase in provision for Sindh Workers' Welfare Fund	2,238
Decrease in share of profit of associates	(112,767)
Increase in non-controlling interest	229
Earnings per share basic and diluted	
The impact on earnings per share basic and diluted is insignificant and has not been disclosed separately.	
Impact on Consolidated Statement of Changes in Equity	
- Relating to Non-Controlling Interest (NCI):	
Initial recognition of non-controlling interest	8,318
Profit after taxation for the year ended December 31, 2016	229
Movement in NCI's holding	(6,342)
- Relating to equity holders of Holding Company:	
Movement in NCI's holding - acquisition of certificates at premium	(560)
Impact on Consolidated Cash Flow Statement	
Adjustments for non-cash charges and other items:	
Depreciation	(955)
Interest income on investment	3,105
Provision for Sindh Workers' Welfare Fund	71,523
Gain on sale of property and equipment	241
Other provisions / write offs - net	50,000
Share of profit of associate	112,767

	December 31 2016 (Rupees in '000)
(Increase) / decrease in operating assets	
Investments in held-for-trading securities	13,798
Advances	(524,233)
Other assets (excluding current taxation)	(20,431)
Increase / (decrease) in operating liabilities	
Deposits and other accounts	1
Borrowings	(156)
Other liabilities	(15,945)
Taxes paid relating continuing profit	17,479
Taxes paid relating discontinuing profit	(14,184)
Cash Flows from Investing Activities	
Net investments in available-for-sale securities	61,842
Net investments in held-to-maturity securities	(83,854)
Net divestment from associates	915,570
Dividend income received	(206,754)
Proceeds from disposal of property and equipment	1,037

2.6 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain new and amended standards, interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after January 1, 2017 but are considered not to be relevant or do not have any significant effect on the Group's operations and are therefore not detailed in these consolidated financial statements.

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

The following revised standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned below against the respective standard, amendments or interpretations:

Standard or interpretation	Effective date (annual periods beginning on or after)
- IFRS 9 - Financial Instruments	July 1, 2018
- IFRS 15 - Revenue from contracts with customers	July 1, 2018
- IFRS 16 - Leases	January 1, 2019

The management is in the process of assessing the impact of these standards on the consolidated financial statements of the Group.

Furthermore, the SBP vide its circular 2 of 2018 dated January 25, 2018 has specified the new reporting format for financial statements of banking companies / DFIs. The new format has revised the disclosure requirements and will become applicable for the annual financial statements of the Group for the year ending December 31, 2018. The management is currently in the process of assessing the impact the new format will have on the consolidated financial statements of the Group.

There are certain other new and amended standards and interpretations that are mandatory for the Group's accounting periods beginning on or after January 1, 2018 but are considered not to be relevant or will not have any significant effect on the Group's operations and are, therefore, not detailed in these consolidated financial statements.

3 BASIS OF PRESENTATION

3.1 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except that certain investments have been marked to market and are carried at fair values. In addition, the obligation in respect of staff retirement benefit is carried at present value of defined benefit obligation.

3.2 US Dollar equivalent

The US dollar amounts shown in the consolidated statement of financial position, consolidated profit and loss account, consolidated statement of comprehensive income and consolidated cash flow statement are provided as additional information solely for the convenience of users of financial statements. For the purpose of conversion to US Dollars, the rate of Rs 110.4172 to US Dollars has been used for both 2017 and 2016, as it was the prevalent rate on December 31, 2017.

3.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Group operates. These consolidated financial statements are presented in Pakistani Rupee which is the Group's functional and presentation currency.

3.4 Critical accounting estimates and judgements

The preparation of the consolidated financial statements in conformity with the approved accounting standards as applicable in Pakistan requires the management of the holding company to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgement in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions 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 revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgements were made by the management in the application of accounting policies are as follows:

i) classification and valuation of investments (notes 4.4 and 8);
ii) classification and provisioning against loans and advances (notes 4.5 and 9);
iii) provision for taxation (notes 4.11 and 26);
iv) accounting for defined benefit plan (notes 4.13 and 30);
v) residual values, depreciation / amortisation methods and useful lives of operating fixed assets (notes 4.7 and 10); and
vi) impairment of assets (note 4.8).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

4.1 Basis of consolidation

Subsidiary is an entity in which the Group directly or indirectly controls, beneficially owns or holds more than 50% of its voting securities or otherwise has power to elect and appoint more than 50% of its directors.

Subsidiaries are consolidated from the date on which more than 50% of the voting rights are transferred to the Group or power to control the entity is established and are excluded from consolidation from the date of disposal or when the control is lost. Control is said to exist when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The assets, liabilities, income and expenses of the subsidiaries have been consolidated with those of the Holding Company on a line by line basis and the carrying values of the Group's investments in subsidiaries are eliminated against the subsidiaries' share capital and pre-acquisition reserves in these consolidated financial statements.

Non-Controlling Interest (NCI) represents that part of the net results of operations and net assets of the subsidiaries that is not owned by the group and is measured at the proportionate share of net assets of the acquiree.

The financial statements of subsidiaries are prepared for the same reporting period as that of the Holding Company using accounting policies which are consistent with those applied by the Holding Company in the preparation of its unconsolidated financial statements.

Material intra-group balances and transactions have been eliminated.

4.2 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement represent cash in hand, balances with treasury banks, balances with other banks in current and deposit accounts and short-term highly liquid investments with original maturities of three months or less.

4.3 Lendings to / borrowings from financial and other institutions

The Group enters into repurchase agreements (repo) and reverse repurchase agreements (reverse repo) at contracted rates for a specified period of time. These are recorded as under:

(a) Sale of securities under repurchase agreements
Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the consolidated financial statements and are measured in accordance with accounting policies for investment securities. The counterparty liability for amounts received under these agreements is included in borrowings. The difference between sale and repurchase price is treated as mark-up / return / interest expense and accrued over the life of the repo agreement using effective interest method.

(b) Purchase of securities under resale agreements
Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the consolidated financial statements as the Group does not obtain control over the securities. Amounts paid under these agreements are included in lendings to financial institutions. The difference between purchase and resale price is treated as mark-up / return / interest income and accrued over the life of the reverse repo agreement using the effective interest method.

4.4 Investments (other than in associates)

4.4.1 Classification
The Group classifies its investment portfolio, other than investments in subsidiaries and associates, into the following categories:

Held-for-trading
These represent securities which are either acquired for the purpose of generating profit from short-term fluctuations in market prices, interest rates or dealers' margins or are securities included in a portfolio in which a pattern of short-term profit making exists and are intended to be sold within 90 days of acquisition.

Held to maturity
These are securities with fixed or determinable payments and fixed maturity which the Group has the positive intent and ability to hold till maturity.

Available-for-sale
These are investments (other than those in subsidiaries and associates) that do not fall under the held-for-trading or held-to-maturity categories.

4.4.2 Initial measurement
All purchases and sales of investments that require delivery within the time frame established by regulations or market conventions are recognised at the trade date. Trade date is the date on which the Group commits to purchase or sell the investment.

Investments classified as held-for-trading are initially recognised at fair value, and transaction costs are expensed in the consolidated profit and loss account. Investments, other than those categorised as held-for-trading, are initially recognised at fair value which includes transaction costs associated with the investments.

4.4.3 Subsequent measurement

Held-for-trading
These are subsequently measured at fair value. Any unrealised surplus / deficit arising on revaluation is taken to the consolidated profit and loss account.

Held-to-maturity
These are carried at amortised cost using the effective interest method, less any impairment recognised to reflect irrecoverable amounts.

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

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

4.5 Investments in associates

Associates are entities over which the Group has a significant influence but over which control does not exist.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investments in associates are initially recognised at cost plus investor's share of the profit or loss of the investees subsequent to the date of acquisition less impairment in value (if any). The investor's share of profit or loss of associates is recognised in the consolidated profit and loss account.

4.6 Advances

Advances are stated net of specific and general provisions which are charged to the consolidated profit and loss account. Specific provisions are made in accordance with the requirements of the Prudential Regulations issued by the SBP which prescribe an age-based criteria for classification of non-performing loans and advances and computing provision / allowance there against. The Group also performs a subjective evaluation of its advances which is based on various factors including the historical repayment pattern, past dues, delinquency in the account, financial position of the borrowers, etc. as prescribed under the Prudential Regulations. General provision is maintained against financing to small enterprises as per the requirements of the Prudential Regulations. Advances are written-off where there are no realistic prospects of recovery.

Leases are classified as finance leases when the Group transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessee. A receivable is recognised at an amount equal to the present value of minimum lease payments, including guaranteed residual value, if any. The net investment in finance lease is included in advances to customers.

Diminishing Musharaka is a partnership agreement between the Group and its customers for financing plant and machinery. The receivable is recorded to the extent of the Group's share in the purchase of assets. Income is recognised on an accrual basis.

4.7 Operating fixed assets

4.7.1 Property and equipment

Owned assets

Operating fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged to the consolidated profit and loss account using the straight line method at the rates stated in note 10.1 after taking into account residual values, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date. Depreciation is charged from the date when the asset is available for use while no depreciation is charged on the date the asset is disposed of.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured. All other repair and maintenance expenditure are charged to the consolidated profit and loss account as and when incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gain / loss on disposal of fixed assets is recognised in the consolidated profit and loss account in the period in which disposal is made.

Leased assets

Assets held under finance lease are accounted for by recording the assets and the related liability. These are recorded at the lower of fair value and the present value of minimum lease payments at the inception of lease and are subsequently stated net of accumulated depreciation.

Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding finance lease liability.

Depreciation is charged on leased assets on a basis similar to that of owned assets.

4.7.2 Intangibles

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised using the straight line method at the rates stated in note 10.2. The residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, at each reporting date. Amortisation is charged from the date the asset is available for use while no amortisation is charged on the date the asset is disposed of.

Subsequent costs are included in the asset’s carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Gains and losses on disposals, if any, are taken to the consolidated profit and loss account in the period in which these arise.

4.7.3 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during the installation and construction / development period is carried under this head. These are transferred to the relevant categories of assets as and when assets become available for use.

4.8 Impairment

4.8.1 Impairment of available-for-sale and held-to-maturity investments

Impairment loss in respect of investments categorised as available-for-sale (except term finance certificates and sukuks) and held-to-maturity is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. For available-for-sale financial assets when such an impairment arises, the cumulative loss that has been recognised directly in surplus / deficit on revaluation of securities on the statement of financial position below equity is removed therefrom and recognised in the consolidated profit and loss account. For investments classified as held-to-maturity, the impairment loss is recognised in the consolidated profit and loss account.

For listed equity securities, a significant or prolonged decline in the fair value below cost is also considered to be an objective evidence of impairment. For ‘significance’, a threshold of 30% and for ‘prolonged’ a time period of one year has been set, above and after which, decline in value of the instrument is considered for impairment. However, the determination of what is significant or prolonged requires further judgment. In making this judgment, the Group evaluates, among other factors, the normal volatility in share prices (in the case of listed equity securities), the financial condition of investees, industry and sector performance and changes in technology. A subsequent increase in the fair value of a previously impaired quoted equity security is recorded in the statement of financial position in the surplus / deficit on revaluation of securities account and only recorded through the profit and loss account when realised on disposal. For unquoted equity securities, a decline in the carrying value is charged to the consolidated profit and loss account. Any subsequent increase in the carrying value upto the cost of the investment is credited to the consolidated profit and loss account.

In case of debt securities, provisions for diminution in the value are made as per the ageing criteria prescribed under the Prudential Regulations issued by the SBP and the SECP. When a debt security classified as available-for-sale is considered to be impaired, the balance in the surplus / deficit on revaluation of securities account is transferred to the consolidated profit and loss account as an impairment charge. If, in a subsequent period, the fair value of the debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the consolidated profit and loss account.

Provision for diminution in the value of other securities is made after considering objective evidence of impairment.

4.8.2 Impairment of investments in associates

The Group considers that a decline in the recoverable value of its investments in associates below their cost may be evidence of impairment. Recoverable value is calculated as the higher of fair value less costs to sell and value in use. An impairment loss is recognised when the recoverable amount falls below the carrying value and is charged to the profit and loss account. Any subsequent reversal of an impairment loss, up to the cost of the investment in subsidiaries and associates is credited to the consolidated profit and loss account.

4.8.3 Impairment of non-financial assets (excluding deferred tax)

The carrying amounts of non-financial assets (other than deferred tax asset) are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists and where the carrying value exceeds the estimated recoverable amounts, assets are written down to their recoverable amounts and any resultant impairment losses are recognised immediately in the consolidated profit and loss account.

Impairment losses are reversed if there has been a change in the estimate used to determine the recoverable amounts. Such reversals are only made to the extent that the assets' carrying amounts do not exceed the amounts that would have been determined had no impairment loss been recognised.

4.9 Assets classified as held-for-sale

The Group classifies an asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

A held for sale asset is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognised in the consolidated profit and loss account for any initial or subsequent write down of the asset to fair value less costs to sell. Subsequent gains in fair value less costs to sell are recognised to the extent these do not exceed the cumulative impairment losses previously recorded. An asset is not depreciated while classified as held for sale.

4.10 Assets acquired in satisfaction of claims

The Group occasionally acquires assets in settlement of certain advances. These are stated at the lower of the net realisable value of the related advances or the fair value of such assets.

4.11 Taxation

Income tax expense comprises charge for current and prior years and deferred tax. Income tax expense is recognised in the consolidated profit and loss account except to the extent that it relates to items recognised directly in equity in which case it is recognised in equity.

4.11.1 Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

4.11.2 Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the amounts attributed to the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is calculated at the tax rates that are expected to be applicable to the temporary differences when these reverse based on the tax rates that have been enacted or substantively enacted as at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and any unused tax losses to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carry forward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax relating to gain / loss recognised in 'surplus / deficit on revaluation of assets' or items recognised in other comprehensive income (OCI) is charged / credited to 'surplus / deficit on revaluation of assets' or OCI, as the case may be.

4.12 Borrowings / deposits

Borrowings / deposits are recorded at the amount of proceeds received. The cost of borrowings / deposits is recognised as an expense in the period in which it is incurred. Any difference between the proceeds and the redemption value is recognised in the consolidated profit and loss account over the period of the borrowings / deposits using the effective interest method.

4.13 Staff retirement benefits

4.13.1 Staff retirement benefits of the Holding Company

Defined benefit plan - staff gratuity fund

The Holding Company operates a funded gratuity scheme for its eligible permanent employees. The liability recognised in the consolidated statement of financial position in respect of defined benefit gratuity scheme, is the present value of the defined benefit obligation as at the reporting date less the fair value of plan assets. Contributions to the fund are made on the basis of actuarial recommendations using the Projected Unit Credit Method under which the cost of providing gratuity is charged to the consolidated profit and loss account so as to spread the cost over the service lives of the employees. Valuations are conducted by an independent actuary with the last valuation conducted on December 31, 2017.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period. Past service cost is the change in the present value of defined benefit obligation resulting from a plan amendment or curtailment and is recognised as an expense in the consolidated profit and loss account when the plan amendment or curtailment occurs. Actuarial gains and losses that arise out of experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income with no subsequent recycling through the consolidated profit and loss account.

Defined contribution plan - staff provident fund

The Holding Company operates a provident fund scheme for its employees. Equal monthly contributions are made into the Fund both by the Holding Company and the employees at the rate of 10% of basic salary.

4.13.2 Staff retirement benefits of the subsidiaries

Staff gratuity scheme - subsidiaries

AM and AMML operate an unfunded gratuity scheme for their employees for which provision is recognised on the basis of one month's basic salary for each year of completed service with the subsidiaries.

PLL, currently, does not offer any such benefits to its employees.

Staff provident fund - subsidiaries

AM and AMML operate a contributory provident scheme for which AM, AMML and their employees make equal monthly contributions at the rate of 10% of basic salary. A separate fund in respect of this scheme is in the process of being accorded recognition by the income tax authorities.

PLL, currently, does not offer any such benefits to its employees.

4.14 Financial instruments

Financial assets and liabilities carried on the statement of financial position include cash and bank balances, lendings to financial and other institutions, investments, advances, certain receivables, borrowings from financial institutions, deposits and certain payables. Financial assets and liabilities are recognised at the time when the Group becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of ownership of the asset. Financial liabilities are de-recognised when obligation specific in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognised in the consolidated profit and loss account in the period in which these are derecognised. The particular recognition and subsequent measurement methods for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

Derivative financial instruments
Derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. These are carried as assets when the fair value is positive and liabilities when the fair value is negative. Any change in the fair value of derivative instruments arising during the period is taken to the consolidated profit and loss account.

Offsetting
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated financial statements only when there is a legally enforceable right to set-off and the Group intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

4.15 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent assets are not recognised and are also not disclosed unless an inflow of economic benefits is probable. Contingent liabilities are not recognised and are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

4.16 Commitments

Commitments for capital expenditure contracted for but not incurred are disclosed in the consolidated financial statements at committed amounts.

4.17 Revenue recognition

Revenue is recognised to the extent that the economic benefits associated with the transaction will flow to the Group and the amount can be measured reliably.

- Mark-up / return / interest income on advances and investments is recognised on a time proportion basis taking into account effective yield on the instruments except in case of advances and investments classified as non-performing under the SBP's Prudential Regulations on which mark-up / return / interest is recognised on a receipt basis.
- Dividend income is recognised when the Group's right to receive dividend is established.
- Fee, commission and brokerage income and remuneration for trustee and advisory services are recognised when services are rendered.
- Premium or discount on debt securities is amortised using the effective interest method.
- Gains and losses on disposal of assets are recognised in the period in which these arise.
- Return on bank deposits is recognised on a time proportion basis using the effective interest method.
- Income recognised by Awwal Modaraba from Shari'ah non-compliant avenues is not recognised in the consolidated profit and loss account and is classified as charity payable.

4.18 Earnings per share

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

4.19 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated profit and loss account.

4.20 Proposed dividends and transfers between reserves

Dividends declared and transfers between reserves made subsequent to the reporting date are considered as non-adjusting events and are recognised in the consolidated financial statements in the period in which such dividends are declared / transfers are made.

4.21 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing product 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 Board of Directors and Chief Executive Officer of the Holding Company have been identified as the chief operating decision-makers, who are responsible for allocating resources and assessing the performance of the operating segments.

4.21.1 Business segments

Corporate finance
Corporate finance includes services provided in connection with mergers and acquisitions, underwriting, privatisation, securitisation, research, debts (government, high yield corporate bonds, etc.), equity, syndication, initial public offering (IPO) and secondary private placements.

Trading and sales
This includes fixed income, equity, foreign exchange, commodities, credit, funding, lending, repos and brokerage activities.

Commercial banking
Commercial banking includes project finance, real estate, export finance, trade finance, factoring, leasing, lending, guarantees, bill of exchange and deposits.

Asset management
This includes fee for services rendered in connection with advisory and management of mutual funds.

4.21.2 Geographical segments
The operations of the Group are currently based only in Pakistan.

4.22 Discontinued operations

A discontinued operation is a component of an entity that has been disposed of and represents a separate major line of business or geographical area of operations.

A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity.

When an operation is classified as a discontinued operation, the comparative Income Statement and comparative Cash Flow Statement are re-presented as if the operation has been discontinued from the start of the comparative period.

5 CASH AND BALANCES WITH TREASURY BANKS

	Note	2017	2016
			(Restated)
		(Rupees in '000)	
In hand - local currency		–	7
With State Bank of Pakistan in local currency current account	5.1	137,621	322,004
		137,621	322,011

5.1 This includes the minimum cash reserve required to be maintained with the State Bank of Pakistan (SBP) in accordance with the requirements of BSD Circular no. 04 dated May 22, 2004.

6 BALANCES WITH OTHER BANKS

	Note	2017	2016
			(Restated)
		(Rupees in '000)	
In Pakistan			
In deposit accounts	6.1	549,849	2,333,050
In current account		51	6
		549,900	2,333,056

6.1 These carry mark-up at rates ranging between 1.73% and 5.70% per annum (2016: 3.75% to 7.00% per annum).

7 LENDINGS TO FINANCIAL AND OTHER INSTITUTION

	Note	2017	2016
		(Rupees in '000)	
Repurchase agreement lendings (reverse repo)	7.1	1,750,909	248,065
Term Deposit Receipts (TDRs)	7.2	1,450,000	250,000
		3,200,909	498,065
Particulars of lendings to financial and other institution			
In local currency		3,200,909	498,065
In foreign currency		–	–
		3,200,909	498,065

7.1 These carry mark-up at rates ranging between 5.80% and 6.00% per annum (2016: 5.70% per annum) and are due to mature latest by January 2, 2018 (2016: January 4, 2017).

7.2 These carry mark-up at rates ranging between 6.65% and 7.30% per annum (2016: 7.00% per annum) and are due to mature latest by January 12, 2018 (2016: February 17, 2017).

7.3 The details of securities held as collateral against lendings to financial institutions are as follows:

(Rupees in '000)

Particulars	2017			2016		
	Held by the Group	Further given as collateral	Total	Held by the Group	Further given as collateral	Total
Market Treasury Bills	1,720,909	–	1,720,909	248,065	–	248,065

8. INVESTMENTS – NET

8.1 Investment by types:

(Rupees in '000)

	Note	2017			2016 (Restated)		
		Held by the Group	Given as collateral	Total	Held by the Group	Given as collateral	Total
Held-for-trading securities							
Ordinary shares - listed	8.3	16,411	–	16,411	327,073	–	327,073
Market Treasury Bills	8.4.1	243,641	–	243,641	–	–	–
		260,052	–	260,052	327,073	–	327,073
Available-for-sale securities							
Market Treasury Bills	8.4.1	2,967,052	–	2,967,052	843,353	5,241,975	6,085,328
Pakistan Investment Bonds	8.4.1	39,269	–	39,269	156,822	2,760,267	2,917,089
Ordinary shares of listed companies	8.5	1,043,317	–	1,043,317	938,022	–	938,022
Ordinary shares of unlisted companies	8.6	141,331	–	141,331	40,581	–	40,581
Preference shares	8.7	3,250	–	3,250	3,250	–	3,250
Term finance certificates and sukuks	8.8	1,501,819	–	1,501,819	1,287,273	–	1,287,273
Units of mutual funds	8.9	504,436	–	504,436	–	–	–
		6,200,474	–	6,200,474	3,269,301	8,002,242	11,271,543
Held-to-maturity securities							
Commercial paper		59,812	–	59,812	–	–	–
Sukuk certificates		–	–	–	100,000	–	100,000
Investments in associates	8.12	–	–	–	4,335,621	–	4,335,621
Investments at cost		6,520,338	–	6,520,338	8,031,995	8,002,242	16,034,237
Less: Provision for diminution in the value of investments	8.10	(364,171)	–	(364,171)	(276,160)	–	(276,160)
Investments - net of provisions		6,156,167	–	6,156,167	7,755,835	8,002,242	15,758,077
Deficit on revaluation of held-for-trading securities - net		(33)	–	(33)	(782)	–	(782)
Deficit on revaluation of available-for-sale securities - net	17	(237,274)	–	(237,274)	(21,977)	(62,050)	(84,027)
Total investments - net of provisions		5,918,860	–	5,918,860	7,733,076	7,940,192	15,673,268

8.2 Investments by segments

	Note	2017	2016
			(Restated)
		(Rupees in '000)	
Federal government securities			
Market Treasury Bills	8.4	3,210,693	6,085,328
Pakistan Investment Bonds	8.4	39,269	2,917,089
		3,249,962	9,002,417
Fully paid-up ordinary shares			
Listed companies	8.3 & 8.5	1,059,728	1,265,095
Unlisted companies	8.6 & 8.12	141,331	40,581
		1,201,059	1,305,676
Term Finance and sukuk certificates			
Listed	8.8	19,261	18,596
Unlisted	8.8	1,482,558	1,368,677
		1,501,819	1,387,273
Units of mutual funds	8.9 & 8.12	504,436	4,335,621
Commercial paper		59,812	–
Preference shares	8.7	3,250	3,250
Investments at cost		6,520,338	16,034,237
Less: Provision for diminution in the value of investments	8.10	(364,171)	(276,160)
Investments - net of provisions		6,156,167	15,758,077
Deficit on revaluation of held-for-trading securities - net		(33)	(782)
Deficit on revaluation of available-for-sale securities - net	17	(237,274)	(84,027)
Total investments - net of provisions		5,918,860	15,673,268

8.3 Particulars of investments in ordinary shares of listed companies - held for trading

Name of investee company / modaraba / mutual fund	2017	2016	2017	2016
	Number of ordinary shares / certificates held		Cost (Rupees in '000)	
Oil and gas marketing companies				
Hascol Petroleum Limited	–	65,000	–	22,094
Oil and gas exploration companies				
Pakistan Oilfields Limited	–	9,500	–	5,161
Power generation and distribution				
The Hub Power Company Limited	–	2,000	–	250
Commercial banks				
Askari Bank Limited	–	100,500	–	2,487
Bank Alfalah Limited	–	14,500	–	541
Habib Bank Limited	–	500	–	131
MCB Bank Limited	–	1,000	–	232
National Bank of Pakistan	–	10,000	–	739
The Bank of Punjab	–	6,241,500	–	109,163
Automobile assembler				
Ghandara Nissan Limited	**106,200**	–	**16,411**	–
Cement				
Cherat Cement Company Limited	–	9,000	–	1,554
D.G. Khan Cement Company Limited	–	34,500	–	7,523
Pioneer Cement Limited	–	1,000	–	140
Fertilizer				
Fauji Fertilizer Bin Qasim Limited	–	1,000	–	50
Fauji Fertilizer Company Limited	–	500	–	52
Food and personal care products				
Engro Foods Limited	–	2,000	–	359
Textile composite				
Nishat (Chunian) Limited	–	2,500	–	153
Cable and electrical goods				
Pak Elektron Limited	–	115,000	–	7,842
TPL Trakker Limited	–	1,501,500	–	26,160
Engineering				
Amreli Steels Limited	–	199,000	–	13,418
Technology and communication				
TRG Pakistan Limited	–	2,864,000	–	129,024
Carrying value (before revaluation and provision) of listed shares 'held-for-trading'			**16,411**	327,073
Less: Provision for diminution in the value of investments			–	–
Add: Surplus / (deficit) on revaluation of listed securities			**10**	(782)
Market value			**16,421**	326,291

8.3.1 The nominal value of each share held in a listed company is Rs.10 per share except for K-Electric Limited and Hum Television Network which are Rs.3.50 and Re.1 respectively.

8.4 Particulars of investments in Federal Government Securities

	2017	2016
	(Rupees in '000)	
8.4.1 Held-for trading		
Market Treasury Bills - Carrying value (before revaluation)	**243,641**	–
Deficit on revaluation of securities	**(43)**	–
Market value	**243,598**	–
Available-for-sale		
Market Treasury Bills	**2,967,052**	6,085,328
Pakistan Investment Bonds	**39,269**	2,917,089
Carrying value (before revaluation)	**3,249,919**	9,002,417
Surplus / (deficit) on revaluation of securities	**411**	(62,417)
Market value	**3,250,330**	8,940,000

8.4.1.1 Market Treasury Bills and Pakistan Investment Bonds are held with the SBP and are eligible for rediscounting. Market Treasury Bills embody effective yield ranging between 5.90% and 5.99% (2016: 5.78% to 5.90%) per annum and will mature within 3 months (2016: 12 months). Pakistan Investment Bonds carry mark-up ranging between 6.24% and 12.09% (2016: 7.84% to 13.07%) per annum on a semi-annual basis and will mature within 9 years. Certain government securities are kept with the SBP to meet the statutory liquidity requirement calculated on the basis of demand and time liabilities.

8.5 Particulars of investments in ordinary shares of listed companies - available-for-sale

Name of investee company / modaraba / mutual fund	2017	2016	2017	2016
	Number of ordinary shares / certificates held		Cost (Rupees in '000)	
Oil and gas marketing companies				
Sui Southern Gas Company Limited	–	1,000,000	–	44,018
Sui Northern Gas Pipelines Limited	–	600,000	–	40,897
Commercial banks				
Askari Bank Limited	**500,000**	–	**10,866**	–
Bank Alfalah Limited	–	500,000	–	17,385
Faysal Bank Limited	–	1,500,000	–	34,630
Habib Bank Limited	**225,000**	–	**52,395**	–
Power generation and distribution				
The Hub Power Company Limited	**174,000**	200,000	**22,125**	24,106
K-Electric Limited	**9,000,000**	–	**78,932**	–
Kot Addu Power Company Limited	**515,500**	400,000	**38,139**	34,957
Nishat Power Limited	**1,421,000**	–	**67,779**	–
Cement				
D.G. Khan Cement Company Limited	**237,000**	–	**43,633**	–
Dewan Cement Limited	**3,633,000**	550,000	**85,435**	16,982
Fauji Cement Company Limited	–	591,000	–	24,805
Pioneer Cement Limited	–	200,000	–	27,896
Chemicals				
Agritech Limited	**1,657,214**	1,657,214	**49,507**	49,507
Akzo Nobel Pakistan Limited	–	50,000	–	12,616
Berger Paints Pakistan Limited	**87,000**	162,000	**17,982**	33,663
Buxly Paints Limited	**105,000**	54,000	**14,652**	6,276
Engro Polymer and Chemicals Limited	–	100,000	–	1,061
Ghani Gases Limited	–	500,000	–	12,003
ICI Pakistan Limited	**25,000**	25,000	**23,055**	23,055
Lotte Chemical Pakistan Limited	–	2,000,000	–	18,167
Nimir Resins Limited	–	1,000,000	–	13,658

Name of investee company / modaraba / mutual fund	2017	2016	2017	2016
	Number of ordinary shares / certificates held		Cost (Rupees in '000)	
Automobile assembler				
Ghandara Nissan Limited	**170,000**	–	**47,142**	–
Automobile parts and accessories				
Thal Limited	**–**	35,000	**–**	16,055
Transport				
Pakistan International Airlines Corporation Limited "A"	**–**	1,000,000	**–**	9,596
Food and personal care products				
Al Shaheer Corporation Limited	**1,150,000**	–	**51,191**	–
Engro Foods Limited	**580,000**	–	**64,126**	–
Paper and board				
Century Paper & Board Mills Limited	**–**	180,000	**–**	11,348
Fertilizers				
Engro Corporation Limited	**–**	350,000	**–**	118,547
Engro Fertilizers Limited	**250,000**	375,000	**17,833**	26,627
Fauji Fertilizer Bin Qasim Limited	**–**	1,430,000	**–**	80,988
Fauji Fertilizer Company Limited	**–**	195,500	**–**	22,738
Textile composite				
Kohinoor Textile Mills Limited	**500,000**	–	**46,105**	–
Nishat (Chunian) Limited	**–**	500,000	**–**	29,748
Towellers Limited	**440,000**	–	**47,986**	–
Textile weaving				
Zephyr Textile Limited	**950,000**	–	**19,950**	–
Cable and electrical goods				
Pak Elektron Limited	**900,000**	600,000	**60,320**	47,044
Singer Pakistan Limited	**–**	100,000	**–**	4,600
TPL Trakker Limited	**–**	1,345,500	**–**	21,667
Pharmaceuticals				
Ferozsons Laboratories Limited	**94,000**	–	**39,441**	–
The Searle Company Limited	**2,300**	25,000	**940**	14,303
Engineering				
Aisha Steel Mills Limited	**500,000**	1,000,000	**11,950**	15,184
Amreli Steels Limited	**200,000**	200,000	**25,561**	15,186
Crescent Steel and Allied Products Limited	**216,000**	–	**37,756**	–
Dadex Eternit Limited	**–**	17,500	**–**	1,402
International Industries Limited	**135,000**	–	**45,212**	–
Mughal Iron and Steel Industries Limited	**127,000**	100,000	**10,152**	9,704
Insurance				
IGI Insurance Limited	**15,000**	–	**4,947**	–
Glass and ceramics				
Shabbir Tiles & Ceramics Limited	**–**	500,000	**–**	6,167
Tariq Glass Industries Limited	**–**	75,000	**–**	7,731
Leasing companies				
Orix Leasing Pakistan Limited	**–**	445,000	**–**	21,707
Investment banks / investment companies / securities companies				
Pakistan Stock Exchange Limited	**176,994**	–	**4,955**	–
Trust Investment Bank Limited	**325,000**	325,000	**3,250**	3,250
Miscellaneous				
Pace (Pakistan) Limited	**–**	1,500,000	**–**	18,748
Carrying value (before revaluation and provision) of listed shares 'available-for-sale'			**1,043,317**	938,022
Less: Provision for diminution in value of investments			**(110,996)**	(30,527)
Less: Deficit on revaluation of listed securities			**(206,404)**	(21,610)
			725,917	885,885

8.5.1 The nominal value of each share held in a listed company is Rs 10 per share except for K-Electric Limited which is Rs 3.50 per share.

8.6 Particulars of investments in ordinary shares of unlisted companies - available for sale

(Rupees in '000)

Name of investee company	Name of Chief Executive	2017	2016	2017	2016
		Number of shares held		Cost	
OBS Pakistan (Private) Limited Break-up value: Rs 179 Holding: 4.67%	Mr. Tariq Moinuddin Khan	**724,200**	–	**120,000**	–
Omer Jibran Engineering Industries Limited [2016: Break-up value: Rs 17.70] Holding: Nil% (2016: 5.64%)	Mr. Feroz Khan	**–**	1,925,000	**–**	19,250
Pakistan Mercantile Exchange Limited Break-up value: Rs. (2.51) [2016: Rs (2.05)] Holding: 6.8% (2016: 7.74%)	Mr. Ejaz Ali Shah	**2,133,115**	2,133,115	**21,331**	21,331
				141,331	40,581
Less: Provision for diminution in value of investments				**(21,331)**	(21,331)
				120,000	19,250

8.7 Particulars of investment in unlisted preference shares - available-for-sale

Name of investee company	Note	December 31, 2017	December 31, 2016	Cost as at December 31 2017	Cost as at December 31, 2016
		No. of shares held		(Rupees in 000)	
Trust Investment Bank Limited	8.7.1	**325,000**	325,000	**3,250**	3,250
Carrying value (before revaluation and provision) of preference shares 'available-for-sale'				**3,250**	3,250
Less: Provision for diminution in the value of investments				**(3,250)**	(3,250)
				–	–

8.7.1 These are cumulative, convertible, redeemable and non-participatory preference shares of Rs 10 each which carry dividend at the rate of 6 months kibor + 1% per annum.

8.8 Particulars of investments in Term Finance Certificates (TFCs) and Sukuks - available-for-sale

Name of the investee	Rate of interest (% per annum)	Profit payment	Maturity	Number of certificates held	(Rupees) Paid-up value per redemption	(Rupees in '000) Total Paid up value (before redemption)	**As at December 31, 2017**	Name of Chief Executive
Listed Term Finance Certificates								
Real estate developers								
Pace Pakistan Limited *	6m Kibor+2.00%	Semi-annually	15-Feb-17	115	5,000	575	**575**	Ms. Aamna Taseer
Telecommunication								
World Call Telecom Limited *	6 month Kibor+1.60%	Semi-annually	7-Oct-21	10,000	5,000	50,000	**18,686**	Mr. Babar Ali Syed
							19,261	
Unlisted TFCs								
Commercial banks								
Askari Bank Limited TFC V	6 month Kibor+1.20%	Semi-annually	30-Sep-24	43,000	5,000	215,000	**214,798**	Syed Majeedullah Husaini
Askari Bank Limited TFC IV	6 month Kibor+1.75%	Semi-annually	23-Dec-21	100	1,000,000	100,000	**99,969**	Syed Majeedullah Husaini
JS Bank Limited PPTFC	6 month Kibor+1.40%	Semi-annually	16-Dec-23	40,000	5,000	200,000	**199,818**	Mr. Khalid Imran
Bank AL Habib Limited TFC II PRP	6 month Kibor+1.50%	Semi-annually	20-Dec-27	500	1,000,000	500,000	**500,000**	Mr. Mansoor Ali Khan
Fertilizer								
Agritech Limited TFC III *	3 month Kibor+3.25%	Quarterly	1-Dec-17	9,000	5,000	45,000	**42,527**	Mr. Faisal Muzammil
Agritech Limited TFC III *	6 month Kibor+1.75%	Semi-annually	29-Nov-17	1,000	5,000	5,000	**7,432**	Mr. Faisal Muzammil
Agritech Limited TFC IV *	0%	Semi-annually	2-Jan-15	1,672	5,000	8,360	**8,360**	Mr. Faisal Muzammil
Personal goods (textiles)								
Azgard Nine Limited - PPTFC *	0%	Quarterly	28-Jun-17	5,496	5,000	27,480	**27,480**	Mr. Ahmed H. Sheikh
Azgard Nine Limited - TFC IV *	3 month Kibor+1.25%	Quarterly	18-Nov-15	15,000	5,000	75,000	**7,196**	Mr. Ahmed H. Sheikh
Azgard Nine Limited III *	6 month Kibor+1.25%	Semi-annually	4-Dec-17	5,000	5,000	25,000	**10,838**	Mr. Ahmed H. Sheikh
							1,118,418	
Unlisted sukuks								
Consumer electronics								
New Allied Electronics Industries (Private) Limited *	3 month Kibor+2.20%	Quarterly	3-Dec-12	30,000	5,000	150,000	**105,500**	Mr. Mian Pervez Akhtar
Pak Elektron Limited	3 month Kibor+1.0%	Quarterly	31-Mar-19	40,000	5,000	200,000	**62,500**	Mr. M Murad Saigol
Real estate developers								
Eden Housing (Private) Limited *	3 month Kibor+3.00%	Quarterly	29-Jun-14	66,526	5,000	332,630	**43,640**	Dr. Mohammad Amjad
Microfinance banks								
U Microfinance Bank Limited	6 month Kibor+3.50%	Semi-annually	29-Jun-24	8,000	5,000	40,000	**40,000**	Syed Umar Viqar
NRSP Microfinance Bank Limited	3 month Kibor+2.35%	Quarterly	30-Jun-18	60,000	5,000	300,000	**112,500**	Mr. Zahoor Hussain
							364,140	
Carrying value (before revaluation and provision) of TFCs and Sukuks - 'available-for-sale'							**1,501,819**	
Provision for diminution in value of investments							**(228,594)**	
Deficit on revaluation of securities - net							**–**	
Market value							**1,273,225**	

* This represents non-performing term finance certificates / sukuks against which provision has been made as per the Prudential Regulations and the directives issued by the SBP.

Name of the investee	Rate of interest (% per annum)	Profit payment	Maturity	Number of certificates held	(Rupees) Paid-up value per redemption	(Rupees in '000) Total Paid up value (before redemption)	**As at December 31, 2016**	Name of Chief Executive
Listed TFCs								
Real estate developers								
Pace Pakistan Limited *	6 month Kibor+2.00%	Semi-annually	15-Feb-17	115	5,000	575	**575**	Ms. Aamna Taseer
Telecommunication								
World Call Telecom Limited *	6 month Kibor+1.60%	Semi-annually	7-Oct-21	10,000	5,000	50,000	**18,021**	Mr. Babar Ali Syed
							18,596	
Unlisted TFCs								
Commercial banks								
Askari Bank Ltd. TFC V	6 month Kibor+1.20%	Semi-annually	30-Sep-24	43,000	5,000	215,000	**214,981**	Syed Majeedullah Husaini
Askari Bank Ltd. TFC IV	6 month Kibor+1.75%	Semi-annually	23-Dec-21	25	1,000,000	25,000	**25,146**	Syed Majeedullah Husaini
Bank Alfalah Ltd. TFC IV	15.00%	Semi-annually	2-Dec-17	16,000	5,000	80,000	**53,796**	Mr. Atif Bajwa
Bank Alfalah Ltd. TFC IV	6 month Kibor+2.50%	Semi-annually	2-Dec-17	32,600	5,000	163,000	**108,608**	Mr. Atif Bajwa
Standard Chartered Bank Pak Ltd. TFC	6 month Kibor+0.75%	Semi-annually	29-Jun-22	3,000	5,000	15,000	**14,794**	Mr. Shazad Dada
Fertilizer								
Agritech Limited TFC III *	3 month Kibor+3.25%	Quarterly	1-Dec-17	9,000	5,000	45,000	**42,461**	Mr. Faisal Muzammil
Agritech Limited TFC III *	6 month Kibor+1.75%	Semi-annually	29-Nov-17	1,000	5,000	5,000	**7,377**	Mr. Faisal Muzammil
Agritech Limited TFC IV *	0%	Semi-annually	2-Jan-15	1,672	5,000	8,360	**8,360**	Mr. Faisal Muzammil
Personal goods (textiles)								
Azgard Nine Limited - PPTFC *	0%	Quarterly	28-Jun-17	5,496	5,000	27,480	**27,480**	Mr. Ahmed H. Sheikh
Azgard Nine Limited - TFC IV *	3 month Kibor+1.25%	Quarterly	18-Nov-15	15,000	5,000	75,000	**7,196**	Mr. Ahmed H. Sheikh
Azgard Nine Limited *	6 month Kibor+1.25%	Semi-annually	4-Dec-17	5,000	5,000	25,000	**10,838**	Mr. Ahmed H. Sheikh
							521,037	
Unlisted sukuks								
Consumer electronics								
New Allied Electronics Industries (Private) Limited *	3 month Kibor+2.20%	Quarterly	3-Dec-12	30,000	5,000	150,000	**105,500**	Mr. Mian Pervez Akhtar
Pak Elektron Limited	3 month Kibor+1.00%	Quarterly	31-Mar-19	40,000	5,000	200,000	**112,500**	Mr. M Murad Saigol
Pak Elektron Limited	3 month Kibor+2.50%	Quarterly	25-Nov-17	136	1,000,000	136,000	**136,000**	Mr. M Murad Saigol
Real estate developers								
Eden Housing (Private) Limited *	3 month Kibor+3.00%	Quarterly	29-Jun-14	66,526	5,000	332,630	**43,640**	Dr. Mohammad Amjad
Media and communication								
Independent Media Corporation (Private) Limited	3 month Kibor+3.00%	Quarterly	5-Aug-18	50,000	5,000	250,000	**87,500**	Mr. Mir Ibrahim Rahman
Microfinance banks								
NRSP Microfinance Bank Limited	3 month Kibor+2.35%	Quarterly	30-Jun-18	60,000	5,000	300,000	**262,500**	Mr. Zahoor Hussain
							747,640	
Carrying value (before revaluation and provision) of TFCs and Sukuks - 'available-for-sale'							**1,287,273**	
Provision for diminution in value of investments							**(221,052)**	
Deficit on revaluation of securities - net							**–**	
Market value							**1,066,221**	

*This represents non-performing term finance certificates / sukuks against which provision has been made as per the Prudential Regulations and the directives issued by the SBP.

8.9 Particulars of investments in units of mutual funds - available-for-sale

8.9.1 Names of open-end mutual funds - listed

(Rupees in '000)

Name of investee fund	Percentage of holding 2017	2016	Number of units held 2017	2016	2017	2016
PIML - Income Fund	**1.14**	Note 8.12	**93,731**	Note 8.12	**10,066**	Note 8.12
PIML - Daily Reserve Fund	**89.45**		**1,246,497**		**102,163**	
PIML - Strategic Multi Asset Fund	**68.96**		**937,016**		**98,736**	
PIML - Islamic Equity Fund	**37.83**		**426,464**		**47,339**	
PIML - Islamic Income Fund	**9.74**		**100,662**		**10,341**	
PIML - Value Equity Fund	**33.32**		**386,253**		**43,281**	
PIML - Asset Allocation Fund	**66.50**		**1,496,255**		**157,510**	
Meezan Islamic Fund	**0.08**	–	**491,219**	–	**35,000**	–
					504,436	–
Less: Deficit on revaluation of securities - net					**(31,281)**	–
As at December 31, 2017					**473,155**	–

8.9.2 On December 14, 2016, the Holding Company entered into an agreement with Army Welfare Trust (AWT) for sale of 17.5 million shares representing 70% shares of AWT Investments Limited (formerly Primus Investment Management Limited). During the current year, the sale transaction for these shares has been executed after necessary regulatory approvals were obtained. In this respect, the Holding Company has received consideration of Rs 265.375 million and has recognised a gain amounting to Rs 58.304 million in the consolidated profit and loss account. Subsequent to this transaction, AWT Investments Limited was classified as an associate with effect from March 8, 2017. The details in respect of derecognition of AWT Investment Limited as a subsidiary and subsequent recognition as an associate are given below:

	2017
	(Rupees in '000)
a) Disposal of 70 percent holding	
Consideration received	**265,375**
Carrying value of "AWT Investments Limited" as at March 8, 2017 based on consolidation	**295,816**
Less: Carrying value of investment classified as "investment in associate" representing 30 percent which had been retained	**(88,745)**
Carrying value of investment representing 70 percent holding offered for disposal	**207,071**
Gain on disposal	**58,304**

Subsequent to the acquisition of a majority shares by AWT, the name of Primus Investment Management Limited was changed to AWT Investments Limited (AWTIL) with effect from July 26, 2017.

	2017
	(Rupees in '000)
Gain arising on reclassification of investment in subsidiary to investment in associate as a result of disposal of controlling stake	
Fair value of investment in associate as at March 8, 2017	**107,764**
Less: Carrying value of investment classified as "investment in associate"	**(88,745)**
Gain on reclassification of investment in subsidiary to investment in associate	**19,019**

Furthermore, on October 13, 2017 the Board of Directors of the Holding Company approved the divestment of the Holding Company's remaining 30% shareholding in AWTIL through the exercise of the put option contained in the shareholders' agreement dated December 14, 2016 at an exercise price of Rs 15.45 per share less discount of 6.53% on the said price. The option was formally exercised and communicated to AWT on October 24, 2017. The transaction has been approved by the SECP on March 5, 2018 but is subject to the completion of certain formalities after which the sale will be executed. Accordingly, the residual investment remaining in AWTIL has been classified as held-for sale (refer note 12). The gain arising on reclassification is shown in note 22 to these consolidated financial statement:

8.10 Particulars of provision for diminution in the value of investments

	2017	2016
	(Rupees in '000)	
Opening balance	**276,160**	258,766
Charge for the year	**88,011**	21,711
Reversal during the year	**–**	(4,317)
	88,011	17,394
Closing balance	**364,171**	276,160

8.10.1 Particulars of provision in respect of type and segment

	2017	2016
	(Rupees in '000)	
Available-for-sale securities		
Ordinary shares of listed companies	**110,996**	30,527
Ordinary shares of unlisted companies	**21,331**	21,331
Preference shares	**3,250**	3,250
Term finance and sukuks certificates	**228,594**	221,052
	364,171	276,160

8.11 Quality of available-for-sale securities

(Rupees in '000)

	December 31, 2017		December 31, 2016	
	Market value / Carrying value for unlisted securities	**Rating (where available)**	Market value / Carrying value for unlisted securities	Rating (where available)
Market Treasury Bills (T-Bills)				
1 year T-Bills	**971,201**	**Government securities**	6,006,795	Government securities
6 months T-Bills	**–**		73,118	
3 months T-Bills	**1,995,838**		–	
	2,967,039		6,079,913	
Pakistan Investment Bonds (PIBs)				
20 years PIBs	**8,773**	**Government securities**	–	Government securities
15 years PIBs	**–**		6,551	
10 years PIBs	**3,378**		2,831,806	
5 years PIBs	**23,523**		21,730	
3 years PIBs	**4,019**		–	
	39,693		2,860,087	
Ordinary shares of listed companies				
Oil and gas marketing companies				
Sui Northern Gas Pipelines Limited	**–**	**–**	48,942	AA-
Sui Southern Gas Company Limited	**–**	**–**	36,350	A+
Commercial banks				
Askari Bank Limited	**9,655**	**AA+**	–	–
Bank Alfalah Limited	**–**	**–**	18,980	AA
Faysal Bank Limited	**–**	**–**	32,670	AA
Habib Bank Limited	**37,595**	**AAA**	–	–
Power generation and distribution				
Hub Power Company Limited	**15,834**	**AA+**	24,696	AA+
K-Electric Limited	**56,790**	**AA**	–	–
Kot Addu Power Company Limited	**27,785**	**AA+**	31,520	AA+
Nishat Power Limited	**48,314**	**A+**	–	–
Cement				
D.G. Khan Cement Company Limited	**31,692**	**Unrated**	–	–
Dewan Cement Limited	**62,815**	**Unrated**	21,472	Unrated
Fauji Cement Company Limited	**–**	**–**	26,642	Unrated
Pioneer Cement Limited	**–**	**–**	28,418	A

(Rupees in '000)

	December 31, 2017		December 31, 2016	
	Market value / Carrying value for unlisted securities	**Rating (where available)**	Market value / Carrying value for unlisted securities	Rating (where available)
Chemicals				
Agritech Limited	**8,071**	Unrated	21,013	Unrated
Akzo Nobel Pakistan Limited	**–**	–	11,701	Unrated
Berger Paints Pakistan Limited	**13,987**	Unrated	30,182	Unrated
Buxly Paints Limited	**10,364**	Unrated	6,480	Unrated
Engro Polymer & Chemicals Limited	**–**	–	1,846	A-
Ghani Gases Limited	**–**	–	13,115	A-
ICI Pakistan Limited	**19,199**	**Unrated**	24,843	Unrated
Lotte Chemical Pakistan Limited	**–**	–	16,640	Unrated
Nimir Resins Limited	**–**	–	11,760	Unrated
Automobile assembler				
Ghandara Nissan Limited	**26,287**	**A**	–	–
Automobile parts and accessories				
Thal Limited	**–**	–	17,799	Unrated
Transport				
Pakistan International Airlines Corporation Limited "A"	**–**	–	9,160	Unrated
Food and personal care products				
Al Shaheer Corporation Limited	**25,553**	**Unrated**	–	–
Engro Foods Limited	**46,580**	**Unrated**	–	–
Pharmaceuticals				
Ferozsons Laboratories Limited	**19,158**	**Unrated**	–	–
The Searle Company Limited	**724**	**Unrated**	16,345	Unrated
Paper and board				
Century Paper & Board Mills Limited	**–**	–	11,169	A+
Fertilizer				
Engro Corporation Limited	**–**	–	110,632	AA
Engro Fertilizers Limited	**16,930**	**AA-**	25,493	AA-
Fauji Fertilizer Company Limited	**–**	–	20,404	AA
Fauji Fertilizer Bin Qasim Limited	**–**	–	73,230	Unrated
Textile composite				
Kohinoor Textile Mills Limited	**33,125**	**A+**	–	–
Nishat (Chunian) Limited	**–**	–	31,215	Unrated
Towellers Limited	**54,978**	**Unrated**	–	–
Textile weaving				
Zephyr Textile Limited	**14,222**	**A-**	–	–
Cable & electrical goods				
Pak Elektron Limited	**42,741**	**A+**	42,768	A+
Singer Pakistan Limited	**–**	–	5,294	Unrated
TPL Trakker Limited	**–**	–	23,721	A-
Engineering				
Aisha Steel Mills Limited	**8,870**	**A-**	15,730	Unrated
Amreli Steels Limited	**18,532**	**A**	13,318	A
Crescent Steel & Allied Products Limited	**27,499**	**A+**	–	–
Dadex Eternit Limited	**–**	–	1,208	Unrated
International Industries Limited	**32,415**	**AA-**	–	–
Mughal Iron and Steel Industries Limited	**7,380**	**A-**	8,816	Unrated
Insurance				
IGI Insurance Limited	**4,393**	**AA**	–	–
Glass and ceramics				
Shabbir Tiles & Ceramics Limited	**–**	–	5,580	Unrated
Tariq Glass Industries Limited	**–**	–	7,534	Unrated

(Rupees in '000)

	December 31, 2017		December 31, 2016	
	Market value / Carrying value for unlisted securities	**Rating (where available)**	Market value / Carrying value for unlisted securities	Rating (where available)
Leasing companies				
Orix Leasing Pakistan Limited	**–**	–	21,063	AA+
Investment banks / investment companies / securities companies				
Pakistan Stock Exchange Limited	**3,964**	Unrated	–	–
Trust Investment Bank Limited	**465**	Unrated	1,216	Unrated
Miscellaneous				
Pace (Pakistan) Limited	**–**	–	16,920	Unrated
	725,917	–	885,885	
Ordinary shares of unlisted companies				
OBS Pakistan (Private) Limited	**120,000**	**Unrated**	–	–
Omer Jibran Engineering Industries Limited	**–**	**Unrated**	19,250	Unrated
Pakistan Mercantile Exchange Limited	**–**	**Unrated**	–	–
	120,000	–	19,250	
Preference shares				
Trust Investment Bank Limited	**–**	**Unrated**	–	–
Term Finance Certificates (TFCs) and Sukuks				
Listed TFCs and sukuks				
Real estate developers				
Pace Pakistan Limited	**–**	**Unrated**	–	–
Technology and communication				
World Call Telecom Limited	**–**	**Unrated**	–	–
	–	–	–	
Unlisted TFCs and Sukuks				
Commercial banks				
Bank Alfalah Limited	**–**	–	162,404	AA-
JS Bank Limited	**199,818**	**Unrated**	–	–
Bank AL-Habib Limited	**500,000**	**Unrated**	–	–
Askari Bank Limited	**314,767**	**AA-**	240,127	AA-
Standard Chartered Bank (Pakistan) Limited	**–**	–	14,794	AAA
Microfinance banks				
NRSP Microfinance Bank Limited	**112,500**	**A**	262,500	A
U Microfinance Bank Limited	**40,000**	**BBB+**	–	–
Chemical				
Agritech Limited - TFC III	**–**	**D**	–	Unrated
Textile composite				
Azgard Nine Limited - TFC V	**–**	**D**	6,756	Unrated
Real estate developers				
Eden Housing (Private) Limited	**43,640**	**Unrated**	43,640	Unrated
Cable and electrical goods				
Pak Elektron Limited	**62,500**	**A+**	248,500	A
New Allied Electronics (Private) Limited	**–**	**Unrated**	–	–
Media and communication				
Independent Media Corporation (Private) Limited	**–**	–	87,500	BBB-
	1,273,225		1,066,221	

(Rupees in '000)

	December 31, 2017		December 31, 2016	
	Market value / Carrying value for unlisted securities	Rating (where available)	Market value / Carrying value for unlisted securities	Rating (where available)
Units of mutual funds - listed				
Meezan Islamic Fund	**30,966**	**Unrated**	–	–
PIML - Income Fund	**10,137**	**A+**	–	–
PIML - Daily Reserve Fund	**102,936**	**AA**	–	–
PIML - Strategic Multi Asset Fund	**96,073**	**Unrated**	–	–
PIML - Islamic Equity Fund	**45,948**	**Unrated**	–	–
PIML - Islamic Income Fund	**10,407**	**A**	–	–
PIML - Value Equity Fund	**40,723**	**Unrated**	–	–
PIML - Asset Allocation Fund	**135,965**	**Unrated**	–	–
	473,155		–	
	5,599,029		10,911,356	

8.12 Investments in associates

	Note	2017	2016 (Restated)
		(Rupees in '000)	
Name of Investee fund			
PIML - Income Fund	8.12.2	**–**	2,671,869
PIML - Daily Reserve Fund	8.12.3	**–**	100,051
PIML - Strategic Multi Asset Fund	8.12.4	**–**	258,106
PIML - Islamic Equity Fund	8.12.5	**–**	158,546
PIML - Islamic Income Fund	8.12.6	**–**	–
PIML - Value Equity Fund	8.12.7	**–**	148,848
PIML - Asset Allocation Fund	8.12.8	**–**	998,201
Total investments in associates		**–**	4,335,621

8.12.1 The Holding Company's investments in units of mutual funds being managed by AWT Investments Limited (AWTIL, formerly Primus Investment Management Limited) had previously been classified as associates. With the approval by the Board of Directors of the Holding Company for the divestment of its residual holding in AWTIL on exercise of the put option available with the Holding Company (as explained in note 8.9.2), the management has classified the investment in AWTIL as held-for-sale. Consequently, the investments in units of mutual funds managed by AWTIL have been classified as available-for-sale. Accordingly, the share of profit / (loss) of associates has been accounted for upto October 24, 2017 (i.e. the date on which the put option was exercised by the Holding Company and was communicated to AWT).

8.12.2 PIML - Income Fund (Income Scheme)

	2017	2016
	(Rupees in '000)	
As at January 01	**2,671,869**	2,809,918
Investments made during the period / year	**500,097**	13,752,564
Redemptions during the period / year	**(3,221,041)**	(13,935,847)
Dividend received	**–**	(82,211)
Share of profit for the period / year	**49,075**	185,638
Holding of PIML classified as held for sale	**–**	(58,193)
Retained interest in associate reclassified to available for sale investments	**–**	–
	–	2,671,869
Percentage holding	note 8.9.1	66.37%

8.12.3 PIML - Daily Reserve Fund (Money Market Scheme)

	2017	2016
	(Rupees in '000)	
As at January 01	**100,051**	2,487,400
Investments made during the period / year	**100,824**	3,823,927
Redemptions during the period / year	**(101,757)**	(6,115,439)
Dividend received	**–**	(57,509)
Share of profit for the period / year	**1,706**	11,326
Holding of PIML classified as held for sale	**–**	(49,654)
Retained interest in associate reclassified to available for sale investments	**(100,824)**	–
	–	100,051
Percentage holding	note 8.9.1	14.91%

8.12.4 PIML - Strategic Multi Asset Fund (Balanced Scheme)

	2017	2016
As at January 01	**258,106**	242,897
Investments made during the period / year	**–**	567,970
Redemptions during the period / year	**(139,545)**	(595,665)
Dividend received	**–**	(14,574)
Share of profit for the period / year	**(22,043)**	54,262
Holding of PIML classified as held for sale	**–**	3,216
Retained interest in associate reclassified to available for sale investments	**(96,518)**	–
	–	258,106
Percentage holding	note 8.9.1	81.47%

8.12.5 PIML - Islamic Equity Fund (Shariah Compliant Equity Scheme)

	2017	2016
As at January 01	**158,546**	156,050
Investments made during the period / year	**–**	395,939
Redemptions during the period / year	**(89,034)**	(425,436)
Dividend received	**–**	(18,251)
Share of profit for the period / year	**(22,896)**	42,736
Holding of PIML classified as held for sale	**–**	7,508
Retained interest in associate reclassified to available for sale investments	**(46,616)**	–
	–	158,546
Percentage holding	note 8.9.1	61.91%

8.12.6 PIML - Islamic Income Fund (Shariah Compliant Income Scheme)

	2017	2016
As at January 01	**–**	410,523
Investments made during the period / year	**60,111**	194,126
Redemptions during the period / year	**(50,123)**	(519,638)
Dividend received	**–**	(7,344)
Share of profit for the period / year	**123**	16,459
Holding of PIML classified as held for sale	**–**	(94,126)
Retained interest in associate reclassified to available for sale investments	**(10,111)**	–
	–	–
Percentage holding	note 8.9.1	0.00%

	2017	2016
8.12.7 PIML - Value Equity Fund (Equity Scheme)	(Rupees in '000)	
As at January 01	**148,848**	137,597
Investments made during the period / year	**–**	378,602
Redemptions during the period / year	**(91,149)**	(428,292)
Dividend received	**–**	(4,151)
Share of profit for the period / year	**(16,052)**	55,847
Holding of PIML classified as held for sale	**–**	9,245
Retained interest in associate reclassified to available for sale investments	**(41,647)**	–
	–	148,848
Percentage holding	note 8.9.1	66.04%

	2017	2016
8.12.8 PIML - Asset Allocation Fund (Asset Allocation Fund)		
As at January 01	**998,201**	–
Investments made during the period / year	**80,953**	3,860,000
Redemptions during the period / year	**(1,000,154)**	(2,944,535)
Dividend received	**–**	–
Share of profit for the period / year	**70,515**	82,736
Holding of PIML classified as held for sale	**–**	–
Retained interest in associate reclassified to available for sale investments	**(149,515)**	–
	–	998,201
Percentage holding	note 8.9.1	84.63%

8.12.9 The details of assets, liabilities, income and profits of the mutual funds based on unaudited financial statements for the period ended December 31, 2016 are as follows:

(Rupees in '000)

	2016			
	Assets	Liabilities	Income	Profit
PIML- Income Fund	4,077,577	51,080	238,594	157,694
PIML- Daily Reserve Fund	769,203	98,053	(188,066)	(194,970)
PIML- Strategic Multi Asset Fund	324,340	7,561	88,954	77,253
PIML- Islamic Equity Fund	259,732	29,428	79,358	70,061
PIML- Islamic Income Fund	323,804	1,952	10,624	7,379
PIML- Value Equity Fund	233,687	8,334	70,681	61,668
PIML- Asset Allocation Fund	1,199,262	19,792	131,224	101,429

9 ADVANCES - NET

	Note	2017	2016 (Restated)
		(Rupees in '000)	
Loans, cash credits, running finances, etc. - in Pakistan		**13,514,052**	9,586,660
Advances under State Bank of Pakistan:			
- Long-Term Finance Facility Scheme		**3,758,417**	2,671,917
- Power Plants Using Renewable Energy Scheme		**254,984**	126,778
- Financing for Storage of Agriculture Produce Scheme		**348,708**	410,115
		4,362,109	3,208,810
Net investment in finance lease - in Pakistan	9.2	**1,199,614**	1,438,643
Islamic financing and related assets		**545,367**	529,283
Advances - gross	9.1	**19,621,142**	14,763,396
Provision against advances			
- Specific	9.4	**(287,826)**	(235,191)
- General	9.4	**(1,408)**	(899)
		(289,234)	(236,090)
Advances - net of provision		**19,331,908**	14,527,306

9.1 Particulars of advances - gross

		2017	2016
9.1.1	In local currency	**19,621,142**	14,763,396
	In foreign currencies	**–**	–
		19,621,142	14,763,396
9.1.12	Short-term (upto one year)	**9,249,745**	4,221,793
	Long-term (over one year)	**10,371,397**	10,541,603
		19,621,142	14,763,396

9.2 Net investment in Finance Lease

(Rupees in '000)

	2017				2016			
	Not later than one year	**Later than one year and less than five years**	**Over five years**	**Total**	Not later than one year	Later than one year and less than five years	Over five years	Total
Lease rentals receivable	**486,388**	**497,839**	**–**	**984,227**	524,736	745,736	9,938	1,280,410
Residual value	**123,745**	**213,065**	**–**	**336,810**	90,033	257,969	2	348,004
Minimum lease payments	**610,133**	**710,904**	**–**	**1,321,037**	614,769	1,003,705	9,940	1,628,414
Financial charges for future periods	**(74,942)**	**(46,481)**	**–**	**(121,423)**	(102,065)	(87,510)	(196)	(189,771)
	535,191	**664,423**	**–**	**1,199,614**	512,704	916,195	9,744	1,438,643

9.2.1 These leases are executed for a term of 1.5 to 5 years. Security deposit has been obtained within a range of 10% to 30% of the cost of investment at the time of disbursement and has been recorded in other liabilities. The rate of return ranges from 6.20% to 18.00% per annum (2016: 7.99% to 20.00% per annum). Lease rentals are receivable in monthly / quarterly / half yearly instalments. The assets are insured in favour of the Group.

9.3 Advances include Rs 953.997 million (2016: Rs 451.407 million) which have been placed under non-performing status as detailed below:

(Rupees in '000)

Category of classification	December 31, 2017								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Classified portfolio									
Other assets especially mentioned	–	–	–	–	–	–	–	–	–
Substandard	**196,363**	**–**	**196,363**	**8,335**	**–**	**8,335**	**8,335**	**–**	**8,335**
Doubtful	**309,918**	**–**	**309,918**	**63,403**	**–**	**63,403**	**63,403**	**–**	**63,403**
Loss	**447,716**	**–**	**447,716**	**216,088**	**–**	**216,088**	**216,088**	**–**	**216,088**
	953,997	**–**	**953,997**	**287,826**	**–**	**287,826**	**287,826**	**–**	**287,826**

(Rupees in '000)

Category of classification	December 31, 2016								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Classified portfolio									
Other assets especially mentioned	3,691	–	3,691	369	–	369	369	–	369
Substandard	17,059	–	17,059	4,264	–	4,264	4,264	–	4,264
Doubtful	118,950	–	118,950	59,475	–	59,475	59,475	–	59,475
Loss	311,707	–	311,707	30,457	–	30,457	171,083	–	171,083
	451,407	–	451,407	94,565	–	94,565	235,191	–	235,191

9.4 Particulars of provision against non-performing advances

(Rupees in '000)

	Note	2017			2016		
		Specific	**General**	**Total**	Specific	General	Total
As at January 01		**235,191**	**899**	**236,090**	155,854	519	156,373
Charge during the year		**84,228**	**509**	**84,737**	79,337	380	79,717
Reversals during the year		**(31,593)**	**–**	**(31,593)**	–	–	–
		52,635	**509**	**53,144**	79,337	380	79,717
Amounts written-off	9.6	**–**	**–**	**–**	–	–	–
Closing balance		**287,826**	**1,408**	**289,234**	235,191	899	236,090

9.4.1 Particulars of provision against advances

(Rupees in '000)

	2017			2016		
	Specific	**General**	**Total**	Specific	General	Total
In local currency	**287,826**	**1,408**	**289,234**	235,191	899	236,090
In foreign currencies	**–**	**–**	**–**	–	–	–
	287,826	**1,408**	**289,234**	235,191	899	236,090

9.4.2 The general provision includes provision maintained against small enterprises at an amount equal to 1% of the fully secured portfolio as required under the Prudential Regulations for Small and Medium Enterprises Financing issued by the SBP.

9.4.3 The Group has availed the benefit of Forced Sale Value (FSV) of certain mortgaged properties held as collateral against non-performing advances as allowed under BSD Circular 1 of 2011. Had the benefit under the said circular not been taken, the specific provision against non-performing advances would have been higher by Rs. 357.727 million (December 31, 2016: Rs 140.625 million). The FSV benefit availed - net of tax is not available for the distribution as either cash or stock dividend to the shareholders.

9.5 Particulars of loans and advances to executives, directors, associated companies, etc.

The details of debts due by directors, executives or officers of the Group or any of them either severally or jointly with any other persons are as follows.

	2017	2016 (Restated)
	(Rupees in '000)	
As at January 01	**134,047**	114,297
Loans granted during the year	**56,481**	43,176
Repayments during the year	**(22,282)**	(23,426)
As at December 31	**168,246**	134,047

9.6 Details of loans written-off of Rs.500,000 and above

During the year, there were no write-offs of loans of Rs 500,000 and above.

10 OPERATING FIXED ASSETS

	Note	**2017**	2016 (Restated)
		(Rupees in '000)	
Property and equipment	10.1	**24,018**	24,481
Intangible assets	10.2	**1,306**	1,598
Capital work-in-progress	10.3	**2,979**	1,344
		28,303	27,423

10.1 Property and equipment

(Rupees in '000)

Description	December 31, 2017									
	Cost				Accumulated depreciation / impairment				Net book value as at December 31, 2017	Rate of depreciation (% per annum)
	As at January 01, 2017	Additions	Deletions	As at December 31, 2017	As at January 01, 2017	Charge for the year	Depreciation on deletions	As at December 31, 2017		
Owned										
Leasehold improvement	**43,187**	**54**	**–**	**43,241**	**40,706**	**1,947**	**–**	**42,653**	**588**	**20**
Furniture and fixtures	**16,648**	**1,649**	**–**	**18,297**	**15,607**	**541**	**–**	**16,148**	**2,149**	**20**
Office equipment	**6,246**	**272**	**(1,191)**	**5,327**	**1,741**	**1,157**	**(1,172)**	**1,726**	**3,601**	**20**
Computers	**19,236**	**5,381**	**(1,859)**	**22,758**	**15,429**	**2,539**	**(1,859)**	**16,109**	**6,649**	**33.33**
Vehicles	**20,322**	**2,706**	**–**	**23,028**	**7,856**	**4,282**	**–**	**12,138**	**10,890**	**25**
Mobile phones	**327**	**136**	**(15)**	**448**	**146**	**165**	**(4)**	**307**	**141**	**50**
	105,966	**10,198**	**(3,065)**	**113,099**	**81,485**	**10,631**	**(3,035)**	**89,081**	**24,018**	

(Rupees in '000)

Description	December 31, 2016 (Restated)											
	Cost					Accumulated depreciation / impairment					Net book value as at December 31, 2016	Rate of depreciation (% per annum)
	As at January 01, 2016	Additions	Disposals	Non-current asset classified as held for sale	As at December 31, 2016	As at January 01, 2016	Charge for the year	Depreciation on deletions	As at December 31, 2016	Non-current asset classified as held for sale		
Owned												
Leasehold improvement	52,152	544	–	(9,509)	43,187	32,919	10,481	–	(2,694)	40,706	2,481	20
Furniture and fixtures	19,370	625	–	(3,347)	16,648	14,129	2,542	–	(1,064)	15,607	1,041	20
Office equipment	8,105	2,826	(1,956)	(2,729)	6,246	3,659	791	(1,566)	(1,143)	1,741	4,505	20
Computers	19,403	5,557	(118)	(5,606)	19,236	15,239	3,042	(66)	(2,786)	15,429	3,807	33.33
Vehicles	20,965	4,465	(4,076)	(1,032)	20,322	6,603	4,388	(2,327)	(808)	7,856	12,466	25
Mobile phones	546	250	(334)	(135)	327	352	198	(322)	(82)	146	181	50
	120,541	14,267	(6,484)	(22,358)	105,966	72,901	21,442	(4,281)	(8,577)	81,485	24,481	

10.1.1 The cost of fully depreciated assets still in use by the Group amounted to Rs. 21.491 million (2016: Rs 21.427 million).

10.1.2 The details of assets whose original cost or the book value exceeds rupees one million or two hundred and fifty thousand respectively, whichever is lower are given below:

(Rupees in '000)

Particulars of assets	Cost	Net Book Value	Sale proceeds	Gain	Mode of Disposal	Particulars of Purchaser
2017	–	–	–	–		
2016	2,997	1,613	307	(1,306)		

10.2 Intangible assets

(Rupees in '000)

Description	December 31, 2017 Cost: As at January 01, 2017	Cost: Additions	Cost: Deletions	Cost: As at December 31, 2017	Accumulated impairment: As at January 01, 2017	Accumulated impairment: Charge for the year	Accumulated impairment: Deletions	Accumulated impairment: As at December 31, 2017	Net book value as at December 31, 2017	Rate of amortisation (% per annum)
Computer software	**14,660**	**629**	**–**	**15,289**	**13,062**	**921**	**–**	**13,983**	**1,306**	**33.33**

(Rupees in '000)

Description	December 31, 2016 Cost: As at January 01, 2016	Cost: Additions	Cost: Deletions	Cost: Non-current asset classified as held for sale	Cost: As at December 31, 2016	Accumulated impairment: As at January 01, 2016	Accumulated impairment: Charge for the year	Accumulated impairment: Deletions	Accumulated impairment: As at December 31, 2016	Accumulated impairment: Non-current asset classified as held for sale	Net book value as at December 31, 2016	Rate of amortisation (% per annum)
Computer software	17,934	1,810	–	(5,084)	14,660	16,309	1,485	–	(4,732)	13,062	1,598	33.33

10.2.1 The cost of fully amortised assets still in use amounted to Rs 12.133 million (2016: Rs 10.481 million).

10.3 Capital work-in-progress

	2017	2016
	(Rupees in '000)	
Leasehold improvements	**970**	–
Software	**2,009**	1,344
	2,979	1,344

11 DEFERRED TAX ASSETS - NET

	2017	2016
Deductible temporary differences		
Provision for diminution in the value of investments	**88,915**	66,316
Provision for bonus	**–**	9,000
Provision against non-performing loans and advances	**86,722**	70,827
Surplus on revaluation of securities - net	**35,530**	21,967
Difference between accounting book value of fixed assets and tax base	**2,100**	1,590
Allowance for potential lease and other loan losses	**48**	–
Preliminary expenses	**2,831**	–
Unused tax losses	**117**	–
Minimum tax	**102**	–
Excess of Alternate Corporate Tax over corporate tax	**238**	–
Remeasurements of defined benefit plan	**595**	–
Unrealized loss on revaluation	**578**	–
Taxable temporary differences		
Amortisation of discount on investments	**(17,397)**	(26,633)
Net investment in finance lease	**(9,492)**	(33,960)
Investment in associates	**–**	(7,147)
Remeasurements of defined benefit plan	**–**	(736)
Accelerated tax depreciation	**(437)**	–
Short-term investments - net	**(944)**	–
	189,506	101,224

11.1 Movement in temporary differences during the year

(Rupees in '000)

	Balance as at January 01, 2016	Recognised in profit and loss account: Continuing Operations	Recognised in profit and loss account: Discontinued Operations	Recognised in OCI or surplus/(deficit) in revaluation of assets account	Pertaining to subsidiary classified as held for sale	Balance as at December 31, 2016	Recognised in profit and loss account: Continuing Operations	Recognised in OCI or surplus/(deficit) in revaluation of assets account	**Balance as at December 31, 2017**
Taxable temporary differences									
Surplus / (deficit) on revaluation of securities - net	(12,881)	–	–	34,848	–	21,967	–	13,563	35,530
Amortisation of discount on investments	(16,401)	(10,232)	–	–	–	(26,633)	9,236	–	(17,397)
Net investment in finance lease	(38,930)	4,970	–	–	–	(33,960)	24,468	–	(9,492)
Difference between accounting book value of fixed assets and tax base	(894)	2,484	–	–	–	1,590	510	–	2,100
Investment in associates	(7,032)	(115)	(57)	–	57	(7,147)	7,147	–	–
Accelerated tax depreciation	–	–	–	–	–	–	(437)	–	(437)
Shrot Term Investments - Net	–	–	–	–	–	–	(944)	–	(944)
Deductible temporary differences									
Provision for diminution in the value of investments	55,132	11,184	–	–	–	66,316	22,599	–	88,915
Alternate Corporate tax	6,579	–	(2,221)	–	(4,358)	–	238	–	238
Business loss	1,643	–	1,605	–	(3,248)	–	117	–	117
Provision against other assets	16,000	(16,000)	–	–	–	–	–	–	–
Provision for compensated absences and bonus	11,672	(2,672)	–	–	–	9,000	(9,000)	–	–
Provision against non-performing loans and advances	50,039	20,788	–	–	–	70,827	15,895	–	86,722
Difference between accounting book value of fixed assets and tax base	220	–	(394)	–	174	–	–	–	–
Remeasurements of defined benefit plan	1,208	–	–	(1,944)	–	(736)	–	1,331	595
Pre-incorporation expenses	174	(174)	–	–	–	–	2,831	–	2,831
Unrealized loss on revaluation	–	–	–	–	–	–	578	–	578
Allowance for potential lease and other loan losses	–	–	–	–	–	–	48	–	48
Minimum tax	–	–	–	–	–	–	102	–	102
	66,529	10,233	(1,067)	32,904	(7,375)	101,224	73,388	14,894	189,506

12 OTHER ASSETS - NET

	Note	2017	2016 (Restated)
		(Rupees in '000)	
Income / mark-up accrued in local currency		**196,617**	235,909
Advances, deposits and other prepayments		**50,161**	44,371
Advance tax (payments less provisions)		**210,291**	202,528
Dividend receivable		**–**	4,877
Receivable from associate		**–**	178
Receivable against sale of shares		**–**	172,920
Receivable from defined benefit plan	30.3	**4,103**	6,482
Assets directly associated with subsidiary classified as held for sale		**–**	354,212
Receivable against advisory fee		**101,512**	66,436
Receivable from AWT Investments Limited (formerly Primus Investment Management Limited)		**2,535**	–
Investment in AWT Investments Limited (formerly Primus Investment Management Limited) - classified as held-for-sale	8.9.2	**94,019**	–
Unrealised gain on fair value of option	8.9.2	**14,285**	–
		673,523	1,087,913
Less: Provision held against advances, deposits and other prepayments		**–**	–
Other assets (net of provisions)		**673,523**	1,087,913

12.1 Discontinued operations

On December 14, 2016, the Holding Company entered in an agreement with Army Welfare Trust (AWT) for the sale of 70% shares of Primus Investment Management Limited (now AWT Investments Limited) held by the Holding Company. The transaction was subject to necessary regulatory approvals which were received during the current year.

Accordingly, the results of AWT Investments Limited have been consolidated upto March 8, 2017 and have been presented as a discontinued operation separately in the consolidated profit and loss account in accordance with the provisions contained in IFRS 5 "Non-current assets held for sale and discontinued operations". A detailed analysis of the results is as follows:

	2017	2016
	(Rupees in '000)	
Mark-up / return / interest earned	**1,394**	2,586
Mark-up / return / interest expensed	**–**	–
Net mark-up / interest Income	**1,394**	2,586
Provision / (reversal) against non-performing loans and advances	**–**	–
Provision / (reversal) for diminution in the value of investments	**–**	–
Bad debts written off directly	**–**	–
	–	–
Net mark-up / interest income after provisions	**1,394**	2,586
Non mark-up / interest income		
Fee, commission and brokerage income	**19,691**	94,881
Dividend income	**–**	8,142
Income from dealing in foreign currencies	**–**	–
Gain on sale of securities - net	**1,936**	22,867
Unrealised loss on revaluation of investments classified as held-for-trading	**67**	301
Other income	**–**	(15)
Total non mark-up / interest income	**21,694**	126,176
	23,088	128,762
Non mark-up / interest expenses		
Administrative expenses	**16,367**	103,195
Other provisions / write off	**–**	–
Other charges	**–**	–
Total non-mark-up / interest expenses	**16,367**	103,195
Profit before tax from discontinued operations	**6,721**	25,567
Taxation	**(4,000)**	(16,072)
Profit for the period from discontinued operations	**2,721**	9,495

The major classes of assets and liabilities of PIML (now AWTIL) classified as held for sale as at December 31, 2017 and December 31, 2016 are as follows:

	2017	2016
	(Rupees in '000)	
Assets		
Cash and bank balances	**–**	2,611
Investments	**–**	270,345
Advances	**–**	8,311
Operating fixed assets	**–**	15,127
Deferred tax assets	**–**	7,376
Other assets	**–**	50,442
	–	354,212
Liabilities		
Other liabilities	**–**	50,745
Liabilities directly associated with subsidiary classified as held for sale	**–**	50,745
Net assets directly associated with subsidiary classified as held for sale	**–**	303,467

The net cash flows incurred by Primus Investment Management Limited (now AWTIL) are as follows:

	2017	2016
Operating	**(2,301)**	(6,186)
Investing	**7,175**	6,388
Financing	**–**	–
Net cash flow	**4,874**	202

Impairment of Subsidiary

Immediately before the classification of PIML (now AWTIL) as a discontinued operation, the recoverable amount was estimated for certain items of property and equipment and no impairment loss was identified. Following the classification also, no impairment loss was recognised as the fair value less cost to sell of the subsidiary exceeded its carrying value.

13 BORROWINGS

	2017	2016
	(Rupees in '000)	
In Pakistan	**13,976,083**	20,492,898
Outside Pakistan	**–**	–
	13,976,083	20,492,898

13.1 Particulars of borrowings

	2017	2016
In local currency	**13,976,083**	20,492,898
In foreign currency	**–**	–
	13,976,083	20,492,898

	Note	2017	2016
13.2 Details of borrowings secured / unsecured		(Rupees in '000)	
Secured			
Borrowings from the State Bank of Pakistan			
- Long-Term Finance Facility (LTFF) scheme	13.3	**3,745,152**	2,586,388
- Power Plants Using Renewable Energy (PPRE) scheme		**229,056**	162,026
- Finance for Storage of Agriculture Produce (FSAP) scheme		**359,250**	410,115
		4,333,458	3,158,529
Repurchase agreement borrowings (Repo)		**–**	7,835,143
Borrowing from Banks	13.4	**5,459,625**	3,749,500
		9,793,083	14,743,172
Unsecured			
Letters of placement	13.5	**4,183,000**	5,749,726
		13,976,083	20,492,898

13.3 The Group has entered into agreements for financing with the SBP for Long-Term Financing under Export Oriented Projects to customers. According to the terms of the respective agreements, the SBP has the right to receive the outstanding amount from the Group at the due date by directly debiting the current account maintained by the Company with SBP. The rate of return ranges between 2.00% and 8.40% per annum (2016: 2.00% to 8.40% per annum). These are repayable within 6 years (2016: 10 years).

13.4 These represent borrowings secured against hypothecation of receivables and floating charge over term finance certificates. These carry mark-up at rates ranging between 6.23% and 6.71% per annum (2016: 6.14% to 6.56% per annum) and are repayable within 4 years (2016: 3 years).

13.5 These carry mark-up at rates ranging between 6.10% and 6.50% per annum (2016: 6.05% to 6.35% per annum), have a tenor of 3 months (2016: 3 months) and are due to mature latest by March 29, 2018.

14 DEPOSITS AND OTHER ACCOUNTS

	Note	2017	2016
		(Rupees in '000)	
Customers			
Certificates of investment - remunerative	14.1	**500,000**	253,487
Financial institutions			
Certificates of investment - remunerative	14.2	**4,251,164**	2,660,000
		4,751,164	2,913,487

14.1 These carry mark-up at rates ranging between 6.20% and 6.30% per annum (2016: 6.00% per annum), have tenors ranging between 6 to 12 months (2016: 12 months) and are repayable latest by December 7, 2018.

14.2 These carry mark-up at rates ranging between 6.45% and 6.50% per annum (2016: 6.25% and 6.40% per annum), have a tenor of 6 months (2016: 3 to 6 months) and are repayable latest by March 28, 2018.

	2017	2016
14.3 Particulars of deposits and other accounts	(Rupees in '000)	
In local currency	**4,751,164**	2,913,487
In foreign currencies	**–**	–
	4,751,164	2,913,487

15 OTHER LIABILITIES

	Note	2017	2016 (Restated)
		(Rupees in '000)	
Mark-up / return / interest payable in local currency		**88,999**	97,577
Accrued expenses		**53,911**	52,698
Brokerage / commission payable		**621**	7,706
Unearned commission		**20,075**	13,290
Payable to defined benefit plan		**–**	554
Security deposit against advances		**302,823**	313,637
Payable against purchase of shares		**148,411**	–
Liabilities directly associated with subsidiary classified as held for sale		**–**	50,745
Provision for Sindh Workers' Welfare Fund	24.1	**88,927**	71,523
Others		**34,435**	11,728
		738,202	619,458

16 SHARE CAPITAL

16.1 Authorised capital

2017	2016		2017	2016
(Number of shares)			(Rupees in '000)	
600,000,000	600,000,000	Ordinary shares of Rs.10 each	**6,000,000**	6,000,000

16.2 Issued, subscribed and paid-up

600,000,000	600,000,000	Ordinary shares fully paid in cash	**6,000,000**	6,000,000

The Ministry of Finance and Secretary Economic Affairs Division, Government of Pakistan, holds 299,995,999 and 4,001 shares (2016: 299,995,999 and 4,001 shares) respectively on behalf of the Government of Pakistan and remaining 300,000,000 shares (2016: 300,000,000 shares) are held by the Brunei Investment Agency.

17 DEFICIT ON REVALUATION OF ASSETS - NET OF DEFERRED TAX

	2017	2016
	(Rupees in '000)	
Available-for-sale		
Federal Government Securities - Market Treasury Bills	**(13)**	(5,415)
Federal Government Securities - Pakistan Investment Bonds	**424**	(57,002)
Ordinary shares of listed companies	**(206,404)**	(21,610)
Units of open-ended mutual funds	**(31,281)**	–
	(237,274)	(84,027)
Deferred tax asset / (liability) recognised	**35,530**	21,967
	(201,744)	(62,060)

18 CONTINGENCIES AND COMMITMENTS

		Note	2017	2016
			(Rupees in '000)	
18.1	**Transaction-related contingent liabilities**			
	Letters of credit	18.5	**2,008,754**	1,125,660
18.2	**Commitments in respect of repo transactions**			
	Repurchase of government securities		**–**	1,558,062
18.3	**Commitment to extend credit**		**3,983,406**	5,466,485
18.4	**Other commitments in respect of:**			
	- government securities		**1,722,024**	7,592,065
	- shares		**–**	329,712

18.5 In the year 2009, Burj Bank Limited [now Al Baraka Bank (Pakistan) Limited] filed a legal suit of Rs.200 million for damages against the Holding Company for alleged non performance of underwriting commitment to issue shares at a premium. The legal advisors of the Holding Company are of the opinion that the Company has a strong case and that the matter will most likely be decided in favour of the Holding Company.

18.6 Tax contingencies have been discussed in note 26.1 to these consolidated financial statements.

19 MARK-UP / RETURN / INTEREST EARNED

	2017	2016 (Restated)
	(Rupees in '000)	
On loans and advances to customers	**1,043,798**	878,037
On investments classified as:		
- Held for trading	**11,509**	14,689
- Available for sale	**442,523**	686,607
- Held to maturity	**19,518**	13,205
	473,550	714,501
On deposits with financial institutions	**37,638**	67,796
On securities purchased under resale agreements	**23,450**	3,451
	1,578,436	1,663,785

20 MARK-UP / RETURN / INTEREST EXPENSED

	2017	2016
Securities sold under repurchase agreements	**179,489**	291,952
Short-term borrowings	**247,809**	284,634
Deposits	**116,562**	252,740
Long-term borrowings	**364,284**	254,334
	908,144	1,083,660

21 GAIN ON SALE OF SECURITIES - NET

	Note	2017	2016 (Restated)
		(Rupees in '000)	
Federal Government securities			
– Market Treasury Bills		**(477)**	12,088
– Pakistan Investment Bonds		**15,275**	436,859
		14,798	448,947
Units of mutual funds - associates		**–**	–
Units of modaraba		**68**	–
Ordinary shares of listed companies		**103,596**	78,565
Ordinary shares of unlisted companies		**47,572**	–
Term finance certificates		**561**	2,495
Gain on disposal of AWT Investments Limited (formerly Primus Investment Management Limited)	8.9.2	**58,304**	–
		224,899	530,007

22 OTHER INCOME / (EXPENSES)

	Note	2017	2016
Gain on reclassification of AWT Investments Limited as associate	8.9.2	**19,019**	–
(Loss) / gain on forward contracts		**–**	(2,978)
Unrealised gain on fair value of option	8.9.2	**14,285**	–
Gain on sale of property and equipment		**77**	13
Gain on sale of non-banking asset acquired against satisfaction of claims		**9,287**	–
Exchange loss		**–**	(4)
Other income		**133**	–
		42,801	(2,969)

23 ADMINISTRATIVE EXPENSES

	Note	2017	2016 (Restated)
		(Rupees in '000)	
Preliminary expenses		**11,796**	23,459
Salaries and allowances		**193,916**	177,813
Charge for defined benefit plan	30.5	**5,689**	6,407
Contribution to defined contribution plan	31	**7,128**	6,042
Non-executive directors' fees, allowances and other expenses		**4,628**	3,208
Rent, taxes, insurance, electricity, etc.		**30,522**	27,388
Legal and professional charges		**15,654**	14,472
Travelling and accommodation		**7,094**	4,518
Fuel and transportation		**10**	–
Communications		**3,532**	3,321
Repairs and maintenance		**9,757**	6,751
Brokerage commission		**11,960**	19,899
Stationery and printing		**3,293**	2,342
Advertisement and publicity		**1,078**	1,049
Auditors' remuneration	23.1	**2,569**	2,157
Depreciation	10.1	**10,631**	15,844
Amortisation	10.2	**921**	1,203
Vehicle running expenses		**23,138**	21,358
Medical expense		**5,385**	4,018
Fee and subscription		**1,962**	2,530
Shared Service Expense		**8,038**	2,088
Provision for Sindh sales tax on management company's remuneration		**2,309**	459
Bank charges		**880**	826
Others		**6,183**	5,532
		368,073	352,684

23.1 Auditors' remuneration

	2017	2016
Audit fee	**956**	825
Half yearly review fee	**300**	300
Fee for special certifications and other services	**438**	390
Out-of-pocket expenses	**444**	284
	2,138	1,799
Auditors' remuneration for subsidiary	**431**	358
	2,569	2,157

24 PROVISION FOR SINDH WORKERS' WELFARE FUND

	Note	2017	2016
Provision for Sindh Workers' Welfare Fund	24.1	**17,404**	71,523

24.1 As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015, the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs.0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. Accordingly, as a matter of abundant caution, the management has maintained a provision for SWWF in the consolidated financial statements amounting to Rs 88.926 million which includes a provision of Rs 17.404 million for the current year.

25 OTHER CHARGES

	Note	2017	2016
		(Rupees in '000)	
Penalties imposed by the State Bank of Pakistan		**–**	1,085

26 TAXATION

	Note	2017	2016
For the year			
Current	26.1	**230,091**	331,774
Deferred		**(73,388)**	(1,791)
For prior years			
Current	26.2	**40,533**	50,171
		197,236	380,154

26.1 Commencing from the tax year 2008 upto tax year 2014, the assessment orders filed by the Holding Company have been revised and tax demands have been raised of which Rs 33.029 million are outstanding as at December 31, 2017. The matters which have been raised in these demands mainly include allocation of common expenses, taxation of discount income, additions on account of concessional loans to employees and deletion of the charge pertaining to the Workers' Welfare Fund. The Holding Company is contesting these demands and appeals have been filed by the Holding Company against the same which are pending adjudication at various appellate forums including the Honourable Sindh High Court.

26.2 The Finance Act, 2017 further extended the levy of super tax for rehabilitation of temporarily displaced persons at the rate of 3% of the taxable income for Tax Year 2017 (accounting year ended December 31, 2016). Accordingly, an amount of Rs 38.920 million has been recognised in these consolidated financial statements of the Group for the year ended December 31, 2017 as prior year charge in respect of super tax.

26.3 Relationship between tax expense and accounting profit

	2017	2016
	(Rupees in '000)	
Profit before taxation	**658,376**	1,389,602
Applicable tax rate	**30%**	31%
Tax calculated at the applicable rate	**197,513**	430,777
Tax effect of:		
- Income chargeable to tax at special rate	**(54,516)**	(76,726)
- Income exempt from tax	**(8,585)**	(7,935)
- Permanent differences	**13,990**	(5,667)
- Prior year charge	**40,570**	50,197
- Effect of change in tax rate	**(1,084)**	–
- Others	**9,348**	(10,492)
Tax charge for the year	**197,236**	380,154

27 EARNINGS PER SHARE - BASIC AND DILUTED

	2017	2016 (Restated)
	(Rupees in '000)	
27.1 Basic		
From continuing operation		
Profit for the year after taxation from continuing operation	**461,140**	1,009,448
	(Numbers in '000)	
Weighted average number of ordinary shares (in '000)	**600,000**	600,000
	(Rupees)	
Basic earnings per share	**0.7686**	1.6824
From discontinued operation		
Profit for the year after taxation from discontinued operation	**2,721**	9,495
	(Numbers in '000)	
Weighted average number of ordinary shares (in '000)	**600,000**	600,000
	(Rupees)	
Basic earnings per share	**0.0045**	0.0158

27.2 Diluted earning per share has not been presented separately as there were no convertible dilutive potential ordinary shares outstanding as on December 31, 2017 and 2016.

28 CASH AND CASH EQUIVALENTS

	Note	2017	2016 (Restated)
		(Rupees in '000)	
Cash and balances with treasury banks	5	**137,621**	322,011
Balances with other banks	6	**549,900**	2,333,056
Term deposit receipts (maturity within 3 months)	7.2	**1,450,000**	250,000
Cash and bank balances pertaining to discontinued operations		**–**	2,611
		2,137,521	2,907,678

29 STAFF STRENGTH

	2017	2016
Permanent	**77**	83
Temporary / on contractual basis	**37**	47
Company's own staff strength at the end of the year	**114**	130

30 STAFF RETIREMENT BENEFITS

30.1 General description

As mentioned in note 4.13.1, the Holding Company operates a funded gratuity scheme for all its permanent employees. The benefits under the gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn basic salary for each year of eligible service with the Holding Company subject to a minimum qualifying period of service of five years.

		2017	2016
30.2	**Principal actuarial assumptions**	(Rupees in '000)	
a)	Discount factor used (% per annum)	**8.25**	9.50
b)	Expected rate of salary increase (% per annum)	**8.25**	9.50
c)	Mortality rates (for death in service)*	**SLIC (2001-05)-1**	SLIC (2001-05)-1
d)	Rate of employee turnover	**Moderate**	Moderate

* Assumptions regarding future mortality are set based on actuarial advice in accordance with the published statistics and experience in Pakistan. The rates assumed are based on the State Life Insurance Corporation Limited [SLIC (2001 - 2005)] ultimate mortality tables rated down one year.

30.3 Reconciliation of payable to defined benefit plan	2017	2016
	(Rupees in '000)	
Present value of defined benefit obligation	**(42,980)**	(42,363)
Fair value of plan assets	**47,083**	48,845
	4,103	6,482

30.4 The movement in the defined benefit obligation is as follows:

(Rupees in '000) 2017	Present value of obligation	Fair value of plan assets	Total
As at January 01	**42,363**	**(48,845)**	**(6,482)**
Current service cost	**6,277**	**–**	**6,277**
Interest expense / (income)	**4,232**	**(4,820)**	**(588)**
	52,872	**(53,665)**	**(793)**
Remeasurements:			
- Return on plan assets, excluding amounts included in interest expense	**–**	**6,582**	**6,582**
- (Gain) / loss from change in financial assumptions	**(247)**	**–**	**(247)**
- (Gain) / loss from change in experience adjustments	**(1,899)**	**–**	**(1,899)**
	(2,146)	**6,582**	**4,436**
Contributions during the year	**–**	**–**	**–**
Benefits paid to outgoing members	**(7,746)**	**–**	**(7,746)**
As at December 31	**42,980**	**(47,083)**	**(4,103)**

(Rupees in '000) 2016	Present value of obligation	Fair value of plan assets	Total
As at January 01	37,879	(36,206)	1,673
Current service cost	6,243	–	6,243
Interest expense / (income)	4,008	(3,844)	164
	48,130	(40,050)	8,080
Remeasurements:			
- Return on plan assets, excluding amounts included in interest income	–	(3,966)	(3,966)
- (Gain) / loss from change in financial assumptions	(97)	–	(97)
- (Gain) / loss from change in experience adjustments	(2,418)	–	(2,418)
	(2,515)	(3,966)	(6,481)
Contributions during the year	–	(8,081)	(8,081)
Benefits paid to outgoing members	(3,252)	3,252	–
As at December 31	42,363	(48,845)	(6,482)

	December 31 2017	December 31 2016
30.5 Charge for defined benefit plan	(Rupees in '000)	
Current service cost	**6,277**	6,243
Interest cost	**4,232**	4,008
Expected return on plan assets	**(4,820)**	(3,844)
	5,689	6,407

30.6 Composition of plan assets

(Rupees in '000)

	As on December 31, 2017			As on December 31, 2016		
	Quoted	Non-quoted	Total	Quoted	Non-quoted	Total
Cash and bank balances	**–**	**550**	**550**	–	956	956
Equity instruments:						
- Mutual funds and shares	**9,052**	**–**	**9,052**	11,736	–	11,736
Debt instruments:						
- Government	**–**	**37,481**	**37,481**	–	36,153	36,153
	9,052	**38,031**	**47,083**	11,736	37,109	48,845

	December 31 2017	December 31 2016
30.7 Analysis of present value of defined benefit obligation	(Rupees in '000)	
Split by vested / non-vested		
(i) Vested benefits	**38,895**	38,523
(ii) Non-vested benefits	**4,085**	3,840
	42,980	42,363

30.8 The plan assets and defined benefit obligations are based in Pakistan.

30.9 Historical information

(Rupees in '000)

	2017	2016	2015	2014
Present value of defined benefit obligation	**(42,980)**	(42,363)	(37,879)	(26,938)
Fair value of plan assets	**47,083**	48,845	36,206	24,899
Surplus / (deficit)	**4,103**	6,482	1,673	2,039
Experience adjustments on plan liabilities	**(2,146)**	(2,515)	(2,735)	(2,039)
Experience adjustments on plan assets	**6,582**	(3,966)	1,062	–
	4,436	(6,481)	(1,673)	(2,039)

30.10 Loss on plan assets during the year amounted to Rs 0.356 million (2016: actual return of Rs 7.81 million).

30.11 The Gratuity scheme exposes the Company to the following risks:

Mortality risks
This is the risk that the actual mortality experience is different. The effect depends on the beneficiaries' service / age distribution and the benefit.

Investment risks
This is the risk of the investment underperforming and not being sufficient to meet the liabilities.

Final salary risks
This is the risk that the final salary at the time of cessation of service is greater than what was assumed. Since the benefit is calculated on the basis of final salary, the benefit amount increases similarly.

Withdrawal risks
This is 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.

30.12 The sensitivities of the defined benefit obligation to changes in the principal actuarial assumptions are as under:

Particulars	As on December 31, 2017			As on December 31, 2016		
	Change in assumption	Increase / (decrease) in present value of defined benefit obligation		Change in assumption	Increase / (decrease) in present value of defined benefit obligation	
		%	(Rupees in '000)		%	(Rupees in '000)
Discount rate	**+1%**	**-9.93%**	**(4,267)**	+1%	-9.89%	(4,189)
	-1%	**11.60%**	**4,985**	-1%	11.54%	4,887
Salary increase rate	**+1%**	**12.00%**	**5,156**	+1%	11.93%	5,054
	-1%	**-10.43%**	**(4,483)**	-1%	-10.38%	(4,398)

The above sensitivities analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the statement of financial position.

30.13 The weighted average duration of the defined benefit obligation is 9.93 years (December 31, 2016: 10.65 years).

30.14 Expected maturity analysis of undiscounted defined benefit obligation for the gratuity scheme is as follows:

(Rupees in '000)

Particulars	As at December 31, 2017			
	Within a year	Between 2 and 3 years	Between 4 and 5 years	Between 6 and 10 years
Defined benefit obligation	**1,829**	**4,453**	**13,552**	**20,850**

30.15 The expected gratuity expense of the Holding Company for the next year commencing January 1, 2018 works out to be Rs 6.327 million (2016: Rs 5.70 million).

30.16 The disclosures made in notes 30.1 to 30.15 are based on the information included in the independent actuarial valuation report of the Holding Company as of December 31, 2017.

31 DEFINED CONTRIBUTION PLAN

The Holding Company operates an approved funded provident fund scheme for all its permanent confirmed employees. Equal monthly contributions are made, both by the Company and its employees, to the fund at the rate of 10 percent (2016: 10 percent) of basic salaries of the employees. The contributions made by the Holding Company during the year amounted to Rs. 7.128 million (2016: Rs. 6.042 million each). The total number of employees as at December 31, 2017 eligible under the scheme were 60 (2016: 53 employees).

32 COMPENSATION OF CHIEF EXECUTIVE OFFICERS, DIRECTORS AND EXECUTIVES OF THE GROUP

(Rupees in '000)

	Chief Executive of the Holding Company		Chief Executives of the Subsidiaries		Directors		Executives	
	December 31, 2017	December 31, 2016 (Restated)	**December 31, 2017**	December 31, 2016 (Restated)	**December 31, 2017**	December 31, 2016 (Restated)	**December 31, 2017**	December 31, 2016 (Restated)
Fee for attending meetings	**–**	–	**–**	–	**3,679**	3,208	**–**	–
Managerial remuneration	**22,828**	23,561	**9,407**	5,748	**–**	–	**138,389**	110,434
Performance bonus	**6,522**	4,815	**6,052**	3,236	**–**	–	**–**	390
Charge for defined benefit plan	**1,031**	1,225	**3,103**	554	**–**	–	**5,099**	4,319
Contribution to defined contribution plan	**1,349**	1,349	**–**	–	**–**	–	**6,056**	4,744
Utilities	**309**	268	**–**	–	**–**	–	**7,247**	5,662
Medical	**712**	657	**39**	52	**–**	–	**4,087**	3,220
Travelling allowance	**413**	283	**–**	–	**–**	–	**933**	338
Vehicle allowances	**–**	–	**–**	618	**–**	–	**83**	135
Other allowances	**–**	–	**5,679**	4,262	**–**	–	**4,862**	1,841
	33,164	32,158	**24,280**	14,470	**3,679**	3,208	**166,756**	131,083
Number of persons	**1**	1	**2**	1	**5**	4	**56**	53

32.1 The Chief Executives are provided with Group maintained cars. Executives denote employees, other than the Managing Director and Directors, whose basic salary exceeds five hundred thousand rupees in a financial year.

32.2 In addition to the fees for attending the meetings, the Directors are also provided with related traveling and accommodation.

33 FAIR VALUE MEASUREMENT

All quoted investments have been stated at their market values as disclosed in note 8. All unquoted investments have been stated at the lower of cost or break-up value, being their estimated fair values.

The fair values of loans and advances, other assets (excluding properties acquired in satisfaction of claims) and other liabilities cannot be determined with reasonable accuracy due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. Loans and advances are repriced frequently on market rates and are reduced for any impairment against non-performing advances determined in accordance with Prudential Regulations as stated in note 4.6. The re-pricing and maturity profiles of assets and liabilities are stated in notes 38.

In the opinion of the management, the fair values of the remaining assets and liabilities are not significantly different from their carrying values since they are either short-term in nature or, in the case of customer advances and deposits, are frequently repriced.

Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Valuation techniques and inputs used in determination of fair values

Item	Valuation techniques and input used
Fully paid-up ordinary shares	Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the stock exchange.
Pakistan Investment Bonds / Market Treasury Bills	Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV rates (Reuters page).
Term Finance certificates and Sukuks	Investments in debt securities (comprising term finance certificates, bonds, sukuk certificates and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan. In the determination of the rates, the MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities.
Units of mutual funds	Fair values of investments in units of mutual funds are determined based on redemption prices as at the close of the business day.

The following table provides the fair value measurement hierarchy of the Company's assets:

(Rupees in '000)

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Asset measured at fair value				
Held-for-trading				
Ordinary shares of listed companies	**16,421**	**–**	**–**	**16,421**
Market Treasury Bills	**243,598**	**–**	**–**	**243,598**
	260,019	**–**	**–**	**260,019**
Available-for-sale securities				
Market Treasury Bills	**–**	**2,967,039**	**–**	**2,967,039**
Pakistan Investment Bonds	**–**	**39,693**	**–**	**39,693**
Ordinary shares of listed companies	**725,917**	**–**	**–**	**725,917**
Term Finance Certificates and Sukuks	**–**	**1,273,225**	**–**	**1,273,225**
Units of mutual funds	**473,155**	**–**	**–**	**473,155**
	1,199,072	**4,279,957**	**–**	**5,479,029**
	1,459,091	**4,279,957**	**–**	**5,739,048**

The fair value of put option (note 12) was determined by adjusting the book value as at the December 31, 2015 of shares held in AWT Investments Limited for a premium of 32.5% over book value net of discount of 6.53% given on the adjusted price as negotiated between the Holding Company and AWT.

	(Rupees in '000)			
	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Asset measured at fair value				
Held-for-trading				
Ordinary shares of listed companies	326,291	–	–	326,291
Derivative liability	(2,978)	–	–	(2,978)
	323,313	–	–	323,313
Available-for-sale securities				
Market Treasury Bills	–	6,079,913	–	6,079,913
Pakistan Investment Bonds	–	2,860,087	–	2,860,087
Ordinary shares of listed companies	885,885	–	–	885,885
Units of mutual funds	–	–	–	–
Term Finance Certificates and Sukuks	–	1,066,221	–	1,066,221
	885,885	10,006,221	–	10,892,106
	1,209,198	10,006,221	–	11,215,419

34 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	(Rupees in '000)				
	Corporate finance	Trading and sales	Commercial banking	Asset management	Total
2017					
Total income	**171,277**	**881,366**	**1,017,420**	**23,089**	**2,093,152**
Total expenses	**43,996**	**715,124**	**659,289**	**16,367**	**1,434,776**
Net income	**127,281**	**166,242**	**358,131**	**6,722**	**658,376**
Segment assets (gross)	**103,144**	**10,863,425**	**19,717,366**	**–**	**30,683,935**
Segment non performing loans	**–**	**6,097**	**947,900**	**–**	**953,997**
Investment provided for	**–**	**413,097**	**–**	**–**	**413,097**
Segment provision required *	**–**	**367,459**	**285,786**	**–**	**653,245**
Segment liabilities	**3,086**	**7,099,682**	**12,362,681**	**–**	**19,465,449**
Segment return on assets (ROA) (%)	**–**	**0.99%**	**2.27%**	**–**	**–**
Segment return on net assets (ROA) (%)	**–**	**3.02%**	**6.59%**	**–**	**–**
Segment cost of funds (%)	**–**	**5.27%**	**5.27%**	**–**	**–**
2016					
Total income	108,218	1,884,779	823,906	128,762	2,945,665
Total expenses	53,493	964,490	434,885	103,195	1,556,063
Net income	54,725	920,289	389,021	25,567	1,389,602
Segment assets (gross)	–	22,886,018	11,842,286	354,212	35,082,516
Segment non performing loans	–	3,691	447,716	–	451,407
Investment provided for	–	348,772	–	–	348,772
Segment provision required *	–	277,426	234,821	–	512,247
Segment liabilities	–	15,646,698	8,328,401	50,745	24,025,844
Segment return on assets (ROA) (%)	–	4.34%	3.48%	7.22%	–
Segment return on net assets (ROA) (%)	–	12.97%	10.93%	8.42%	–
Segment cost of funds (%)	–	5.94%	5.94%	0.00%	–

* The provision required against each segment represents provision held on advances and investments.

35 TRUST ACTIVITIES

The Holding Company has assumed the role of Trustee to various Term Finance Certificates (TFCs) / Sukuk Issues and is holding trust properties in fiduciary capacity for and on behalf of the trust beneficiaries. The Holding Company is meeting all its obligations and duties in accordance with the provisions of the respective trust documents. The Holding Company is registered as Debt Securities Trustee (DST) under the Debt Securities Trustee Regulations, 2012 (DST Regulations, 2012) issued by the SECP and has been approved as DST under the Debt Securities Trustees Regulations, 2017 (DST Regulation, 2017).

The Holding Company is acting as trustee to Term Finance Certificates, SUKUK and Commercial Papers issued by Agritech Limited, Al-Baraka Bank (Pakistan) Limited, Askari Bank Limited, Azgard Nine Limited, Bank Alfalah Limited, Bank AL Habib Limited, the Bank of Punjab, Crescent Steel & Allied Products Limited, Engro Fertilizers Limited, Fatima Fertilizer Company Limited, Habib Bank Limited, International Brands Limited, Jahangir Siddiqui & Co. Limited, JS Bank Limited, K-Electric Limited, Neelum Jhelum Hydro Power Company Limited, NIB Bank Limited, Pak Electron Limited, Pak Water & Power Development Authority, Pakistan International Airlines Corporation, Silk Bank Limited, Sindh Nooriabad Power Co Phase (II) (Private) Limited, Sindh Nooriabad Power Co (Private) Limited, Soneri Bank Limited, Summit Bank Limited, TPL Trakker (Private) Limited, U Microfinance Bank Limited, and WAPDA 3rd SUKUK Company. The combined value of these debt securities as at December 31, 2017 amounted to Rs.350,995 million (2016: Rs.249,195 million).

36 TRANSACTIONS WITH RELATED PARTIES / ASSOCIATED UNDERTAKINGS

The Group has related party relationship with associates, employees' defined benefit and defined contribution plan, its key management personnel, state controlled entities and other related parties (such as Nimir Industrial Chemicals Limited, Allahdin Power Limited, Bunny's (Private) Limited and Atlas Cables (Private) Limited mainly on account of common directorship.

Details of loans and advances to the executives are given in note 9.5 to these consolidated financial statements. There are no transactions with key management personnel other than under their terms of employment. Contributions to approved defined benefit and contribution plans are disclosed in note 30 and 31 to these consolidated financial statements. Remuneration to the key management personnel is disclosed in note 32 to the consolidated financial statements. Transactions with owners have been disclosed in 'Consolidated Statement of Changes in Equity'. All other transactions between the Group and its related parties are carried out under normal course of business except employee staff loans where applicable that are as per terms of employment. The details of transactions with related parties during the year and balances with them as at year end, other than those which have been disclosed elsewhere in these consolidated financial statements, are as follows:

(Rupees in '000)

	2017			2016		
	Key management personnel	Other related parties	Associates	Key management personnel	Other related parties	Associates
					(Restated)	
Advances						
As at January 01	**61,719**	**359,808**	**–**	67,983	540,232	–
Disbursement during the year	**14,306**	**675,641**	**–**	7,717	292,465	–
Removal / transfer from other related parties	**(15,496)**	**(15,496)**	**–**	–	(400,200)	–
Repaid during the year	**(8,120)**	**(210,032)**	**–**	(13,981)	(72,689)	–
	52,409	**809,921**	**–**	61,719	359,808	–
Borrowings						
As at January 01	**–**	**–**	**–**	–	–	630,000
Received during the year	**–**	**–**	**–**	–	–	900,000
Repaid during the year	**–**	**–**	**–**	–	–	(1,530,000)
	–	**–**	**–**	–	–	–
Placements						
As at January 01	**–**	**–**	**–**	–	–	–
Placements made during the year	**–**	**–**	**–**	–	3,092,084	–
Placements matured during the year	**–**	**–**	**–**	–	(3,092,084)	–
	–	**–**	**–**	–	–	–
Investments						
As at January 01	**–**	**19,250**	**4,335,621**	–	187,309	6,244,385
Investments made during the period / year	**–**	**41,210**	**741,985**	–	289,424	22,973,128
Redemptions during the period / year	**–**	**(60,460)**	**(4,692,803)**	–	(457,496)	(24,964,852)
Dividend received	**–**	**–**	**–**	–	–	(184,040)
Share of profit for the period / year	**–**	**–**	**60,428**	–	–	449,004
Holding of PIML classified as held for sale	**–**	**–**	**–**	–	–	(182,004)
Retained interest in associate reclassified to available for sale investments	**–**	**–**	**(445,231)**	–	–	–
As at December 31	**–**	**–**	**–**	–	19,237	4,335,621
Other Assets						
As at January 01	**–**	**6,482**	**–**	–	(1,673)	–
Investments / additions made during the year	**–**	**–**	**–**	–	–	–
Redemption during the year	**–**	**–**	**–**	–	–	–
Charge for the year	**–**	**(5,689)**	**–**	–	(6,407)	–
Remeasurement arising during the year	**–**	**(4,436)**	**–**	–	6,481	–
Transfer to other assets	**–**	**–**	**–**	–	–	–
Benefits paid to outgoing members	**–**	**7,746**	**–**	–	8,081	–
As at December 31	**–**	**4,103**	**–**	–	6,482	–
Mark-up / return / interest earned	**2,395**	**57,384**	**–**	1,766	18,496	–
Mark-up / return / interest expensed	**–**	**–**	**–**	–	–	–
Gain on sale of securities - net	**–**	**21,665**	**–**	–	12,153	–
Share of Profit	**–**	**–**	**60,428**	–	–	449,004
Dividend income	**–**	**–**	**–**	–	70,389	–
Salaries and other benefits	**112,382**	**–**	**–**	74,685	–	–
Contribution to provident fund	**3,992**	**7,128**	**–**	–	6,042	–
Contribution to gratuity fund	**2,840**	**–**	**–**	8,081	–	–
Fee Income	**–**	**–**	**–**	–	–	98,157
Reimbursement of expenses	**5,403**	**–**	**–**	4,711	–	–

37 CAPITAL ASSESSMENT AND ADEQUACY

37.1 Capital adequacy

Capital Management aims to ensure that there is sufficient capital to meet the capital requirements of the Group as determined by the underlying business strategy and the minimum requirements of the SBP. The Capital Management process is governed by the Holding Company's Asset and Liability Committee (ALCO). Further, capital adequacy and management is overseen by the Board approved Risk Management Committee (RMC).

The Holding Company's regulatory capital is analysed into two tiers:

Tier 1 capital, which includes fully issued, subscribed and paid-up capital, balance in share premium account, reserve for bonus issue, general reserves as per the financial statements and net un-appropriated profits, etc. after deductions for investments in the equity of subsidiary companies engaged in banking and financial activities, reciprocal cross holdings in capital instruments of banking, financial, and insurance entities and deficit on revaluation of available-for-sale investments.

The Holding Company's capital management seeks:

– to comply with the capital requirements set by the regulators and comparable to the peers;

– to actively manage the supply of capital costs and increase capital velocity;

– to increase strategic and tactical flexibility in the deployment of capital to allow for the timely reallocation of capital;

– to improve the liquidity of the Holding Company's assets to allow for an optimal deployment of the Company's resources;

– to protect the Group against unexpected events and maintain strong ratings;

– to safeguard the Group's ability to continue as a going concern so that it can continue to provide adequate return to shareholders;

– availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Group to expand; and

– to achieve low overall cost of capital with appropriate mix of capital elements.

Pak Brunei Investment Company Limited (i.e. the Holding Company) maintains sufficient cushion of capital over the required regulatory capital. The capital buffer is sufficient to cater for the current and future business needs of the Group. Maintained capital comprises of Tier I capital only with a small amount of Tier II capital in the form of general reserves.

37.2 Scope of Applications

The Basel Framework is applicable to Pak Brunei Investment Company Limited both at the consolidated level and also on a stand alone basis. The Holding Company has three subsidiaries namely Primus Leasing Limited, Awwal Modaraba and Awwal Modaraba Management Limited. All subsidiaries are consolidated as per International Financial Reporting Standards (IFRS).

Detail of the Company's eligible capital (on an unconsolidated basis) is as follows:

	Note	2017	2016
		(Rupees in '000)	
Common Equity Tier 1 capital (CET1): Instruments and reserves			
Fully paid-up capital / capital deposited with SBP		**6,000,000**	6,000,000
Balance in share premium account		**–**	–
Reserve for issue of bonus shares		**–**	–
Discount on Issue of shares		**–**	–
General / statutory reserves		**1,351,812**	1,257,721
Gain / (losses) on derivatives held as cash flow hedge		**–**	–
Unappropriated / unremitted profits / (losses)		**3,412,835**	3,346,142
Minority Interests arising from CET1 capital instruments consolidated Company subsidiaries (amount allowed in CET1 capital of the consolidation group)		**580**	–
CET 1 before regulatory adjustments		**10,765,227**	10,603,863
Total regulatory adjustments applied to CET1	37.2.1	**(489,631)**	(2,375,203)
Common Equity Tier 1	a	**10,275,596**	8,228,660

	Note	2017	2016
		(Rupees in '000)	
Additional Tier 1 (AT 1) Capital			
Qualifying Additional Tier-1 instruments plus any related share premium			
of which: Classified as equity		**–**	–
of which: Classified as liabilities		**–**	–
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which: instrument issued by subsidiaries subject to phase out		**25**	–
AT1 before regulatory adjustments		**25**	–
Total regulatory adjustment applied to AT1 capital	37.2.2	**(275,824)**	(2,434,321)
Additional Tier 1 capital recognized for capital adequacy	b	**–**	–
Tier 1 Capital (CET1 + admissible AT1)	(c=a+b)	**10,275,596**	8,228,660
Tier 2 Capital			
Qualifying Tier 2 capital instruments under Basel III plus any related share premium		**–**	–
Tier 2 capital instruments subject to phase out arrangement issued under Pre-Basel III rules		**–**	–
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2) of which: instruments issued by subsidiaries subject to phase out		**43**	–
General Provisions or general reserves for loan losses - up to maximum of 1.25% of Credit Risk Weighted Assets		**1,408**	899
Revaluation reserves			
of which: Revaluation reserves on property		**–**	–
of which: Unrealised gains / losses on AFS		**–**	–
Foreign exchange translation reserves		**–**	–
Undisclosed / other reserves (if any)		**–**	–
T2 before regulatory adjustments		**1,451**	899
Total regulatory adjustment applied to T2 capital	37.2.3	**(44,245)**	–
Tier 2 capital (T2) after regulatory adjustments		**–**	–
Tier 2 capital recognized for capital adequacy		**–**	–
Portion of Additional Tier 1 capital recognized in Tier 2 capital		**–**	–
Total Tier 2 capital admissible for capital adequacy	d	**–**	–
TOTAL CAPITAL (T1 + admissible T2)	(e=c+d)	**10,275,596**	8,229,559
Total Risk Weighted Assets (RWA) f	37.2.4 & 37.6	**28,314,164**	30,967,448

* The figures have been taken from the published consolidated financial statements for the year ended December 31, 2016 and these do not include the effect of restatement

	Note	2017	2016
		(Rupees in '000)	
Capital ratios and buffers (in percentage of risk weighted assets)			
CET1 to total RWA	(a/f)	**36.29%**	26.57%
Tier-1 capital to total RWA	(c/f)	**36.29%**	26.57%
Total capital to RWA	(e/f)	**36.29%**	26.57%
Company specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		**12.50%**	12.50%
of which: capital conservation buffer requirement		**1.28%**	2.50%
of which: countercyclical buffer requirement		**0.00%**	0.00%
of which: D-SIB or G-SIB buffer requirement		**0.00%**	0.00%
CET1 available to meet buffers (as a percentage of risk weighted assets)		**26.29%**	16.57%
National minimum capital requirements prescribed by SBP			
CET1 minimum ratio		**6.00%**	6.00%
Tier 1 minimum ratio		**7.50%**	7.50%
Total capital minimum ratio		**10.00%**	10.00%

37.2.1 *Common Equity Tier 1 capital: Regulatory adjustments*

	December 31, 2017	Amounts subject to Pre-Basel III treatment	December 31, 2016
	(Rupees in '000)		
Goodwill (net of related deferred tax liability)	**–**	–	–
All other intangibles (net of any associated deferred tax liability)	**3,315**	–	2,942
Shortfall of provisions against classified assets	**–**	–	–
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	**–**	–	–
Defined-benefit pension fund net assets	**–**	–	–
Reciprocal cross holdings in CET1 capital instruments	**–**	–	–
Cash flow hedge reserve	**–**	–	–
Investment in own shares / CET1 instruments	**–**	–	–
Securitization gain on sale	**–**	–	–
Capital shortfall of regulated subsidiaries	**–**	–	–
Deficit on account of revaluation from Company's holdings of property / AFS	**201,744**	–	(62,060)
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	**8,773**	2,194	–
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	**–**	–	–
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	**–**	–	–
Amount exceeding 15% threshold of which: significant investments in the common stocks of financial entities of which: deferred tax assets arising from temporary differences	**–**	–	–
National specific regulatory adjustments applied to CET1 capital	**–**	–	–
Investment in TFCs of other banks exceeding the prescribed limit	**–**	–	–
Any other deduction specified by SBP	**–**	–	–
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	**275,799**	20,929	2,434,321
Total regulatory adjustments applied to CET1	**489,631**	23,123	2,375,203

* The figures have been taken from the published consolidated financial statements for the year ended December 31, 2016 and these do not include the effect of restatement

37.2.2 *Additional Tier 1 Capital: regulatory adjustments*

	December 31, 2017	Amounts subject to Pre-Basel III treatment	December 31, 2016
	(Rupees in '000)		
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	**193,558**	–	2,434,321
Investment in own AT1 capital instruments	**–**	–	–
Reciprocal cross holdings in Additional Tier 1 capital instruments	**–**	–	–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	**39,472**	9,868	–
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	**–**	–	–
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	**–**	–	–
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	**42,794**	–	–
Total of Regulatory Adjustment applied to AT1 capital	**275,824**	9,868	2,434,321

37.2.3 *Tier 2 Capital: regulatory adjustments*

Portion of deduction applied 50:50 to core capital and supplementary capital based on Pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	**–**	–	–
Reciprocal cross holdings in Tier 2 instruments	**–**	–	–
Investment in own Tier 2 capital instrument	**–**	–	–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	**44,245**	11,061	–
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	**–**	–	–
Total regulatory adjustment applied to T2 capital	**44,245**	11,061	–

37.2.4 Additional information

	Note	2017	2016
		(Rupees in '000)	
Total Risk Weighted Assets subject to pre-Basel III treatment			
Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment		**(8,574)**	164,888
of which: recognised portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity		**–**	–
of which: deferred tax assets		**–**	–
of which: Defined-benefit pension fund net assets		**–**	–
of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity		**(8,574)**	164,888
of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity		**–**	–

	Note	2017	2016
		(Rupees in '000)	
Amounts below the thresholds for deduction (before risk weighting)			
Non-significant investments in the capital of other financial entities		**1,055,977**	632,978
Significant investments in the common stock of financial entities		**–**	–
Deferred tax assets arising from temporary differences (net of related tax liability)		**189,506**	–
Applicable caps on the inclusion of provisions in Tier 2			
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)		**–**	–
Cap on inclusion of provisions in Tier 2 under standardized approach		**–**	–
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		**–**	–
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		**–**	–

* The figures have been taken from the published consolidated financial statements for the year ended December 31, 2016 and these do not include the effect of restatement

37.3 Leverage Ratio

The Company calculates leverage ratio in line with SBP's issued guidelines on Basel III. Pak Brunei's leverage ratio on standalone basis, as on December 31, 2017 is 28.76%. The same was 20.27% as on December 31, 2016.

37.4 Capital Structure Reconciliation

37.4.1 Step 1

	December 31, 2017	
	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	(Rupees in '000)	
Assets		
Cash and balances with treasury banks	**137,621**	137,621
Balances with other banks	**549,900**	549,900
Lendings to financial institutions	**3,200,909**	3,200,909
Investments	**5,918,860**	5,918,860
Advances	**19,331,908**	19,331,908
Operating fixed assets	**28,303**	28,303
Deferred tax assets	**189,506**	189,506
Other assets	**673,523**	673,523
Total assets	**30,030,530**	30,030,530
Liabilities and equity		
Bills payable	**–**	–
Borrowings	**13,976,083**	13,976,083
Deposits and other accounts	**4,751,164**	4,751,164
Sub-ordinated loans	**–**	–
Liabilities against assets subject to finance lease	**–**	–
Deferred tax liabilities	**–**	–
Other liabilities	**738,202**	738,202
Total liabilities	**19,465,449**	19,465,449

	Reference	December 31, 2017 Balance sheet as in published financial statements	Under regulatory scope of consolidation
		(Rupees in '000)	
Common Equity Tier 1 capital (CET1): Instruments and reserves			
Fully paid-up capital / capital deposited with SBP		**6,000,000**	6,000,000
Reserves		**1,351,812**	1,351,812
Unappropriated / unremitted profit / (losses)		**3,412,835**	3,412,835
Minority interest		**2,178**	2,178
Surplus on revaluation of assets		**(201,744)**	(201,744)
Total liabilities and equity		**10,565,081**	10,565,081

37.4.2 Step 2

	Reference	Balance sheet as in published financial statements	Under regulatory scope of consolidation
Assets			
Cash and balances with treasury banks		**137,621**	137,621
Balance with other banks		**549,900**	549,900
Lending to financial institutions		**3,200,909**	3,200,909
Investments		**5,918,860**	5,918,860
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	a	**115,613**	115,613
of which: significant capital investments in financial sector entities exceeding regulatory threshold	b	**–**	–
of which: Mutual Funds exceeding regulatory threshold	c	**193,558**	193,558
of which: Reciprocal cross holdings in CET1	d	**–**	–
of which: Reciprocal cross holdings in Tier2		**–**	–
of which: others	e	**–**	–
Advances	f	**19,331,908**	19,331,908
shortfall in provisions / excess of total EL amount over eligible provisions under IRB general provisions reflected in Tier 2 capital	g	**(1,408)**	(1,408)
Fixed Assets	h	**28,303**	28,303
of which: Intangibles	i	**3,315**	3,315
Deferred tax assets		**189,506**	189,506
of which: DTAs excluding those arising from temporary differences	j	**189,506**	189,506
of which: DTAs arising from temporary differences exceeding regulatory threshold	k	**–**	–
Other assets	l	**673,523**	673,523
of which: Goodwill	m	**–**	–
of which: Intangibles		**–**	–
of which: Defined-benefit pension fund net assets		**–**	–
Total assets		**30,030,530**	30,030,530
Liabilities and equity			
Bills payable		**–**	–
Borrowings		**13,976,083**	13,976,083
Deposits and other accounts		**4,751,164**	4,751,164
Sub-ordinated loans		**–**	–
of which: eligible for inclusion in AT1	n	**–**	–
of which: eligible for inclusion in Tier 2	o	**–**	–
Liabilities against assets subject to finance lease		**–**	–
Deferred tax liabilities		**–**	–
of which: DTLs related to goodwill	p	**–**	–
of which: DTLs related to intangible assets	q	**–**	–
of which: DTLs related to defined pension fund net assets	r	**–**	–
of which: other deferred tax liabilities	s	**–**	–
Other liabilities		**738,202**	738,202
Total liabilities		**19,465,449**	19,465,449

	Reference	December 31, 2017 Balance sheet as in published financial statements	Under regulatory scope of consolidation
		(Rupees in '000)	
Share capital		**6,000,000**	6,000,000
of which: amount eligible for CET1	t	**6,000,000**	6,000,000
of which: amount eligible for AT1	u	**–**	–
Reserves		**1,351,812**	1,351,812
of which: portion eligible for inclusion in CET1: Share premium	v	**–**	–
of which: portion eligible for inclusion in CET1 general / statutory reserve	w	**1,351,812**	1,351,812
of which: portion eligible for inclusion in Tier 2	x	**–**	–
Unappropriated profit / (losses)	y	**3,412,835**	3,412,835
Minority Interest		**2,178**	2,178
of which: portion eligible for inclusion in CET1	z	**580**	580
of which: portion eligible for inclusion in AT1	aa	**25**	25
of which: portion eligible for inclusion in Tier 2		**43**	43
Surplus on revaluation of assets	ab	**(201,744)**	(201,744)
of which: Revaluation reserves on fixed assets	ac	**–**	–
of which: Unrealised gains / losses on AFS		**(201,744)**	(201,744)
In case of deficit on revaluation (deduction from CET1)	ad	**–**	–
Total liabilities and equity		**30,030,530**	30,030,530

37.4.3 Step 3

	Source based on reference number from step 2	Component of regulatory capital reported by Company
		(Rupees in '000)
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully paid-up capital / capital deposited with SBP	(t)	**6,000,000**
Balance in share premium account		**–**
Reserve for issue of Bonus Shares		**–**
General / statutory reserves	(v)	**1,351,812**
Gain / (losses) on derivatives held as cash flow hedge		**–**
Unappropriated/unremitted profits / (losses)	(y)	**3,412,835**
Minority interests arising from CET1 capital instruments issued to third party by consolidated Company subsidiaries (amount allowed in CET1 capital of the consolidation group)	(z)	**580**
CET 1 before regulatory adjustments		**10,765,227**

	Source based on reference number from step 2	Component of regulatory capital reported by Company
		(Rupees in '000)
Common Equity Tier 1 capital: Regulatory adjustments		
Goodwill (net of related deferred tax liability)	(l) - (p)	–
All other intangibles (net of any associated deferred tax liability)	(m) - (q)	**3,315**
Shortfall of provisions against classified assets	(g)	–
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	{(h) - (r} * x%	–
Defined-benefit pension fund net assets	{(l) - (q)} * x%	–
Reciprocal cross holdings in CET1 capital instruments	(d)	–
Cash flow hedge reserve		–
Investment in own shares / CET1 instruments		–
Securitization gain on sale		–
Capital shortfall of regulated subsidiaries		–
Deficit on account of revaluation from Company's holdings of property / AFS	(ab)	**201,744**
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	(a) - (ac) - (ae)	**8,773**
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	(b) - (ad) - (af)	–
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i)	–
Amount exceeding 15% threshold		–
of which: significant investments in the common stocks of financial entities		–
of which: deferred tax assets arising from temporary differences		–
National specific regulatory adjustments applied to CET1 capital		–
Investment in TFCs of other banks exceeding the prescribed limit		–
Any other deduction specified by SBP (mention details)		–
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		**275,799**
Total regulatory adjustments applied to CET1 (sum of 9 to 25)		**489,631**
Common Equity Tier 1		**10,275,596**

	Source based on reference number from step 2	Component of regulatory capital reported by Company
		(Rupees in '000)
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 instruments plus any related share premium		–
of which: Classified as equity	(t)	–
of which: Classified as liabilities	(m)	–
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	(y)	–
of which: instrument issued by subsidiaries subject to phase out		–
AT1 before regulatory adjustments		–
Additional Tier 1 Capital: regulatory adjustments		–
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	(c)	**193,558**
Investment in own AT1 capital instruments		–
Reciprocal cross holdings in Additional Tier 1 capital instruments		–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	(ac)	–
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)	–
Portion of deduction applied 50:50 to core capital and supplementary capital based on Pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital		**39,472**
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		**42,794**
Total of regulatory adjustment applied to AT1 capital		**275,824**
Additional Tier 1 capital		–
Additional Tier 1 capital recognised for capital adequacy		–
Tier 1 capital (CET1 + admissible AT1)		**10,275,596**
Tier 2 capital		
Qualifying Tier 2 capital instruments under Basel III		–
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	(n)	–
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	(z)	–
of which: instruments issued by subsidiaries subject to phase out		–
General Provisions or general reserves for loan losses-up to maximum of 1.25% of credit risk weighted assets	(g)	**1,408**
Revaluation Reserves eligible for Tier 2		–
of which: Revaluation reserves on fixed assets		–
of which: Unrealized gains / losses on AFS	portion of (aa)	–
Foreign exchange translation reserves	(v)	–
Undisclosed / other reserves (if any)		–
T2 before regulatory adjustments		**1,408**

	Source based on reference number from step 2	Component of regulatory capital reported by Company
		(Rupees in '000)
Tier 2 Capital: regulatory adjustments		
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital		–
Reciprocal cross holdings in Tier 2 instruments		–
Investment in own Tier 2 capital instrument		–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	(ae)	44,245
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	–
Amount of regulatory adjustment applied to T2 capital		44,245
Tier 2 capital (T2)		–
Tier 2 capital recognised for capital adequacy		–
Excess Additional Tier 1 capital recognised in Tier 2 capital		–
Total Tier 2 capital admissible for capital adequacy		–
TOTAL CAPITAL (T1 + admissible T2)		**10,275,596**

37.5 Main Features of Regulatory Capital Instruments

Sr. No.	Main Features	Common Shares	Instrument-2	Explanation
1	Issuer	6,000,000		Pak Brunei Investment Company Limited. Common shares are held by Ministry of Finance, Government of Pakistan and Brunei Investment Agency in a 50:50 ratio
2	Unique identifier (e.g. KSE Symbol or Bloomberg identifier etc.)			N/A
3	Governing law(s) of the instrument			Repealed Companies Ordinance, 1984, and Companies Act, 2017
Regulatory treatment				
4	Transitional Basel III rules			N/A
5	Post-transitional Basel III rules			Common Equity Tier 1
6	Eligible at solo / group / group and solo			Solo
7	Instrument type			Ordinary Shares
8	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)			10,765,227
9	Par value of instrument			Rs.10 per share
10	Accounting classification			Shareholder's Equity
11	Original date of issuance			4-Nov-06
12	Perpetual or dated			No maturity
13	Original maturity date			N/A
14	Issuer call subject to prior supervisory approval			No
15	Optional call date, contingent call dates and redemption amount			N/A
16	Subsequent call dates, if applicable Coupons / dividends			N/A
17	Fixed or floating dividend / coupon			N/A
18	Coupon rate and any related index/ benchmark			N/A
19	Existence of a dividend stopper			Yes (please refer PR-11)
20	Fully discretionary, partially discretionary or mandatory			Fully discretionary
21	Common Equity Tier 1 capital (CET1): Instruments and reserves Existence of step up or other incentive to redeem			No
22	Non-cumulative or cumulative			Non cumulative
23	Convertible or non-convertible			Non-convertible
24	If convertible, conversion trigger (s)			N/A
25	If convertible, fully or partially			N/A
26	If convertible, conversion rate			N/A
27	If convertible, mandatory or optional conversion			N/A
28	If convertible, specify instrument type convertible into			N/A
29	If convertible, specify issuer of instrument it converts into			N/A
30	Write-down feature			No
31	If write-down, write-down trigger(s)			N/A
32	If write-down, full or partial			N/A
33	If write-down, permanent or temporary			N/A
34	If temporary write-down, description of write-up mechanism			N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument			N/A
36	Non-compliant transitioned features			No
37	If yes, specify non-compliant features			N/A

37.6 Risk weighted assets

The capital requirements for the Holding Company as per the major risk categories is indicated below:

(Rupees in '000)

	Capital Requirements*		Risk Weighted Assets	
	December 31, 2017	December 31, 2016**	**December 31, 2017**	December 31, 2016**
Credit risk				
Portfolios subject to standardised approach (Simple or Comprehensive)				
Cash and cash equivalents	**–**	–	**–**	–
Sovereign	**–**	–	**–**	–
Public sector entities	**3,527**	4,498	**35,271**	44,982
Banks	**106,014**	62,430	**1,060,138**	624,299
Corporate	**1,664,757**	1,251,585	**16,647,571**	12,515,846
Retail	**2,700**	2,089	**27,002**	20,887
Residential mortgages	**4,318**	3,479	**43,182**	34,795
Past due loans	**75,857**	22,919	**758,573**	229,185
Operating fixed assets	**2,499**	2,118	**24,987**	21,180
Other assets	**94,748**	145,818	**947,480**	1,458,182
	1,954,420	1,494,936	**19,544,204**	14,949,356
Portfolios subject to Internal Rating Based (IRB) approach				
Off - balance sheet				
Non-market related	**501,075**	513,073	**5,010,747**	5,130,732
Market related exposures	**–**	–	**–**	–
Equity exposure risk in the banking book				
Under simple risk weight method	**18,000**	5,110	**180,000**	51,104
Under Internal models approach	**–**	–	**–**	–
	519,075	518,183	**5,190,747**	5,181,836
Market risk				
Capital requirement for portfolios subject to standardised approach				
Interest rate risk	**4,734**	163,803	**59,175**	2,047,540
Equity position risk	**161,663**	595,677	**2,020,786**	7,445,963
Foreign Exchange risk	**–**	–	**5**	5
	166,397	759,480	**2,079,966**	9,493,508
Capital requirement for portfolios subject to internal models approach	**–**	–	**–**	–
Operational risk				
Capital requirement for operational risks	**119,940**	107,420	**1,499,247**	1,342,748
Total	**2,759,832**	2,880,018	**28,314,164**	30,967,448

(Rupees in '000)

	December 31, 2017		December 31, 2016	
	Required	Actual	Required	Actual
CET1 to total RWA	**6.00%**	36.29%	**6.00%**	26.57%
Tier-1 capital to total RWA	**7.50%**	36.29%	**7.50%**	26.57%
Total capital to total RWA	**10.00%**	36.29%	**10.00%**	26.57%

* Based on minimum capital requirement excluding capital conservation buffer.
** The figures have been taken from the published consolidated financial statements for the year ended December 31, 2016 and these do not include the effect of restatement

37.7 Capital adequacy

Objectives of managing capital
Capital Management aims to ensure that there is sufficient capital to meet the capital requirements of the Group as determined by the underlying business strategy and the minimum requirements of the SBP. The Capital Management process is governed by the Holding Company's Asset and Liability Committee (ALCO). Further, capital adequacy and management is overseen by the Board Risk Management Committee (RMC).

The Group's capital management seeks:

- to comply with the capital requirements set by the regulators and comparable to the peers;
- to actively manage the supply of capital costs and increase capital velocity;
- to increase strategic and tactical flexibility in the deployment of capital to allow for the timely reallocation of capital;
- to improve the liquidity of the Group's assets to allow for an optimal deployment of the Group's resources;
- to protect the Group against unexpected events and maintain strong ratings;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide adequate return to shareholders;
- availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Group to expand; and
- to achieve low overall cost of capital with appropriate mix of capital elements.

Externally imposed capital requirements
In order to strengthen the solvency of Banks / Development Financial Institutions (DFI), SBP through its BSD Circular No. 19 of 2008 dated September 05, 2008 has asked the DFIs to raise their minimum paid up capital to Rs.6 billion free of losses by the end of financial year 2009.

SBP through its BSD Circular No. 09 dated April 15, 2009 has asked DFIs to achieve the minimum Capital Adequacy Ratio (CAR) of 10% on standalone as well as on consolidated basis latest by December 31, 2010.

The paid-up capital and CAR of the Group stands at Rs.10.765 billion and 36.29% of its risk weighted exposure as at December 31, 2017.

The Group has complied with all externally imposed capital requirements as at year end.

38 RISK MANAGEMENT POLICIES AND OBJECTIVES

The Risk Management Framework (the Framework) of the Group provides principles for identifying, assessing and monitoring risk within the Group. The Framework specifies the key elements of the risk management process in order to maximise opportunities, to minimise adversity and to achieve improved outcomes and outputs based on informed decision making.

Categories of risk
The Group generates most of its revenues by accepting credit, liquidity and market risk the effective management of which is the decisive factor in its profitability. In addition, the Group is subject to certain consequential risks that are common to all business undertakings. These risks are grouped under operational and reputational risks. Hence, the Framework is organised with reference to these five risk categories as detailed below:

Credit risk This risk is defined as the possibility of loss due to unexpected default or a deterioration of credit worthiness of a counter party.

Market risk This is the risk of loss generated by adverse changes in the price of assets or contracts currently held by the Group. It includes yield / interest rate risk, currency risk and price risk.

Liquidity risk This is the risk that the Group would be unable to meet its payment obligations or fund increases in assets when these fall due without incurring an unacceptable cost the consequences of which may be the failure to meet obligations to repay investors and fulfil commitments to lend.

Operational risk This is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events and includes legal risk.

Reputational risk This is the risk of failing to meet the standards of performance or behaviour required or expected by stakeholders in commercial activities or the way in which business is conducted.

Risk responsibilities

The Board of Directors (the Board) is accountable for overall supervision of the risk management process. The Board is responsible for the approval of all risk policies and in ensuring that these are properly implemented. Furthermore, the Board approves the senior management personnel who are capable of managing the risk activities conducted by the Group.

Risk Management comprises of two areas namely Credit Risk Management (CRM) and Middle Office and Operational Risk (MOOR). CRM oversees credit risk taken by the Holding Company while MOOR function overviews market, interest rate, liquidity and operational risks of the Holding Company. The functions of both of these units are subject to the policies and manuals approved by the Board, provisions contained in the Prudential Regulations and additional regulatory directives issued by the SBP from time to time. These units are independent of business generation and risk taking. For all credit exposures taken by the Group, CRM prepares a comprehensive credit advice highlighting business, financial and structural risks for credit committee members. The CRM monitors the credit portfolio of the Holding Company on a regular basis to ensure prudent lending. Moreover, this department also sets parameters for various risks including i) sectoral concentration, ii) exposure limits for single and group clients, and iii) monitoring watch list accounts and the entire portfolio. The risk management philosophy is to identify and monitor risk on a portfolio basis and assess the risk taking capacity of the balance sheet as a whole.

Different Management Committees have been set up to review different kinds of risks; mainly being the Assets and Liabilities Committee (ALCO), Credit Committee (CC) and Risk Management Committee (RMC). Comprehensive risk management manuals have been designed which cover all significant risks including credit, liquidity, market and operational risks and provide guidance to management on risk controls, limits, risk measurement tools and a reporting framework.

38.1 Credit risk

Credit risk, being the potential default of one or more debtors, is the largest source of risk for the Group. The Group is exposed to credit risk through its lending and investment activities. The credit risk arising from exposure to corporate entities is governed by the Credit Risk Management Policy and Credit Administration Frameworks. The counter party credit risk arising from interbank lines are addressed in the Treasury policy framework.

The Company manages 3 principal sources of credit risk:

i) Sovereign credit risk on its public sector advances

When the Group lends to public sector borrowers, it prefers obtaining a full sovereign guarantee or the equivalent from the Government of Pakistan (GoP). However, certain public sector enterprises have a well defined cash flow stream and appropriate business model, based on which the lending is secured through collaterals other than GoP guarantee.

ii) Non-sovereign credit risk on its private sector advances

When the Group lends to private sector borrowers it does not benefit from sovereign guarantees or the equivalent. Consequently, each borrower's credit worthiness is analysed on a standalone basis. Two new internal rating models are in use to rate (i) Corporate / Commercial customers (ii) SME customers. Frameworks of both these models have been duly approved by the Board.

iii) Counter party credit risk on interbank limits

In the normal course of its business, the Group's Treasury department utilises products such as reverse repos and call lending to meet the needs of the borrowers and manages its exposure to fluctuations in market interest rates and to temporarily invest its liquidity prior to disbursement. All of these financial instruments involve, to varying degrees, the risk that the counterparty in the transaction may be unable to meet its obligation towards the Group.

Reflecting a preference for minimizing exposure to counterparty credit risk, the Group maintains eligibility criteria that link the exposure limits to counterparty credit ratings by external rating agencies. For example, the minimum rating for counterparties to be eligible for a financing relationship with the Group is BBB.

Credit administration

Credit Administration Department is involved in minimizing losses that could arise due to security and documentation deficiencies.

Risk analytics

To ensure a prudent distribution of asset portfolio, the Group manages its lending and investment activities within a framework of Borrower, Group, Product, Geographical and Sector exposure limits and risk profile benchmarks.

Stress testing

The Holding Company also conducts stress testing of its existing portfolio which includes all assets i.e., advances as well as investments. This exercise is conducted on a quarterly basis through assigning shocks to distressed / non-performing assets of the Holding Company and assessing its resulting affect on capital adequacy.

Regular monitoring

Regular monitoring of the advances portfolio is carried out which focuses on early problem recognition and influences the front office to carry out an assessment of the borrower's ability to rectify the identified problem / weakness within a reasonable time-frame, consider tighter structuring of facilities, confirm that there are no critical deficiencies in the existing security position and, if possible, arrange for strengthening of the same through obtaining additional collateral. It should, however, be noted that these actions are taken prior to incurring overdues on the facility.

Portfolio diversification

While expanding the advances and the investment (TFCs) portfolio, efficient portfolio diversification has been a key consideration despite the relatively small size of operations.

38.2 Market risk

The market risk is the risk of reductions in earnings, value and / or reserves arising from changes in market rates (such as interest rates, exchange rates, credit spreads) and market prices (such as commodities, equities, property, etc.) as well as their correlations and volatilities. The Group is exposed to market risk primarily through its trading activities, which are centered in the Treasury and Capital market groups.

The Group classifies its assets in banking and trading books as per instructions from the SBP. The Group's trading book comprises positions in financial instruments held with trading intent or in order to hedge other elements of the trading book and free of any restrictive covenants on their tradability. In addition, positions need to be frequently and accurately valued and the portfolio should be actively managed. The positions which do not fulfil the criteria of trading book falls under the banking Book and are treated as per SBP requirements.

The Group actively measures, controls and manages market risk on a day-to-day basis. Controls are applied to all investment portfolios by setting limits to the exposures taken. This includes stop loss limits on shares in the 'held-for-trading' portfolio, individual and sectoral concentration limits, volatility and value-at-risk limits, etc.

The Group measures market risk using various techniques like duration analysis for interest rate sensitivity, Value-at-Risk for adverse price movement and stress testing. The results are communicated to the ALCO and Risk Management Committee on a monthly and quarterly basis respectively. Market risk is effectively managed at portfolio level.

Policies, valuation and accounting of equity investments
In accordance with the requirements of the SBP, valuation and accounting of equity investments is done as per the accounting policies of investments (other than associates) mentioned in note 4.4. Further, composition of equity investments is available in note 8.

38.2.1 Currency risk

Currency risk is the risk of loss arising from fluctuations in exchange rates. The Group is not exposed to any significant funded or non-funded foreign exchange exposure as it does not have significant assets or liabilities denominated in foreign currencies as at the reporting date.

(Rupees in '000)

	As at December 31, 2017			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistani Rupee	**30,030,525**	**19,465,449**	**–**	**10,565,076**
United States Dollar	**5**	**–**	**–**	**5**
	30,030,530	**19,465,449**	**–**	**10,565,081**

(Rupees in '000)

	As at December 31, 2016			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistani Rupee	34,570,262	24,025,844	–	10,544,418
United States Dollar	4	–	–	4
	34,570,266	24,025,844	–	10,544,422

38.2.2 Price risk

The Group is exposed to price risk on its investments in equity capital markets. The Board with the recommendations of ALCO approves exposure limits applicable to investments in trading books.

Equity investments in the Group's trading book are subject to limits and controls imposed by risk management policy to reduce the risk. The risk is managed by applying trading limit, scrip–wise and portfolio wise nominal limits, stop-loss limits and volatility limits. Stress test and value-at-risk figures are also reported to the management for timely decisions.

The Equity Investment Committee is responsible for making investment decisions in the capital market.

38.2.3 Yield / interest rate risk

Yield / interest rate risk is the uncertainty resulting from changes in interest rates, including changes in the shape of yield curves. Interest rate risk arises from factors such as mismatches between contractual maturities or re-pricing of on and off balance sheet assets and liabilities. The objective of yield / interest rate risk management is to minimise adverse variances in the Group's profitability.

Government securities (PIBs and T-Bills), investment in TFCs and Sukuks, loans and advances and other money market placements classified under the 'held-for-trading' and the 'available-for-sale' categories are subject to interest rate risk. The duration analysis is carried out to capture the risk associated with these securities. Stress testing is also in place to capture the sensitivity of the portfolio to adverse movement in interest rates. For prudent risk management, all money market placements are marked to market to assess changes in the market values of these investments due to interest rate movements.

38.2.3.1 Mismatch of interest rate sensitive assets and liabilities

Interest rate risk can arise on account of rising interest rates causing a fall in the value of assets or falling interest rates causing an increase in the value of liabilities. While the Group is largely engaged in transactions on a floating rate basis in both borrowings and lendings, rate reset frequency, ceilings and floors and choice of base rate can translate into interest rate risk.

Interest rate risk is monitored through regular reports on interest rate matching and duration estimates. Furthermore, stress techniques are also used to estimate maximum losses in case of adverse movements in interest rates.

(Rupees in '000)

December 31, 2017	Effective yield/ interest rate	Total	Exposed to yield/interest risk: 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	Non-interest Bearing Financial Instruments
On-balance sheet financial instruments												
Asset												
Cash and balances with treasury banks	–	137,621	–	–	–	–	–	–	–	–	–	137,621
Balances with other banks	1.73% to 5.00%	549,900	549,849	–	–	–	–	–	–	–	–	51
Lendings	5.8% to 7.30%	3,200,909	3,170,909	–	–	–	–	–	–	–	–	30,000
Investments	5.90% to 12.09%	5,918,860	1,310,944	2,333,144	775,006	1,132	23,395	–	3,129	12,036	–	1,460,074
Advances	6.20% to 18.00%	19,331,908	4,351,933	6,018,375	3,843,166	469,595	1,007,214	894,883	1,289,557	1,409,025	20,000	28,160
Other assets	–	673,523	6,595	1,545	–	–	–	–	–	–	–	665,383
		29,812,721	9,390,230	8,353,064	4,618,172	470,727	1,030,609	894,883	1,292,686	1,421,061	20,000	2,321,289
Liabilities												
Borrowings	2.00% to 8.40%	13,976,083	711,535	3,564,060	5,552,049	282,633	638,225	697,164	1,151,854	1,378,563	–	–
Deposits and other accounts	6.20% to 6.50%	4,751,164	–	4,251,164	250,000	250,000	–	–	–	–	–	–
Other liabilities	–	738,202	–	–	–	–	–	–	–	–	–	738,202
		19,465,449	711,535	7,815,224	5,802,049	532,633	638,225	697,164	1,151,854	1,378,563	–	738,202
On-balance sheet gap		10,347,272	8,678,695	537,840	(1,183,877)	(61,906)	392,384	197,719	140,832	42,498	20,000	1,583,087
Off–balance sheet financial instruments												
Forward purchase of Government Securities		–	–	–	–	–	–	–	–	–	–	–
Forward Sale of Government Securities		1,722,024	1,722,024	–	–	–	–	–	–	–	–	–
Interest rate derivatives – short position		–	–	–	–	–	–	–	–	–	–	–
Interest rate derivatives – long position		–	–	–	–	–	–	–	–	–	–	–
Off-balance sheet gap		1,722,024	1,722,024	–	–	–	–	–	–	–	–	–
Total yield / interest risk sensitivity gap		12,069,296	10,400,719	537,840	(1,183,877)	(61,906)	392,384	197,719	140,832	42,498	20,000	1,583,087
Cumulative yield / interest risk sensitivity gap			10,400,719	10,938,559	9,754,682	9,692,776	10,085,160	10,282,879	10,423,711	10,466,209	10,486,209	12,069,296

(Rupees in '000)

December 31, 2016	Effective yield/ interest rate	Total	Exposed to yield/interest risk: 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	Non-interest Bearing Financial Instruments
On-balance sheet financial instruments												
Asset												
Cash and balances with treasury banks	–	322,011	–	–	–	–	–	–	–	–	–	322,011
Balances with other banks	3.75% to 7%	2,333,056	2,333,050	–	–	–	–	–	–	–	–	6
Lendings	5.7% to 7%	498,065	248,065	250,000	–	–	–	–	–	–	–	–
Investments	6.03% to 8.71%	15,673,268	82,320	848,565	155,249	6,160,578	2,595	20,115	94,544	2,743,813	–	5,565,488
Advances	4.34% to 16.26%	14,527,306	840,425	683,918	303,625	3,506,842	373,807	393,472	571,415	377,294	–	7,476,508
Other assets	–	894,325	2,295	4,425	–	–	–	–	–	–	–	887,606
	–	34,248,031	3,506,155	1,786,908	458,874	9,667,420	376,402	413,587	665,959	3,121,107	–	14,251,619
Liabilities												
Borrowings	2.55% to 6.30%	20,492,898	7,848,147	5,786,716	47,834	114,620	2,023,835	2,430,893	924,674	1,315,030	1,149	–
Deposits and other accounts	6.28%	2,913,488	–	2,660,000	–	253,488	–	–	–	–	–	–
Other liabilities	–	567,665	–	–	–	–	–	–	–	–	–	567,665
		23,974,051	7,848,147	8,446,716	47,834	368,108	2,023,835	2,430,893	924,674	1,315,030	1,149	567,665
On-balance sheet gap		10,273,980	(4,341,992)	(6,659,808)	411,040	9,299,312	(1,647,433)	(2,017,306)	(258,715)	1,806,077	(1,149)	13,683,954
Off–balance sheet financial instruments												
Forward purchase of Government Securities		–	–	–	–	–	–	–	–	–	–	–
Forward Sale of Government Securities		7,592,065	7,592,065	–	–	–	–	–	–	–	–	–
Interest rate derivatives - short position		–	–	–	–	–	–	–	–	–	–	–
Interest rate derivatives - long position		–	–	–	–	–	–	–	–	–	–	–
Off-balance sheet gap		7,592,065	7,592,065	–	–	–	–	–	–	–	–	–
Total yield / interest risk sensitivity gap		17,866,045	3,250,073	(6,659,808)	411,040	9,299,312	(1,647,433)	(2,017,306)	(258,715)	1,806,077	(1,149)	13,683,954
Cumulative yield / interest risk sensitivity gap			3,250,073	(3,409,735)	(2,998,695)	6,300,617	4,653,184	2,635,878	2,377,163	4,183,240	4,182,091	17,866,044

38.3 Liquidity risk

Liquidity risk is the risk that the Group is unable to fund its current obligations and operations in the most cost efficient manner. ALCO is the forum to oversee liquidity management.

Liquidity risk can arise from the Group's activities and can be grouped into three categories:

– inflows / outflows from on-balance sheet items (other than marketable securities and wholesale borrowings) and off-balance sheet items;

– marketability of trading securities; and

– capacity to borrow from the wholesale markets for funding as well as trading activities.

The Group's main funding source is the inter-bank money market. Changes in the monetary policy announced by the government and market expectations of interest rate are all important factors that can adversely affect our key funding source. Efficient and accurate planning plays a critical role in liquidity management. Holding Company's MIS provides information on expected cash inflows / out flows which allows the Holding Company to take timely decisions based on the future requirements. The Holding Company monitors all the possible sources from which liquidity risk can emanate including market reputation, borrowing terms, deterioration in the quality of credit portfolio, etc. Other sources are also identified for which early warning indicators are created and monitored for early intervention of management sensing a potential liquidity crunch.

Gap analysis and stress testing is done on a periodic basis to capture any adverse effect of market movements on liquidity position. Based on the results produced, ALCO devises the liquidity management strategy to maintain sufficient liquidity to deal with any related catastrophe.

38.3.1 Maturities of assets and liabilities - on the basis approved by the Assets and Liabilities Management Committee (ALCO) of the Company

(Rupees in '000)

December 31, 2017	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
Assets										
Cash and balances with treasury banks	137,621	34,415	103,206	–	–	–	–	–	–	–
Balances with other banks	549,900	493,987	55,913	–	–	–	–	–	–	–
Lendings to financial institutions	3,200,909	3,176,909	–	6,000	12,000	6,000	–	–	–	–
Investments	5,918,860	1,406,718	2,651,693	320,353	410,613	60,118	50,127	63,474	955,764	–
Advances	19,331,908	1,897,403	2,731,921	1,872,606	2,500,433	2,577,058	2,245,799	3,182,689	2,296,952	27,047
Operating fixed assets	28,303	8,506	2,903	3,632	3,286	4,632	2,806	1,233	1,305	–
Deferred tax assets	189,506	(1,968)	7,977	(1,389)	124,582	38,623	16,899	17,303	(12,521)	–
Other assets	673,523	73,150	138,134	236,156	122,219	99,964	750	–	–	3,150
	30,030,530	7,089,120	5,691,747	2,437,358	3,173,133	2,786,395	2,316,381	3,264,699	3,241,500	30,197
Liabilities										
Borrowings	13,976,083	711,535	3,564,060	1,452,312	1,382,494	2,588,100	1,747,164	1,151,853	1,378,565	–
Deposits and other accounts	4,751,164	–	4,251,164	250,000	250,000	–	–	–	–	–
Deferred tax liabilities	–	–	–	–	–	–	–	–	–	–
Other liabilities	738,202	202,592	92,773	107,074	139,432	98,992	51,582	43,439	–	2,318
	19,465,449	914,127	7,907,997	1,809,386	1,771,926	2,687,092	1,798,746	1,195,292	1,378,565	2,318
Net assets	10,565,081	6,174,993	(2,216,250)	627,972	1,401,207	99,303	517,635	2,069,407	1,862,935	27,879
Share capital	6,000,000									
Reserves	1,351,812									
Unappropriated profit	3,412,566									
Non controlling interest	2,447									
Surplus on revaluation of assets - net of tax	(201,744)									
	10,565,081									

(Rupees in '000)

	December 31, 2016									
	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
Assets										
Cash and balances with treasury banks	322,011	80,508	241,503	–	–	–	–	–	–	–
Balances with other banks	2,333,056	880,328	1,452,728	–	–	–	–	–	–	–
Lendings to financial institutions	498,065	248,065	250,000	–	–	–	–	–	–	–
Investments	15,673,268	1,077,439	1,437,236	2,193,352	7,750,772	164,211	32,712	133,722	2,883,824	–
Advances	14,527,306	2,075,566	1,560,507	1,260,666	1,314,770	2,385,131	2,094,015	2,378,584	1,409,185	48,882
Operating fixed assets	27,423	4,607	6,042	3,938	2,235	6,933	3,668	–	–	–
Deferred tax assets	101,224	13,778	5,767	(12,980)	60,005	18,345	9,825	11,986	(5,502)	–
Other assets	1,088,121	293,100	261,290	98,974	402,405	12,867	7,412	8,092	1,054	2,927
	34,570,474	4,673,391	5,215,073	3,543,950	9,530,187	2,587,487	2,147,632	2,532,384	4,288,561	51,809
Liabilities										
Borrowings	20,492,898	7,857,763	5,794,038	580,528	1,158,913	2,115,064	1,174,806	858,526	953,260	–
Deposits and other accounts	2,913,488	–	2,660,000	253,488	–	–	–	–	–	–
Deferred tax liabilities	–	–	–	–	–	–	–	–	–	–
Other liabilities	619,666	77,826	100,321	96,025	112,206	92,935	101,587	38,766	–	–
	24,026,052	7,935,589	8,554,359	930,041	1,271,119	2,207,999	1,276,393	897,292	953,260	–
Net assets	10,544,422	(3,262,198)	(3,339,286)	2,613,909	8,259,068	379,488	871,239	1,635,092	3,335,301	51,809
Share capital	6,000,000									
Reserves	1,257,721									
Unappropriated profit	3,346,556									
Non controlling interest	2,205									
Surplus on revaluation of assets - net of tax	(62,060)									
	10,544,422									

38.3.2 Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the Company

(Rupees in '000)

	December 31, 2017									
	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
Assets										
Cash and balances with treasury banks	137,621	34,415	103,206	–	–	–	–	–	–	–
Balances with other banks	549,900	493,987	55,913	–	–	–	–	–	–	–
Lendings to financial institutions	3,200,909	3,176,909	–	6,000	12,000	6,000	–	–	–	–
Investments	5,918,860	1,406,718	2,651,693	320,353	410,613	60,118	50,127	63,474	955,764	–
Advances	19,331,908	1,897,403	2,731,921	1,872,606	2,500,433	2,577,058	2,245,799	3,182,689	2,296,952	27,047
Operating fixed assets	28,303	8,506	2,903	3,632	3,286	4,632	2,806	1,233	1,305	–
Deferred tax assets	189,506	(1,968)	7,977	(1,389)	124,582	38,623	16,899	17,303	(12,521)	–
Other assets	673,523	73,150	138,134	236,156	122,219	99,964	750	–	–	3,150
	30,030,530	7,089,120	5,691,747	2,437,358	3,173,133	2,786,395	2,316,381	3,264,699	3,241,500	30,197
Liabilities										
Borrowings	13,976,083	711,535	3,564,060	1,452,312	1,382,494	2,588,100	1,747,164	1,151,853	1,378,565	–
Deposits and other accounts	4,751,164	–	4,251,164	250,000	250,000	–	–	–	–	–
Deferred tax liabilities	–	–	–	–	–	–	–	–	–	–
Other liabilities	738,202	202,592	92,773	107,074	139,432	98,992	51,582	43,439	–	2,318
	19,465,449	914,127	7,907,997	1,809,386	1,771,926	2,687,092	1,798,746	1,195,292	1,378,565	2,318
Net assets	10,565,081	6,174,993	(2,216,250)	627,972	1,401,207	99,303	517,635	2,069,407	1,862,935	27,879
Share capital	6,000,000									
Reserves	1,351,812									
Unappropriated profit	3,412,566									
Non controlling interest	2,447									
Surplus on revaluation of assets - net of tax	(201,744)									
	10,565,081									

(Rupees in '000)

	December 31, 2016									
	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
Assets										
Cash and balances with treasury banks	322,011	80,508	241,503	–	–	–	–	–	–	–
Balances with other banks	2,333,056	880,328	1,452,728	–	–	–	–	–	–	–
Lendings to financial institutions	498,065	248,065	250,000	–	–	–	–	–	–	–
Investments	15,673,268	1,077,439	1,437,236	2,193,352	7,750,772	164,211	32,712	133,722	2,883,824	–
Advances	14,527,306	2,075,566	1,560,507	1,260,666	1,314,770	2,385,131	2,094,015	2,378,584	1,409,185	48,882
Operating fixed assets	27,423	4,607	6,042	3,938	2,235	6,933	3,668	–	–	–
Deferred tax assets	101,224	13,778	5,767	(12,980)	60,005	18,345	9,825	11,986	(5,502)	–
Other assets	1,088,121	293,100	261,290	98,974	402,405	12,867	7,412	8,092	1,054	2,927
	34,570,474	4,673,391	5,215,073	3,543,950	9,530,187	2,587,487	2,147,632	2,532,384	4,288,561	51,809
Liabilities										
Borrowings	20,492,898	7,857,763	5,794,038	580,528	1,158,913	2,115,064	1,174,806	858,526	953,260	–
Deposits and other accounts	2,913,488	–	2,660,000	253,488	–	–	–	–	–	–
Deferred tax liabilities	–	–	–	–	–	–	–	–	–	–
Other liabilities	619,666	77,826	100,321	96,025	112,206	92,935	101,587	38,766	–	–
	24,026,052	7,935,589	8,554,359	930,041	1,271,119	2,207,999	1,276,393	897,292	953,260	–
Net assets	10,544,422	(3,262,198)	(3,339,286)	2,613,909	8,259,068	379,488	871,239	1,635,092	3,335,301	51,809
Share capital	6,000,000									
Reserves	1,257,721									
Unappropriated profit	3,346,556									
Non controlling interest	2,205									
Surplus on revaluation of assets - net of tax	(62,060)									
	10,544,422									

38.3.3 Liquidity Coverage Ratio (LCR)

According to Basel III instructions issued by the State Bank of Pakistan (BPRD circular # 08 dated 23 June 2016), it is mandatory for all the Banks and DFIs to calculate and report the LCR statement on monthly basis however, no minimum requirement of LCR is being stipulated currently by the SBP for DFIs.

The objective is to promote the short-term resilience of the liquidity risk profile of banks by ensuring that they preserve enough unencumbered high quality liquid assets (HQLA) to survive total net cash outflows for the next thirty days horizon.

The LCR has two components:

a) Value of the stock of High Quality Liquid Assets (HQLA) in stressed conditions; and

b) Total net cash outflows, calculated according to the stress scenario for which a DFI would need sufficient liquidity on hand to survive for up to 30 days.

(Rupees in '000)

	Particulars	Total Unweighted[a] Value (Average)	Total Weighted[b] Value (Average)
	HIGH QUALITY LIQUID ASSETS		
1	Total high quality liquid assets (HQLA)	2,417,965	2,191,876
	CASH OUTFLOWS		
2	Retail deposits and deposits from small business customers of which:		
2.1	Stable deposit	–	–
2.2	Less stable deposit	–	–
3	Unsecured wholesale funding of which:		
3.1	Operational deposits (all counterparties)	–	–
3.2	Non-operational deposits (all counterparties)	–	–
3.3	Unsecured debt	5,898,024	5,708,955
4	Secured wholesale funding	–	–
5	Additional requirements of which:		
5.1	Outflows related to derivative exposures and other collateral requirements	–	–
5.2	Outflows related to loss of funding on debt products	–	–
5.3	Credit and Liquidity facilities	5,806,388	580,639
6	Other contractual funding obligations	241,147	241,147
7	Other contingent funding obligations	832,303	41,615
8	**Total Cash Outflows**	**12,777,862**	**6,572,356**
	CASH INFLOWS		
9	Secured lending	–	–
10	Inflows from fully performing exposures	2,484,903	1,397,164
11	Other Cash inflows	651,535	648,929
12	**Total Cash Inlflows**	**3,136,438**	**2,046,093**
		Total Adjusted Value	
21	**Total HQLA**	2,417,965	2,191,876
22	**Total Net Cash Outflows**	9,641,424	4,526,263
23	**Liquidity Coverage Ratio**		48.43%

a Unweighted values must be calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows).

b Weighted values must be calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows).

c Adjusted values must be calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (i.e. cap on level 2B and level 2 assets for HQLA and cap on inflows.

38.3.4 Net Stable Funding Ratio (NSFR)

According to Basel III instructions issued by State Bank of Pakistan (BPRD circular # 08 dated 23 June 2016), it is mandatory for all the Banks and DFIs to calculate and report the Net Stable Funding Ratio (NSFR) on a quarterly basis with the minimum of 100% on an ongoing basis from December 31, 2017.

The purpose of the net stable funding ratio ("NSFR") is to ensure that Banks and DFIs hold a minimum amount of stable funding based on the liquidity characteristics of their assets and off-balance sheet activities over a one year horizon.

The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on- and off-balance sheet items and promotes funding stability. The objective is to reduce maturity mismatches between the asset and liability items on the balance sheet and thereby reduce funding and rollover risk.

(Rupees in '000)

	Particulars	No Maturity	unweighted value by residual maturity < 6 months	6 months to < 1 yr	≥ 1 yr	weighted value
	Available Stable Funding (ASF) Item					
1	Capital:					
2	Regulatory capital	10,657,968	–	–	–	10,657,968
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposit from small business customers:	–	–	–	–	–
5	Stable deposits	–	–	–	–	–
6	Less stable deposits	–	–	–	–	–
7	Wholesale funding:	–	–	–	–	–
8	Operational deposits	–	–	–	–	–
9	Other wholesale funding	–	250,000	1,771,926	7,055,695	8,066,658
10	Other liabilities:	–	–	–	–	–
11	NSFR derivative liabilities	–	–	–	–	–
12	All other liabilities and equity not included in other categories	–	10,335,428	–	–	–
13	**Total ASF**					**18,724,626**
	Required Stable Funding (RSF) Item					
14	Total NSFR high-quality liquid assets (HQLA)	–	–	–	2,438,541	209,080
15	Deposits held at other financial institutions for operational purposes	–	–	–	–	–
16	Performing loans and securities:	–	–	–	–	–
17	Performing loans to financial institutions secured by Level 1 HQLA	–	1,720,909	–	–	172,091
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	–	700,000	–	–	105,000
19	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	–	–	–	8,698,333	7,393,583
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	–	–	–	780,964	507,627
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	–	–	–	1,789,404	1,520,993
22	Other assets:	–	7,346,030	3,611,011	–	5,478,521
23	Physical traded commodities, including gold	–	–	–	–	–
24	Assets posted as initial margin for derivative contracts	–	–	–	–	–
25	NSFR derivative assets	–	–	–	–	–
26	NSFR derivative liabilities before deduction of variation margin posted	–	–	–	–	–
27	All other assets not included in the above categories	–	2,756,279	4,303	23,500	2,781,930
28	Off-balance sheet items		5,880,631	–	–	294,032
29	Total RSF					18,462,857
30	Net Stable Funding Ratio (%)					101.42%

38.4 Operational risk

The Group, like all financial institutions, is exposed to many types of operational risks, including the potential losses arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and procedures and the execution of legal, fiduciary and agency responsibilities.

The Group maintains a system of internal controls designed to keep operational risk at appropriate levels, in view of the Group's financial strength and the characteristics of the activities and market in which it operates. These internal controls are periodically updated to conform to industry's best practices. The Group has developed a Business Continuity Plan applicable to all its functional areas. Currently, the Group uses the Basic Indicator Approach for assessing its operational risk capital charge.

39 SEGMENTAL INFORMATION

39.1 Segments by class of business

	December 31, 2017					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Cement	**1,000,000**	**5.10**	–	–	–	–
Textile	**4,181,432**	**21.31**	–	–	**1,641,095**	**21.28**
Sugar	**732,965**	**3.74**	–	–	**35,000**	**0.45**
Chemicals and pharmaceuticals	**950,201**	**4.84**	–	–	**351,490**	**4.56**
Production and transmission of energy	**2,149,648**	**10.96**	–	–	**875,298**	**11.35**
Auto and allied	**17,982**	**0.09**	–	–	–	–
Financial	**548,822**	**2.80**	**4,751,164**	**100.00**	**1,722,024**	**22.33**
Individuals	**156,522**	**0.80**	–	–	–	–
Health and pharma	**1,278,233**	**6.51**	–	–	–	–
Telecommunication	**64,684**	**0.33**	–	–	–	–
Paper and board	**3,792**	**0.02**	–	–	–	–
Food and confectionary	**563,553**	**2.87**	–	–	–	–
Entertainment	**262,555**	**1.34**	–	–	–	–
Printing	**479,877**	**2.45**	–	–	**626,854**	**8.13**
Public sector	–	–	–	–	–	–
Transportation	**327,315**	**1.67**	–	–	–	–
Packaging	**16,017**	**0.08**	–	–	–	–
Services	**24,307**	**0.12**	–	–	**110,030**	**1.43**
Electronics and electrical appliances	**2,305,000**	**11.75**	–	–	**130,000**	**1.69**
Engineering	**915,840**	**4.67**	–	–	**224,901**	**2.92**
Construction	**375,769**	**1.92**	–	–	**852,337**	**11.05**
Poultry	**281,250**	**1.43**	–	–	–	–
Agricultural and dairy	**641,003**	**3.27**	–	–	**66,167**	**0.86**
Food and Beverages	**81,486**	**0.42**	–	–	**561,588**	**7.28**
Steel & Engineering	**662,653**	**3.38**	–	–	**300,000**	**3.89**
Real State & Developers	**1,065,000**	**5.43**	–	–	**200,000**	**2.59**
Information Technologies	**500,000**	**2.55**	–	–	–	–
Others	**35,236**	**0.18**	–	–	**15,900**	**0.21**
	19,621,142	**100.00**	**4,751,164**	**100.00**	**7,712,684**	**100.00**

	December 31, 2016					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Cement	–	–	–	–	–	–
Textile	3,378,066	22.88	–	–	2,157,389	13.42
Sugar	944,107	6.39	–	–	–	–
Chemicals and pharmaceuticals	753,840	5.11	–	–	641,324	3.99
Production and transmission of energy	1,585,818	10.74	–	–	1,911,714	11.89
Auto and allied	3,422	0.02	–	–	–	–
Financial	120,000	0.81	2,910,000	99.88	10,159,839	63.21
Individuals	127,762	0.87	–	–	–	–
Health and pharma	1,279,465	8.67	–	–	–	–
Telecommunication	64,805	0.44	–	–	430,000	2.68
Paper and board	–	–	–	–	–	–
Food and confectionary	1,169,036	7.92	–	–	70,000	0.44
Entertainment	57,715	0.39	–	–	12,500	0.08
Printing	–	–	–	–	–	–
Public sector	–	–	–	–	–	–
Transportation	357,881	2.42	–	–	–	–
Packaging	366,615	2.48	–	–	106,423	0.66
Services	4,818	0.03	–	–	–	–
Electronics and electrical appliances	1,023,403	6.93	–	–	56,590	0.35
Engineering	105,444	0.71	–	–	–	–
Construction	1,225,400	8.30	–	–	522,347	3.25
Poultry	281,250	1.91	–	–	–	–
Agricultural and dairy	446,782	3.03	–	–	30	0.00
Others	1,467,767	9.94	3,487	0.12	3,828	0.02
	14,763,396	100.00	2,913,487	100.00	16,071,984	100.00

39.2 Segment by sector

	December 31, 2017					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	**73,236**	**0**	**250,000**	**5**	**148,934**	**2**
Private	**19,547,906**	**100**	**4,501,164**	**95**	**7,563,750**	**98**
	19,621,142	**100**	**4,751,164**	**100**	**7,712,684**	**100**

	December 31, 2016					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	89,963	1	250,000	9	4,222,113	26
Private	14,673,433	99	2,663,487	91	11,849,871	74
	14,763,396	100	2,913,487	100	16,071,984	100

39.3 Details of non-performing advances and specific provisions by class of business segments

(Rupees in '000)

	2017		2016	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
Poultry	**281,250**	**131,992**	281,250	140,625
Chemicals and Pharmaceuticals	**261**	**65**	30,457	30,457
Textile	**30,457**	**30,457**	118,950	59,475
Production and transmission of energy	**138,169**	**–**	9,961	1,937
Sugar	**118,950**	**36,581**	–	–
Engineering	**8,720**	**7,397**	–	–
Food and confectionary	**307,859**	**62,373**	10,789	2,697
Services	**3,647**	**912**	–	–
Telecommunication	**64,684**	**18,049**	–	–
	953,997	**287,826**	451,407	235,191

39.4 Details of non-performing advances and specific provisions by sector

(Rupees in '000)

	2017		2016	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
Public / Government	**–**	**–**	–	–
Private	**953,997**	**287,826**	451,407	235,191
	953,997	**287,826**	451,407	235,191

39.5 Geographical segment analysis

(Rupees in '000)

	December 31, 2017			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Pakistan	**658,376**	**30,030,530**	**10,565,081**	**7,712,684**

	December 31, 2016			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Pakistan	1,389,602	34,570,266	10,544,422	16,071,984

40 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Holding Company have proposed a final dividend for the year ended December 31, 2017 of Rs. **0.50** per share (2016: Re.0.50 per share), amounting to Rs. **300** million (2016: Rs.300 million) at their meeting held on **11 March, 2018**, for approval of the members at the annual general meeting to be held on **6 April, 2018**. The consolidated financial statements for the year ended December 31, 2017 do not include the effect of this appropriation which will be accounted for in the consolidated financial statements for the year ending December 31, 2018.

41 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on **11 March, 2018** by the Board of Directors of the Holding Company.

42 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison and better presentation. No significant rearrangements or reclassifications have been made in these consolidated financial statements during the current year except for the effects of restatements as disclosed in note 2.5 to these consolidated financial statements.

43 CREDIT RATING

The JCR-VIS Credit Rating Company has assigned a long-term entity rating of 'AA+' (Double A plus) and short-term rating of 'A-1+' (Single A One Plus) to the Holding Company in June 2017. Outlook on the assigned ratings is 'Stable'. These ratings denote a very low expectation of credit risk and indicate a very strong capacity for timely payment of financial commitments.

44 GENERAL

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

President/Chief Executive **Chief Financial Officer** **Director** **Director** **Director**