







Innovation is a cornerstone of Pak Brunei Investment Company's success. We strive to expand and add value to our business by continuously learning from past experiences, sowing seeds for new relationships and reaping the rewards from existing ones. Our accomplished and diverse team aims to create opportunities for our customers using our market knowledge and offering customized solutions that help to achieve the best possible results.



Positioned for Growth

Pak Brunei Investment Company is a full service Merchant Banking outfit

- We maintain active platforms for Project and Lease Finance, Corporate Finance & Advisory Services, Private Equity, SME Finance, Trust Services, Capital Market Operations, and Fixed Income Trading & Distribution activities.
- Based on our consistent track record, we have maintained a lead in terms of profitability, asset build-up/quality, transaction diversity and human resource base.
- We dominate our specialized niche of handling projects facing financial distress.
- Our wholly owned Asset Management subsidiary, Primus Investment Management operates some of the top performing funds in the market.
- In line with long term development goals, we operate a vibrant SME unit manned by specialized resources who have a keen understanding of SME dynamics
- Our first Modaraba Fund was launched in December 2015. Future plans include establishment of specialized vehicles for Warehousing/Collateral Management and Infrastructure Finance.



C Creating Partnerships

Our core competencies lie in:

- Identifying companies and projects that need capital for financing growth / development, focusing on Expansion / Acquisition, Project and Revival financing.
- Providing financial / strategic advice as part of the financing package.
- Structuring financing packages through market based instruments to manage liquidity.
- Use of robust distribution network to sell down exposure when desirable.
- Subsidiaries established in related areas to ensure wider market presence and synergies with existing businesses.



Endless Opportunities

Modaraba Management Company (MMC)

Part of the strategy of establishing a footprint outside conventional financing markets. Through the MMC, we can expand our core areas of project financing / revival financing through vehicles that can access long term capital through collective investment scheme listed on Pakistan Stock Exchange.

Structured Commodity Financing

A new initiative that will structure short term commodity financing with third party monitoring in independent ware houses planned for 2016.

Infrastructure Development Company / Infrastructure Finance Company

Pak Brunei is in negotiations with International partners for technical collaboration in setting up these subsidiaries. The development company will involve providing advice on project evaluation, site & equipment selection, land acquisition, concession terms & conditions etc.

SME Financing

Plans for 2016 include expanding the scope of SME Financing through enhancing and acquiring networks. A specialized Advisory cell is also being established within the Company that will be equipped to provide consulting to other institutions.



MM

Market Knowledge

We operate in a market characterized by lack of specialized risk taking institutions.

We have developed a niche in financing problem assets and are increasingly seen as the 'financier of last resort', especially for units in or near distress.

As a merchant bank, we also take direct equity stakes or have profit sharing arrangements to ensure risk is adequately compensated.

Our risk orientation means we operate on higher margins and can therefore manage our higher cost of funding on one segment of our portfolio.

Our Treasury ensures sell-down of credit exposures, and making interest rate arbitrages to absorb risk. We have a very active fixed income trading desk.

We pay special attention to continuous Project Monitoring which is an independent and senior level function.



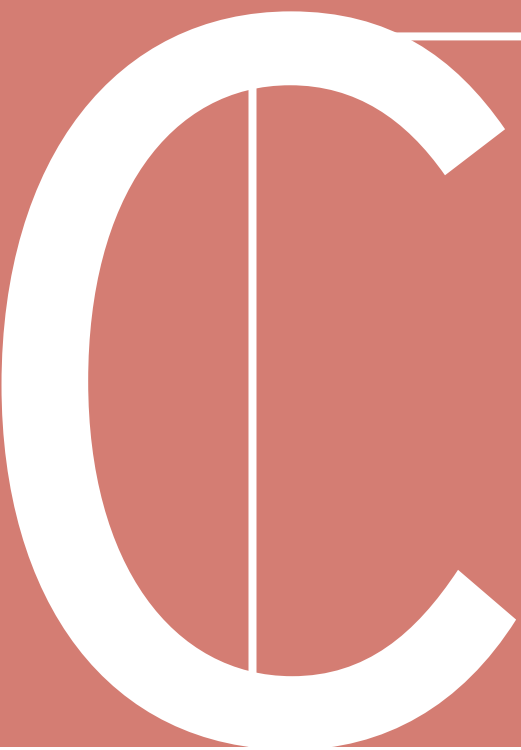
Harvesting Excellence

■ PBIC has sourced a highly diverse team from foreign and local banks, DFIs, Regulatory Bodies, rating agencies, brokerage houses and the industrial sector.

■ Our small but highly professional team consists of experienced and motivated members including MBAs, Chartered Accountants, CFAs, FRMs, and Engineers.

■ We allocate a sizeable budget for employee compensation, training and workshops.

■ Our aim is to be an employer of choice for the best resources in our line of business.



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C Corporate Information

Board of Directors

| | |
|-------------------------------|-------------------|
| Mr. Sofian Mohammad Jani | Chairman |
| Mr. Tariq Mahmood Pasha | Director |
| Mr. Azmi Abdul Rahman Ibrahim | Director |
| Ms. Ayesha Aziz | Managing Director |

Audit Committee

| | |
|-------------------------------|----------|
| Mr. Tariq Mahmood Pasha | Chairman |
| Mr. Sofian Mohammad Jani | Member |
| Mr. Azmi Abdul Rahman Ibrahim | Member |

Human Resource Committee

| | |
|-------------------------------|----------|
| Mr. Azmi Abdul Rahman Ibrahim | Chairman |
| Mr. Tariq Mahmood Pasha | Member |
| Ms. Ayesha Aziz | Member |

Company Secretary

Mr. Abdul Hafeez

Statutory Auditors

| | |
|---------------------------------------|-----------------------|
| Ernst & Young Ford Rhodes Sidat Hyder | Chartered Accountants |
|---------------------------------------|-----------------------|

Tax Consultant

| | |
|---------------------------------|--|
| M. Yousuf Adil Saleem & Company | (A member firm of Deloitte Touche Tohmatsu Ltd.) Chartered Accountants |
|---------------------------------|--|

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 us 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 CEO of Sejahtera Asset Management and 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 Bachelors 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 currently serving in the Ministry of Finance, Government of Pakistan as Additional Finance Secretary/Special Assistant to Finance Minister. Prior to that, he served as Secretary to Governor, Punjab. 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 Joint Secretary at Prime Minister's Office, Joint Secretary (Budget), Ministry of Finance, Finance Secretary to the Government of the Punjab, 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, International Economic Negotiation course from the Institute of Diplomacy and Foreign Relations in Kuala Lumpur.



**Azmi Abdul
Rahman**

Azmi Abdul Rahman serves in the Brunei Investment Agency (BIA) as Senior Manager in Public Market and is currently a member of the Portfolio Asset Committee where investments proposals are brought for discussion and approval. He began his career in 1999 with Standard Chartered Bank in Brunei before moving to the BIA in 2005. In BIA, he first served as an investment officer in Venture Capital and Strategic Investments before being promoted as Senior Manager in Public Market serving as the Head of Operations in BIA office in London. His other engagements include serving as a member of Board of Directors for several domestic companies.

Mr. Azmi Abdul Rahman holds a Bachelor of Science in Civil Engineering from the University of College London and a Master of Science (with Commendation) in Management & Investment Strategy from the Nottingham Trent University.



**Ayesha
Aziz**

Ms. Aziz has rich and diverse experience in investment banking including Project Finance, Asset Management, Corporate Finance Advisory and Treasury Operations. She was associated with the ANZ Banking Group for over 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, scale and profitability of operations. She has also overseen establishment of subsidiaries in Asset Management and Islamic Finance 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 Primus Investment Management as well as Punjab Board of Investment and Trade and Chairs the Board of Awwal Modaraba Management Ltd. In the past, amongst others, she has served on various Boards and Committees including Sindh Enterprise Development Fund, Overseas Investors Chamber of Commerce and Industry as well as Pakistan Mercantile Exchange.

Our Cultural Framework



The Pak Brunei Family

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.



Awwal Modaraba Management Limited



Primus Investment Management Limited



Management Team Pak Brunei

Corporate Social Responsibility

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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 has 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 has been put in place to monitor progress. The program has yielded excellent results and we hope to continue with our contribution in the future.

C Chairman's Review

I am pleased to present the results for the year ended December 31, 2015 of Pak Brunei Investment Company. These results reflect Company's efforts to meet targets, utilize available opportunities and proactively manage risk to maintain balance sheet strength.

2015 was a positive year for Pakistan's economy. The Fiscal deficit that remained well above 8.5% of GDP in FY12 and FY13 came down to approximately 5.3% backed by gradually improving revenue mobilization and reduction in power subsidies. Helped primarily by a sharp reduction in international oil prices, average CPI inflation fell from approximately 8.6% in FY14 to 3.0% in FY15. Foreign exchange liquidity profile improved significantly as SBP's net FX reserves stood close to USD 16 billion compared to USD 9 billion in 2014. This improvement in the external sector has been critical in maintaining exchange rate stability during the year and managing the risk premium for Pakistan. These developments, reinforced by IMF's favourable staff reviews, show that the economy is on the right track.



Some warning posts should not be overlooked. Despite industrial expansion backed by cheaper credit, GDP growth has been muted, accentuating the structural weaknesses of the economy. Deteriorating Terms of Trade are a cause of concern especially when imports continue to rise even with a contraction in petroleum imports following the slump in international oil prices. Moreover, credit off-take needs to increase at a faster pace.

The three year streak of high double digit returns in capital markets took a break in 2015 with a return of 2.1% posted by PSX-100. This performance was primarily affected by slowdown in global equity markets and ensuing exit of foreign investors from frontier markets. Nevertheless, it was a good year for new issuances of capital where total funds of PKR 116.6 billion were raised, marking a 52% increase over the preceding year.

Pak Brunei achieved another milestone in 2015 with the successful launch of its first Modaraba Fund. We understand the need for investment opportunities conforming to Shariah laws and through our newest venture of Awwal Modaraba Management Company, we hope to promote compliance with Islamic injunctions while delivering long-term value to our clients. Future Modarabas will help us expand on our core areas of project/revival financing through specialized vehicles that can access long term capital from a wider investor base.

With Pakistan's improving macro-economic indicators, Pak Brunei continues to be committed to add to this progress by focusing on innovation and development of financial products and markets. With a highly competent and motivated team, we remain well positioned to achieve our objectives.

Mr. Sofian Mohammad Jani
Chairman



D Directors' Report

On behalf of the Board of Directors, I am pleased to present the financial results of Pak Brunei Investment Company Limited for the year ended December 31, 2015.

Selected Financial Indicators Figures in PKR million unless stated otherwise

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|--------------------------|--------|--------|--------|--------|--------|--------|
| Total Assets | 14,369 | 32,544 | 14,046 | 35,508 | 32,901 | 29,115 |
| Net Assets | 7,343 | 7,928 | 8,581 | 8,246 | 9,139 | 9,684 |
| Loans/Advances | 2,468 | 4,647 | 5,776 | 6,800 | 7,386 | 10,237 |
| Investments | 9,868 | 25,741 | 7,121 | 27,431 | 24,247 | 16,850 |
| Gross Mark-up Income | 1,698 | 2,395 | 2,912 | 1,407 | 2,503 | 1,832 |
| Net Mark-up Income | 920 | 925 | 867 | 438 | 468 | 553 |
| Non Mark-up Income | 212 | 284 | 406 | 706 | 907 | 1,230 |
| Profit before Tax | 882 | 920 | 1,076 | 917 | 1,106 | 1,300 |
| Profit after Tax | 581 | 604 | 784 | 706 | 905 | 937 |
| Earnings per Share (PKR) | 0.98 | 1.01 | 1.31 | 1.18 | 1.51 | 1.56 |
| Dividend Payout (%) | – | 3.33% | 16.67% | 3.33% | 3.33% | 3.33% |
| Return on Assets (%) | 4.40% | 2.60% | 3.40% | 2.90% | 2.65% | 3.00% |
| Return on Equity (%) | 8.52% | 7.91% | 9.50% | 8.40% | 10.41% | 10.00% |
| Cumulative Disbursement | 4,586 | 8,276 | 11,642 | 16,063 | 24,804 | 36,932 |

The team has continued to put all their efforts into establishing Pak Brunei as a strong brand with active platforms for Project and Lease Finance, Corporate Finance and Advisory Services, SME Finance, Private Equity, Trust Services, Capital Market Operations, and Fixed Income Trading and Distribution activities. Under the guidance and support of the Board of Directors, the Company was successful in meeting its targets once again.

Pak Brunei remains committed to its goal of reviving businesses that have fundamentally strong business models but are in financial or operational distress. As such financing carries a higher risk profile, to keep a healthy balance in our portfolio we also maintain strong relationships with corporate borrowers who have stable cash flows. We have also been able to service blue chip clients at competitive rates by accessing refinance facilities available under various schemes.

The year 2015 set another record of the highest profit earned since our inception. We have structured our balance sheet in a way that allows us to make full use of market opportunities and arbitrages in debt capital markets while maintaining our focus on core areas. Our business strategy will continue to be based on establishing special purpose vehicles that can help us utilize our skills across a wider spectrum. We believe this to be the most suitable way of unlocking value by leveraging our strengths.

ADVISORY AND STRATEGIC INVESTMENTS GROUP

Developing a niche in financially distressed but essentially viable business ventures has been pioneered by ASIG. Although there is high risk associated with revival financing, through strict controls, appropriately designed financial packages and monitoring mechanisms, we have been able to achieve the desired turnaround with a subsequent exit at a good yield. With the newly established Awwal Modaraba Fund, listed on PSX, we will now be able to leverage our experience and enhance the scale of operations with access to capital markets.

CORPORATE BANKING GROUP

Corporate Banking Group maintained its strategy of keeping a well-diversified portfolio of high quality Advances. This ensures a consistent revenue stream while complementing the high-risk assets booked by ASIG. In order to ensure credit quality and profile of our portfolio, we regularly make use of State Bank of Pakistan subsidized funding lines for export-oriented projects as well as other priority sectors that are eligible for concessional finance. This enables us to work on relatively thinner spreads over longer durations that would otherwise constrain our balance sheet.

Corporate Banking portfolio includes most of the key economic sectors including textiles, power generation, sugar, steel, fertilizer, pharmaceuticals and chemicals. The Group offers a comprehensive suite of products geared to meet the financing demand of the corporate sector. It also participates in innovative greenfield projects. For instance, in 2014, we financed a project that extracts and refines edible oil from rice bran. This year, we co-financed the first LNG terminal in Pakistan, a project we believe is a strategic milestone for the country. We were also involved in financing, as the major lender, one of the only two local manufacturers of steel pipes to have been awarded a substantial part of the PKR100 billion LNG Pipeline project contracted out by SNGPL/SSGC.

SME GROUP

Established in 2012, our SME Group continues to cater to the financing requirements of small and medium sized enterprises that have limited or no access to formal banking channels. Our focus is on small ticket transactions. After setting up a branch in Lahore, we aim to expand our branch network to other cities to cover this segment on a wider scale.

The team continued with its practice of close engagement with prospective clients necessary to bridge inherent gaps in documentation/governance in this segment. These efforts are backed by specially designed systems for risk assessment. State Bank of Pakistan has acknowledged these efforts and has asked the SME Group to conduct capacity building seminars for other institutions.

The Group regularly participates in exhibitions, seminars and workshops relating to the promotion of SME financing and plans to establish an Advisory Cell in the coming year.

TREASURY AND FUND MANAGEMENT GROUP

Treasury Group plays a vital role in safeguarding the Company's balance sheet through proactive management of liquidity and interest rate risk. The year remained profitable as generous banking lines helped the Group tap into investment opportunities provided by declining interest rates.

In 2015, we established a Fixed Income Structuring Unit within Treasury Group that will look after deal origination, structuring and syndication for short term, tradable, fixed income securities. Housing this unit within Treasury would capture the entire value chain from advisory and structuring to placements and secondary market

trading. Being one of the most active players in tradable debt securities market should help us make this a successful initiative.

CAPITAL MARKETS GROUP

2015 was a challenging year for capital markets. Although Pakistan's macro indicators continued to improve, they did not translate into significant performance in the PSX-100 because of an influx of unfavourable triggers in international commodity and equity markets. PSX-100 index remained extremely volatile and closed just 2.1% up YOY. However, our portfolio managers remained successful in realising returns that outperformed the benchmark index.

STRATEGIC INITIATIVES

Awwal Modarba Management Limited

Pak Brunei achieved another milestone this year with the successful conclusion of the Initial Public Offering of Awwal Modaraba, the first to be launched by our fully owned Modaraba Management Company. Our aim is to replicate the revival financing model within the Modaraba structure. This will enable us to offer Sharia-compliant solutions with better outreach through a listed entity.

Distressed Asset Management and Project Monitoring Unit

Working in the niche of financing problem assets requires proactive risk management. For this purpose, a Project Monitoring Unit was established to ensure the best use of Pak Brunei's financing through an effective control environment. Pak Brunei representatives sit in Board positions and in audit/management roles, design and follow up on management information reports, monitor cash collections and remain vigilant to developments in the sector as well as target companies. This has largely helped to contain delinquencies and built an enormous body of knowledge of the practicalities involved in managing challenging exposures. It is this fundamental understanding of ground realities and workable solutions that we consider our strongest leverage in our chosen sphere of operations.

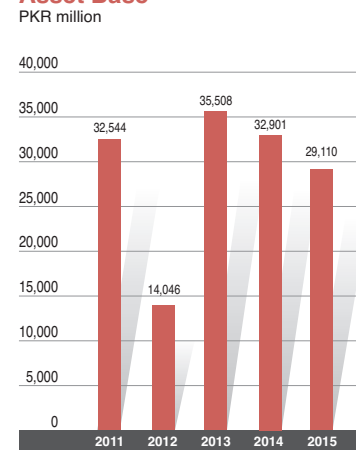
We remain excited about future projects and are confident of achieving our targets and maintaining our record in the years to come.

RISK MANAGEMENT

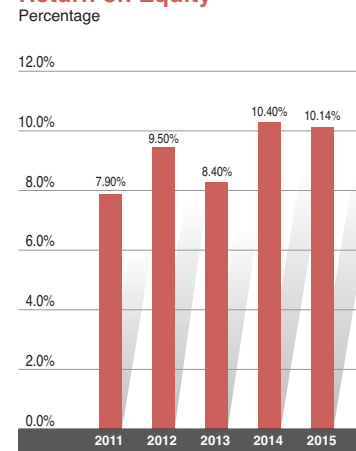
Risk management continues to be strengthened to safeguard the Company's interests in a volatile environment. We monitor credit, market and operational risks on a company-wide basis across all product classes. We have also continued to improve our systems, turnaround time and streamlining risk reporting. CRM continued working closely with all the Business Units to proactively manage & monitor the risk & health of the portfolio, both in terms of existing customers & booking of new relationships. Diversification of the portfolio was attained by venturing into several new sectors.

We further strengthened our operational risk management and developed mechanism to collect operational loss data. Operational loss data helps in identification of operational risks and strengthening control framework by improving existing controls and introducing new controls where required.

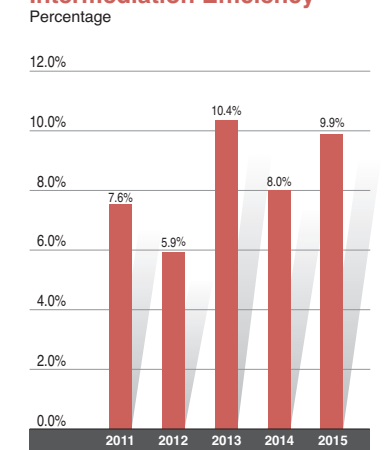
Asset Base



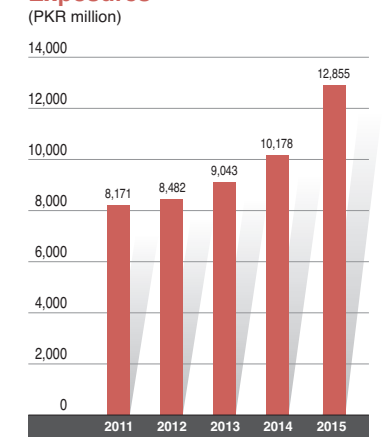
Return on Equity



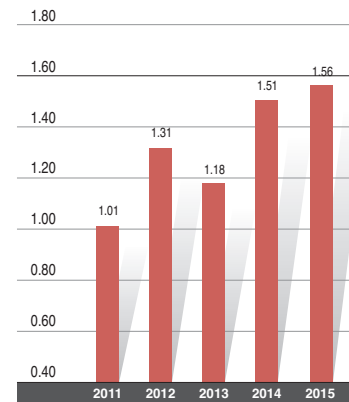
Intermediation Efficiency



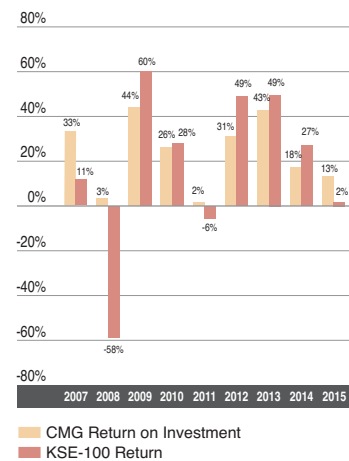
Growth in Corporate Debt Exposures



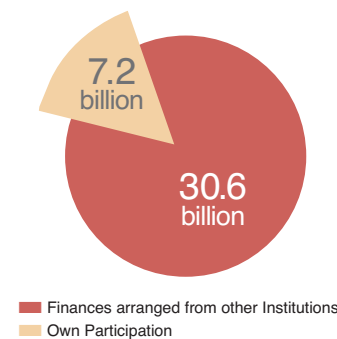
Earnings per Share (PKR)



Return on Equity Investments vs Market Return



ASIG Transactions since inception (PKR 36.7 billion)



ENTITY RATING

The Pakistan Credit Rating Agency Limited (PACRA) has assigned a long-term entity rating of 'AA+' (Double A plus) and short-term rating of 'A1+' (Single A One Plus) to Pak Brunei Investment Company Limited (PBIC) in June 2015. 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.

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 Code of Corporate Governance.

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, 2015.

The following directors attended the meetings:

| Name | Meetings Attended |
|-------------------------------|-------------------|
| Mr. Sofian Mohammad Jani | 4 |
| Mr. Tariq Mahmood Pasha | 3 |
| Mr. Azmi Abdul Rahman Ibrahim | 3 |
| Ms. Ayesha Aziz, CFA | 4 |
| Mr. Junaidi bin Haji Masri | 1 |
| Mr. Shahid Mahmood | 1 |

The Audit Committee of Board held four meetings during the year end December 31, 2015.

The following members attended the meetings:

| Name | Meetings Attended |
|-------------------------------|-------------------|
| Mr. Tariq Mahmood Pasha | 3 |
| Mr. Sofian Mohammad Jani | 4 |
| Mr. Azmi Abdul Rahman Ibrahim | 3 |
| Mr. Junaidi bin Haji Masri | 1 |
| Mr. Shahid Mahmood | 1 |

The HR Committee of Board held one meeting during the year end December 31, 2015.

The following members attended the meetings:

| Name | Meetings Attended |
|----------------------------|-------------------|
| Mr. Junaidi bin Haji Masri | 1 |
| Mr. Shahid Mahmood | 1 |
| Ms. Ayesha Aziz, CFA | 1 |

CHANGE IN DIRECTORS

There have been changes in the Board of Directors of the Company during the year ending December 31, 2015. Government of Pakistan nominated Mr. Tariq Mahmood Pasha on April 01, 2015 in place of Mr. Shahid Mahmood. Brunei Investment Agency nominated Mr. Azmi Abdul Rahman Ibrahim in place of Mr. Junaidi Masri on February 04, 2015.

STATEMENT OF INVESTMENT OF PROVIDENT FUND

Investments of provident fund as of June 30, 2014 according to audited financial statements amounted to PKR 70.894 million (2014: PKR 47.048 million).

APPOINTMENT OF AUDITORS

The Board on the proposal of the Audit Committee recommends the appointment of M/s. Ernst & Young, Ford, Rhodes, Sidat, Hyder, chartered accountants as statutory auditors for 2016.

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.

February 29, 2016

Ayesha Aziz
Managing Director

9 Years Performance at a Glance

(Rupees in '000)

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|--------------------------------------|------------|------------|------------|------------|------------|------------|------------|-----------|-----------|
| Balance Sheet | | | | | | | | | |
| Investments | 16,850,466 | 24,246,894 | 27,430,852 | 7,121,490 | 25,741,246 | 9,868,363 | 8,415,996 | 2,687,585 | 1,956,095 |
| Advances | 10,237,341 | 7,385,691 | 6,799,210 | 5,776,014 | 4,646,661 | 2,467,643 | 1,732,493 | 1,062,744 | 254,444 |
| Borrowings | 14,543,592 | 18,089,905 | 26,391,995 | 2,417,139 | 23,359,531 | 5,943,385 | 5,296,808 | 186,154 | 1,150,000 |
| Deposits and other accounts | 4,218,289 | 5,164,230 | 567,070 | 2,824,924 | 979,018 | 844,000 | 395,000 | - | - |
| Total Assets | 29,115,202 | 32,900,772 | 35,507,597 | 14,045,611 | 32,544,390 | 14,368,611 | 12,130,979 | 5,528,893 | 4,362,474 |
| Net Assets | 9,684,301 | 9,139,306 | 8,246,380 | 8,580,535 | 7,927,546 | 7,342,559 | 6,305,979 | 5,281,160 | 3,136,278 |
| Paid up Capital | 6,000,000 | 6,000,000 | 6,000,000 | 6,000,000 | 6,000,000 | 6,000,000 | 5,000,000 | 5,000,000 | 3,000,000 |
| Profit & Loss | | | | | | | | | |
| Mark up income | 1,831,627 | 2,503,363 | 1,407,121 | 2,911,983 | 2,394,747 | 1,698,132 | 971,221 | 672,254 | 177,507 |
| Mark up expense | 1,278,615 | 2,035,762 | 969,079 | 2,044,815 | 1,469,277 | 777,987 | 207,450 | 131,801 | 630 |
| Non mark up income | 1,230,358 | 907,133 | 706,018 | 406,286 | 284,325 | 211,963 | 254,064 | 85,608 | 67,299 |
| Non mark up expense | 304,458 | 272,127 | 219,296 | 201,163 | 203,103 | 165,145 | 132,740 | 118,675 | 57,635 |
| Gross income | 3,061,985 | 3,410,496 | 2,113,139 | 3,318,269 | 2,679,072 | 1,910,095 | 1,225,285 | 757,862 | 244,806 |
| Profit before provision and tax | 1,478,912 | 1,102,487 | 924,764 | 1,071,823 | 1,006,453 | 963,002 | 885,092 | 507,386 | 186,541 |
| Provisions | 179,179 | (3,665) | 8,021 | (4,019) | 86,874 | 81,344 | 217,918 | 133,921 | - |
| Profit before tax | 1,299,733 | 1,106,152 | 916,743 | 1,075,842 | 919,579 | 881,658 | 667,174 | 373,465 | 186,541 |
| Profit after tax | 936,933 | 904,867 | 705,709 | 783,758 | 604,107 | 581,090 | 447,453 | 222,266 | 140,743 |
| Dividend paid | 200,000 | 200,000 | 200,000 | 1,000,000 | 200,000 | - | - | - | - |
| Investors information | | | | | | | | | |
| Profit before tax ratio % | 42.45% | 32.43% | 43.38% | 32.42% | 34.32% | 46.16% | 54.45% | 49.28% | 76.20% |
| Gross spread ratio % | 30.19% | 18.68% | 31.13% | 29.78% | 38.65% | 54.19% | 78.64% | 80.39% | 99.65% |
| Return on assets % | 3.02% | 2.65% | 2.85% | 3.36% | 2.58% | 4.39% | 5.07% | 4.49% | 3.23% |
| Return on equity % | 9.95% | 10.41% | 8.39% | 9.50% | 7.91% | 8.52% | 7.72% | 5.28% | 4.49% |
| Earning asset to total asset ratio % | 94.67% | 96.38% | 97.06% | 94.07% | 97.03% | 95.27% | 97.67% | 95.58% | 90.34% |
| EPS (Earning per share) PKR | 1.56 | 1.51 | 1.18 | 1.31 | 1.01 | 0.98 | 0.89 | 0.52 | 0.75 |
| Infection Ratio % | 3.00% | 0.03% | 0.04% | 0.05% | 0.06% | 0.27% | 16.05% | 0.00% | 0.00% |
| Capital Adequacy Ratio (CAR) % | 26.44% | 33.80% | 35.82% | 59.76% | 58.47% | 84.61% | 81.00% | 138.00% | 114.00% |
| Dividend payout % | 3.33% | 3.33% | 3.33% | 16.67% | 3.33% | - | - | - | - |

*four months of operations

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Pak Brunei Investment Company Limited** (the Company) for the year ended **31 December 2015** to comply with Regulation G-1 of the Prudential Regulations for Corporate / Commercial Banking issued by State Bank of Pakistan.

The responsibility for 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 **31 December 2015**.

Chartered Accountants

Date: February 29, 2016
Karachi

Statement of Compliance with the Code of Corporate Governance

For The Year Ended December 31, 2015

This Statement is being presented to comply with the revised Code of Corporate Governance 2012 (the CCG) framed by the Securities and Exchange Commission of Pakistan, which was made applicable to the Company through regulation G-1 of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan.

The Company has applied the principles contained in the CCG in the following manner:

- 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 Director | Ms. Ayesha Aziz | Government of Pakistan |
| Non-Executive Directors | Mr. Sofian Mohammad Jani | Government of Brunei |
| | Mr. Tariq Mahmood Pasha | Government of Pakistan |
| | Mr. Azmi Abdul Rahman Ibrahim | 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.

- 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).
- 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 NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- No casual vacancy occurred on the board during the year. However, the Government of Pakistan nominated Mr. Tariq Mahmood Pasha on April 01, 2015 in place of Mr. Shahid Mahmood. Brunei Investment Agency nominated Mr. Azmi Abdul Rahman Ibrahim in place of Mr. Junaidi Masri on February 04, 2015.
- 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.
- 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.
- 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.
- 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.
- 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. One non executive director is yet to complete the Director's Training Program.
- No new appointment of the Chief Financial Officer (CFO) was made during the year. The terms of appointments of Company Secretary and Head of Internal Audit made during the year were approved by the Board.
- The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
- The financial statements of the Company were duly endorsed by CEO and CFO before approval of the board.
- The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
- The Company has complied with all the corporate and financial reporting requirements of the CCG.
- The Board has formed an audit committee consisting of three non-executive directors, including the Chairman.
- Four meetings of the audit committee were held during the year prior to the approval of interim and final results of the Company as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
- 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.
- 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.
- 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.
- 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.
- We confirm that all other material principles enshrined in the CCG have been complied with.

February 29, 2016

Ayesha Aziz
Managing Director

Statement of Internal Control

It is the responsibility of Company's management to:

- Establish and maintain an adequate and effective system of internal controls and procedures for an efficient working environment for obtaining desired objectives.
- Evaluate the effectiveness of the Company's internal control system that encompasses material matters by identifying control objective, reviewing significant policies and procedures and establishing relevant control procedures.

The Company's internal control system has been designed to provide reasonable assurance to the Company's management and Board of Directors. All internal control systems, no matter how well designed, have inherent limitations that they may not prevent or detect 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 process that includes identification, evaluation and management of significant risks faced by the Company.

The control activities are being closely monitored across the Company through 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 audit reports both internal and external where significant violations to the local regulations, prescribed policies and procedures have occurred. Regular follow up reporting upon the audit reports is done by Compliance Department to the Audit Committee which ensures timely implementations of audit/inspection reports to mitigate identified risks to safeguard the interest of the Company.

The Company has successfully completed the stages of its ICFR program and submitted the Long Form Report as of 31 December 2014 to SBP on April 16, 2015. The observations and weaknesses identified by the auditors, both internal and external, will be taken care of and necessary steps are being taken by the management in the due time so as to ensure non-repetition of those exceptions and eliminations of such weaknesses to the maximum possible level. The management has also given timely and satisfactory response to the recommendations and suggestions made by its auditors. SBP has issued OSED Circular No.1 of 2014 dated February 7, 2014. Accordingly the company will also comply with the requirements of the said circular.

The Company is continuously making efforts to ensure that an effective and efficient Internal Control System remains active & implemented through consistent & continuous monitoring that would help in further improving the overall control environment.

The Board of Directors is ultimately responsible for the internal control system and the Board endorses the above management evaluation.

Ayesha Aziz
Managing Director

February 29, 2016



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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 **31 December 2015** 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 account 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 account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 4.1 with which we concur;
 - (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 statement of cash flows 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 31 December 2015 and of the profit, its comprehensive income, 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 (XVIII of 1980).

Chartered Accountants
Audit Engagement Partner: Shabbir Yunus
Date: February 29, 2016
Karachi

Unconsolidated Statement of Financial Position

As at December 31, 2015

| 2015 | 2014 | Note | 2015 | 2014 |
|---|---------|------|------------------|------------|
| (US \$ in '000) | | | (Rupees in '000) | |
| ASSETS | | | | |
| 978 | 1,176 | 5 | 102,301 | 123,151 |
| 4,536 | 733 | 6 | 474,913 | 76,759 |
| – | – | | – | – |
| 160,940 | 231,585 | 7 | 16,850,466 | 24,246,894 |
| 97,778 | 70,541 | 8 | 10,237,341 | 7,385,691 |
| 302 | 309 | 9 | 31,666 | 32,318 |
| 620 | – | 13 | 64,945 | – |
| 12,929 | 9,895 | 10 | 1,353,570 | 1,035,959 |
| 278,083 | 314,239 | | 29,115,202 | 32,900,772 |
| LIABILITIES | | | | |
| – | – | | – | – |
| 138,907 | 172,778 | 11 | 14,543,592 | 18,089,905 |
| 40,289 | 49,324 | 12 | 4,218,289 | 5,164,230 |
| – | – | | – | – |
| – | – | | – | – |
| – | 1,270 | 13 | – | 132,921 |
| 6,390 | 3,576 | 14 | 669,020 | 374,410 |
| 185,586 | 226,948 | | 19,430,901 | 23,761,466 |
| 92,497 | 87,291 | | 9,684,301 | 9,139,306 |
| NET ASSETS | | | | |
| REPRESENTED BY | | | | |
| 57,307 | 57,307 | 15 | 6,000,000 | 6,000,000 |
| 10,176 | 8,386 | | 1,065,388 | 878,000 |
| 25,397 | 20,159 | | 2,659,034 | 2,110,627 |
| 92,880 | 85,852 | | 9,724,422 | 8,988,627 |
| (383) | 1,439 | 16 | (40,121) | 150,679 |
| 92,497 | 87,291 | | 9,684,301 | 9,139,306 |
| CONTINGENCIES AND COMMITMENTS 17 | | | | |

The annexed notes from 1 to 37 form an integral part of these unconsolidated financial statements

Unconsolidated Profit and Loss Account

For the Year ended December 31, 2015

| 2015 | 2014 | Note | 2015 | 2014 |
|--|--------|------|------------------|-----------|
| (US \$ in '000) | | | (Rupees in '000) | |
| 17,494 | 23,910 | 18 | 1,831,627 | 2,503,363 |
| 12,212 | 19,444 | 19 | 1,278,615 | 2,035,762 |
| 5,282 | 4,466 | | 553,012 | 467,601 |
| 1,466 | – | 8.5 | 153,509 | (4) |
| 245 | (35) | 7.3 | 25,670 | (3,661) |
| – | – | | – | – |
| 1,711 | (35) | | 179,179 | (3,665) |
| 3,571 | 4,501 | | 373,833 | 471,266 |
| NON MARK-UP / INTEREST INCOME | | | | |
| 184 | 507 | | 19,312 | 53,088 |
| 1,390 | 2,415 | | 145,538 | 252,884 |
| – | – | | – | – |
| 10,168 | 5,557 | 20 | 1,064,637 | 581,768 |
| (69) | 30 | 7.1 | (7,186) | 3,114 |
| 77 | 155 | 21 | 8,057 | 16,279 |
| 11,750 | 8,664 | | 1,230,358 | 907,133 |
| 15,321 | 13,165 | | 1,604,191 | 1,378,399 |
| NON MARK-UP / INTEREST EXPENSES | | | | |
| 2,908 | 2,599 | 22 | 304,458 | 272,127 |
| – | – | | – | – |
| – | 1 | | – | 120 |
| 2,908 | 2,600 | | 304,458 | 272,247 |
| 12,413 | 10,565 | | 1,299,733 | 1,106,152 |
| – | – | | – | – |
| 12,413 | 10,565 | | 1,299,733 | 1,106,152 |
| 4,472 | 1,776 | | 468,214 | 185,933 |
| 227 | (141) | | 23,782 | (14,750) |
| (1,234) | 288 | | (129,196) | 30,102 |
| 3,465 | 1,923 | 23 | 362,800 | 201,285 |
| 8,948 | 8,642 | | 936,933 | 904,867 |
| 20,159 | 15,168 | | 2,110,627 | 1,588,100 |
| 29,107 | 23,810 | | 3,047,560 | 2,492,967 |
| US \$ | | | Rupees | |
| 0.01 | 0.01 | 24 | 1.56 | 1.51 |

The annexed notes from 1 to 37 form an integral part of these unconsolidated financial statements.

Unconsolidated Statement of comprehensive income

For the Year ended
December 31, 2015

| 2015 | 2014 | | 2015 | 2014 |
|-----------------|--------|---|------------------|-----------|
| (US \$ in '000) | | | (Rupees in '000) | |
| 8,948 | 8,642 | Profit after taxation | 936,933 | 904,867 |
| | | Other comprehensive income - net | | |
| | | Items not to be reclassified to profit or loss in subsequent periods: | | |
| (16) | (19) | Remeasurement loss on defined benefit plan | (1,673) | (2,039) |
| 5 | 6 | Related tax effects | 535 | 673 |
| (11) | (13) | | (1,138) | (1,366) |
| 8,937 | 8,629 | Comprehensive income / (loss) transferred to equity | 935,795 | 903,501 |
| | | Components of comprehensive income not reflected in equity | | |
| (1,822) | 1,810 | Surplus / (deficit) on revaluation of 'available-for-sale securities' - net of tax* | (190,800) | 189,425 |
| 7,116 | 10,439 | Total comprehensive income / (loss) | 744,995 | 1,092,926 |

* Surplus / (deficit) on revaluation of 'available-for-sale securities' - net of 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 from 1 to 37 form an integral part of these unconsolidated financial statements.

Unconsolidated Cash Flow Statement

For the Year ended December 31, 2015

| 2015 | 2014 | Note | 2015 | 2014 |
|-----------------|----------|---|------------------|-------------|
| (US \$ in '000) | | | (Rupees in '000) | |
| | | | | |
| | | CASH FLOWS FROM OPERATING ACTIVITIES | | |
| 12,413 | 10,565 | Profit before taxation | 1,299,733 | 1,106,152 |
| 1,390 | 2,415 | Less: Dividend income | 145,538 | 252,884 |
| 11,023 | 8,150 | | 1,154,195 | 853,268 |
| | | Adjustments for non-cash charges and other items | | |
| 146 | 140 | Depreciation 22 | 15,263 | 14,739 |
| 10 | 11 | Amortisation 22 | 1,030 | 1,233 |
| 1,466 | - | Provision / (reversal) against non-performing loans and advances 8.5 | 153,509 | (4) |
| 245 | (35) | Provision / (reversal) for diminution in the value of investments 7.3 | 25,670 | (3,661) |
| (1) | - | Gain on sale of property and equipment 21 | (106) | (129) |
| 69 | (30) | Unrealised loss / (gain) on revaluation of investments classified as held-for-trading 7.1 | 7,186 | (3,114) |
| 1,935 | 86 | | 202,552 | 9,064 |
| 12,958 | 8,236 | | 1,356,747 | 862,332 |
| | | Decrease / (increase) in operating assets | | |
| - | - | Lendings to financial institutions | - | - |
| (1,333) | (273) | Held-for-trading securities | (139,523) | (28,544) |
| (28,702) | (5,601) | Advances | (3,005,159) | (586,477) |
| (3,841) | (1,433) | Others assets (excluding current taxation) | (402,139) | (150,048) |
| (33,876) | (7,307) | | (3,546,821) | (765,069) |
| | | (Decrease) / increase in operating liabilities | | |
| (33,871) | (79,294) | Borrowings | (3,546,313) | (8,302,090) |
| (9,035) | 43,908 | Deposits and other accounts | (945,941) | 4,597,160 |
| 2,814 | 812 | Other liabilities (excluding current taxation) | 294,610 | 84,988 |
| (40,092) | (34,574) | | (4,197,644) | (3,619,942) |
| (61,010) | (33,645) | | (6,387,718) | (3,522,679) |
| (4,008) | (1,742) | Income tax paid | (419,636) | (182,315) |
| (65,018) | (35,387) | Net cash used in operating activities | (6,807,354) | (3,704,994) |
| | | CASH FLOWS FROM INVESTING ACTIVITIES | | |
| 79,821 | 25,839 | Net investment in available-for-sale securities | 8,357,229 | 2,705,377 |
| 1,813 | - | Net investment in held to maturity securities | 189,811 | - |
| - | (1,003) | Investment in subsidiary | - | (105,000) |
| (12,335) | 8,568 | Net investment in associates | (1,291,510) | 897,047 |
| 1,382 | 2,682 | Dividend income received | 144,663 | 280,780 |
| (166) | (35) | Investments in operating fixed assets | (17,379) | (3,665) |
| 18 | 1 | Sale proceeds from disposal of property and equipment | 1,844 | 141 |
| 70,533 | 36,052 | Net cash generated from investing activities | 7,384,658 | 3,774,680 |
| | | CASH FLOWS FROM FINANCING ACTIVITIES | | |
| (1,910) | (1,910) | Dividend paid | (200,000) | (200,000) |
| (1,910) | (1,910) | Net cash used in financing activities | (200,000) | (200,000) |
| 3,605 | (1,245) | Increase / (decrease) in cash and cash equivalents during the year | 377,304 | (130,314) |
| 1,909 | 3,154 | Cash and cash equivalents at the beginning of the year | 199,910 | 330,224 |
| 5,514 | 1,909 | Cash and cash equivalents at the end of the year | 577,214 | 199,910 |

The annexed notes from 1 to 37 form an integral part of these unconsolidated financial statements.

Unconsolidated Statement of Changes in Equity

For the Year ended
December 31, 2015

| | Share capital | Statutory reserve | Unappropriated profit | Total |
|---|------------------|-------------------|-----------------------|------------------|
| (Rupees in '000) | | | | |
| As at January 01, 2014 | 6,000,000 | 697,026 | 1,588,100 | 8,285,126 |
| Total comprehensive income for the year | | | | |
| Profit for the year ended December 31, 2014 | – | – | 904,867 | 904,867 |
| Other comprehensive income | – | – | (1,366) | (1,366) |
| Total comprehensive income for the year ended December 31, 2014 | – | – | 903,501 | 903,501 |
| Transfers | | | | |
| Transfer to statutory reserve | – | 180,974 | (180,974) | – |
| Transaction with owners, recorded directly in equity | | | | |
| Final cash dividend paid for the year ended December 31, 2013 @ Rs.0.33 per share | – | – | (200,000) | (200,000) |
| As at December 31, 2014 | 6,000,000 | 878,000 | 2,110,627 | 8,988,627 |
| Total comprehensive income for the year | | | | |
| Profit for the year ended December 31, 2015 | – | – | 936,933 | 936,933 |
| Other comprehensive income | – | – | (1,138) | (1,138) |
| Total comprehensive income for the year ended December 31, 2015 | – | – | 935,795 | 935,795 |
| Transfers | | | | |
| Transfer to statutory reserve | – | 187,388 | (187,388) | – |
| Transaction with owners, recorded directly in equity | | | | |
| Final cash dividend paid for the year ended December 31, 2014 @ Rs.0.33 per share | – | – | (200,000) | (200,000) |
| As at December 31, 2015 | 6,000,000 | 1,065,388 | 2,659,034 | 9,724,422 |

The annexed notes from 1 to 37 form an integral part of these unconsolidated financial statements.

Chief Executive

Director

Director

Chairman

Unconsolidated Notes to the Financial Statements

For the Year ended
December 31, 2015

1. STATUS AND NATURE OF BUSINESS

Pak Brunei Investment Company Limited (the Company) is a Development Finance Institution (DFI) incorporated as an un-listed public limited company under the Companies Ordinance, 1984. The State Bank of Pakistan (the 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 and the Brunei Investment Agency. The Company's objective interalia includes 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 making 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. Comm-10, Block No. 4, Scheme No. 5, Clifton, Karachi, Pakistan.

2. BASIS OF PRESENTATION

2.1 Basis of measurement

These unconsolidated financial statements have been prepared under the historical cost convention except that certain investments have been stated at revalued amounts in accordance with the directives of the State Bank of Pakistan (SBP) as disclosed in note 7 to these unconsolidated financial statements.

2.2 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 stated as additional information solely for the convenience of readers and are not audited. For this purpose of conversion to US Dollars, the rate of Rs.104.70 to US Dollars has been used for both 2015 and 2014, as it was the prevalent rate on December 31, 2015.

2.3 Separate financial statements

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.

3. STATEMENT OF COMPLIANCE

3.1 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 provisions of and directives issued under the Companies Ordinance, 1984 and the directives issued by the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984 or directives issued under the Companies Ordinance, 1984 and the State Bank of Pakistan differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives shall prevail.

3.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for DFIs through BSD Circular Letter No. 11 dated September 11, 2002 till further instructions. Further, according to the notification of the SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable to DFIs. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

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

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

| Standards or Interpretations | Effective Date (Annual periods beginning on or after) |
|---|---|
| IFRS 10 IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment) | January 01, 2016 |
| IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment) | Not yet finalized |
| IFRS 11 Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment) | January 01, 2016 |
| IAS 1 Presentation of Financial Statements - Disclosure Initiative (Amendment) | January 01, 2016 |
| IAS 16 Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment) | January 01, 2016 |
| IAS 16 Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment) | January 01, 2016 |
| IAS 27 Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment) | January 01, 2016 |

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in September 2014. Such improvements are generally effective for accounting periods beginning on or after January 01, 2016. The Company expects that such improvements to the standards will not have any material impact on the Fund's financial statements in the period of initial application.

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

| Standard | IASB Effective Date (Annual periods beginning on or after) |
|--|--|
| IFRS 9 Financial Instruments: Classification and Measurement | January 01, 2018 |
| IFRS 14 Regulatory Deferral Accounts | January 01, 2016 |
| IFRS 15 Revenue from Contracts with Customers | January 01, 2018 |
| IFRS 16 Leases | January 01, 2019 |

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

New Standards, Interpretations and Amendments

The Company has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

IFRS 10 – Consolidated Financial Statements

IFRS 11 – Joint Arrangements

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 13 – Fair Value Measurement

IAS 19 – Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions

Improvements to Accounting Standards Issued by the IASB in December 2013

IFRS 2 Share-based Payment - Definitions of vesting conditions

IFRS 3 Business Combinations – Accounting for contingent consideration in a business combination

IFRS 3 Business Combinations - Scope exceptions for joint ventures

IFRS 8 Operating Segments – Aggregation of operating segments

IFRS 8 Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets

IFRS 13 Fair Value Measurement - Scope of paragraph 52 (portfolio exception)

IAS16 Property, Plant and Equipment and IAS 38 Intangible Assets – Revaluation method – proportionate restatement of accumulated depreciation / amortisation

IAS 24 Related Party Disclosures - Key management personnel

IAS 40 Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any material effect on the financial statements, except for IFRS 13 which requires additional disclosures (see note 29).

IFRS 10 replaces the current guidance on consolidation in IAS 27 Consolidated and Separate Financial Statements. It introduces a single model of assessing control whereby an investor controls an investee when the investor has the power to control exposure to variable returns and the ability to use its power to influence the returns of the investee.

The SECP vide S.R.O 56(I)/2016, has directed that the requirements of consolidation under section 237 of the Companies Ordinance 1984 and IFRS 10 are not applicable in case of investment by companies in mutual funds established under Trust Structure.

Accordingly, the application of IFRS 10 did not result in any additional investee being in control of the Company.

4.2 Cash and cash equivalents

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

4.3 Investments

Investments other than those categorised as held-for-trading are initially recognised at fair value which includes transaction costs associated with the acquisition of investments. Investments classified as held-for-trading are initially recognised at fair value, and transaction costs are expensed in the unconsolidated profit and loss account. The Company has classified its investment portfolio into 'held-for-trading', 'held to maturity' and 'available-for-sale' portfolios as follows:

Held-for-trading

These are securities which are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements, dealer's margin or are securities included in a portfolio in which a pattern of short-term profit taking exists and are to be sold within 90 days of acquisition. These are carried at market value, with the related surplus / deficit being taken to unconsolidated profit and loss account.

Held to maturity

These are securities with fixed or determinable payments and fixed maturity in respect of which the Company has the positive intent and ability to hold till maturity. These are carried at amortised cost using the effective interest rate method.

Available-for-sale

These are investments that do not fall under the 'held-for-trading' or 'held to maturity' categories. These are carried at market value with the surplus / deficit taken to surplus / deficit on revaluation of assets' account shown below equity. Provision for diminution in the value of investments in respect of unquoted shares is calculated with reference to break-up value. Provision for unquoted debt securities is calculated with reference to the time-based criteria as per the SBP's Prudential Regulations.

On de-recognition or impairment in quoted available-for-sale investments, the cumulative gain or loss previously reported as 'surplus / (deficit) on revaluation of assets' below equity is included in the unconsolidated profit and loss account for the year.

Held-for-trading and quoted available-for-sale securities are marked to market with reference to ready quotes on Reuters page (PKRV) or the Stock Exchanges.

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. Investments in other unquoted securities are valued at cost less impairment, if any.

The carrying values of investments are reviewed for impairment at each reporting date. Where any such indications exist that the carrying values exceed the estimated recoverable amounts, provision for impairment is made through the unconsolidated profit and loss account.

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 is included in the unconsolidated profit and loss account.

4.4 Repurchase and resale 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 rate method.

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 rate method.

4.5 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. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative instruments is taken to the unconsolidated profit and loss account.

4.6 Trade date accounting

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

4.7 Financial instruments

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 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 of the current period. The particular recognition and subsequent measurement method for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

4.8 Advances

Advances are stated net of specific and general provisions. Specific provisions are made in accordance with the requirements of the Prudential Regulations issued by SBP and charged to the unconsolidated profit and loss account. These regulations prescribe an age based criteria (as supplemented by subjective evaluation of advances) for classification of non-performing loans and advances and computing provision / allowance there against. 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 the minimum lease payments, including guaranteed residual value, if any. Finance lease receivables are included in advances to customers.

4.9 Taxation**4.9.1 Current**

The charge for current taxation is based on taxable income at the current rates of taxation in accordance with the requirements of the Income Tax Ordinance 2001. The charge for current tax also includes adjustments whenever considered relating to prior year, arising from assessments framed during the year.

4.9.2 Deferred

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

The carrying amount of deferred income 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 income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

4.10 Operating fixed assets

4.10.1 Property and equipment

4.10.1.1 Owned assets

Operating fixed assets are stated at cost less accumulated depreciation and 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 9.1. Depreciation is charged from the date when the asset is available for use and no depreciation is charged from the date when the asset is disposed off.

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 asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the unconsolidated profit and loss account during the financial period in which they are incurred.

Residual values and useful lives are reviewed at each reporting date and adjusted if the impact on depreciation is considered significant.

Gain / loss on sale or disposal of fixed assets is recognised in the unconsolidated profit and loss account.

4.10.1.2 Leased assets

Assets held under finance lease are accounted for by recording the assets and the related liability. These are recorded at 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.

4.10.2 Intangibles

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any. Intangible assets are amortised using the straight line method at the rate stated in note 9.2. The residual values and useful life are reviewed and adjusted, if appropriate at each reporting date.

Amortisation is charged from the date when the asset is available for use and no amortisation is charged from the date when the asset is disposed off.

4.10.3 Capital work-in-progress

Capital work-in-progress is stated at cost impairment in value, if any. These are transferred to specific assets as and when assets are available for use.

4.10.4 Impairment

The carrying values of operating fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, fixed assets are written down to their recoverable amounts.

The resulting impairment loss is taken to unconsolidated profit and loss account. Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognised as income.

4.11 Provisions

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

4.12 Borrowings / deposits

- a) Borrowings / deposits are recorded at the proceeds received.
- b) 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.

4.13 Offsetting

Financial assets and financial liabilities are only set off and the net amount is reported in the unconsolidated financial statements 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 Assets acquired in satisfaction of claims

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

4.15 Staff retirement benefits

Defined benefit plan - Staff gratuity fund

The Company operates a funded gratuity scheme for its eligible permanent employees. The scheme was established during the year and approved by the Commissioner of Income Tax. The Company recognises expense in accordance with IAS 19 "Employee Benefits".

The latest actuarial valuation was conducted as at December 31, 2015 and is carried out using the Projected Unit Credit Method (PUCM). Under this method, the cost of providing gratuity is charged to the profit and loss account so as to spread the cost over the service lives of the employees in accordance with the actuarial valuation. Actuarial gains and losses are recognised in full in the period in which they occur in other comprehensive income. All past service costs are recognised at the earlier of when the amendment or curtailment occurs and when the Company has recognised related restructuring or termination benefits.

Defined contribution plan - Staff provident fund

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

4.16 Revenue recognition

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

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

Fee, commission and brokerage income and remuneration for trustee and advisory services are recognised upon performance of services.

Premium or discount on debt securities classified as "available-for-sale" and "held to maturity" securities is amortised using the effective interest method and taken to unconsolidated profit and loss account.

Gains and losses on disposal of investments are dealt with through profit and loss account in the year in which they arise.

Return on bank deposits is recognised on time proportion basis using the effective interest rates.

4.17 Foreign currency translation

Foreign currency transactions are converted into Rupees by applying the exchange rate at the date of the respective transactions. Monetary assets and liabilities in foreign currencies are translated into Rupees at the rates of exchange prevailing at the reporting date. Exchange gains and losses are included in income.

The Company's unconsolidated financial statements are presented in Pak Rupees (Rs.) which is the Company's functional and presentation currency.

4.18 Distributions and other appropriations to reserves

The Company recognises all appropriations, other than statutory appropriations, to reserves including those in respect of cash dividends and bonus shares, in the year in which such appropriations are approved by shareholders / directors as appropriate.

4.19 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. There were no convertible dilutive potential ordinary shares in issue at December 31, 2015 and 2014.

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.

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), equity, syndication, IPO and secondary private placements.

Trading and sales

It 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 Company operates in Pakistan only.

4.21 Accounting estimates and judgments

The preparation of unconsolidated financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and

judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The key areas where various assumptions and estimates are significant to the Company's unconsolidated financial statements or where judgment was exercised in application of accounting policies are as follows:

4.21.1 Classification of investments

- i) In classifying investments as 'held-for-trading', the Company has determined securities which are acquired with an intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.
- ii) In classifying investments as 'held to maturity', the Company follows the guidance provided in the SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Company evaluates its intention and ability to hold such investment till maturity.
- iii) The investments which are not classified as 'held-for-trading' or 'held to maturity' are classified as 'available-for-sale'.

4.21.2 Provision against non-performing loans and advances

The Company reviews its loan portfolio to assess amount of non-performing loans and advances and determine provision required there against. While assessing this requirement various factors including the past dues, delinquency in the account, financial position of the borrower and requirements of Prudential Regulations are considered.

4.21.3 Impairment of available-for-sale equity investments

The Company determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant or prolonged" requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

4.21.4 Taxation

In making the estimates for income taxes currently payable by the Company, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past.

4.21.5 Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant interest rates and exchange rates over the term of contract.

4.21.6 Fixed assets' depreciation and amortisation

In making estimates of the depreciation / amortisation method, the management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Company. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the changed pattern.

4.21.7 Employees' defined benefit plan

The liability for employees' defined benefit plan is determined using actuarial valuations. The actuarial valuation involve assumptions about discount rates, expected rates of returns on assets, future salary increase etc. Due to the long term nature of the plan, such estimates are subject to significant uncertainty.

December 31 December 31

Note **2015** **2014**

(Rupees in '000)

5. CASH AND BALANCES WITH TREASURY BANKS

| | | | |
|--|-----|----------------|----------------|
| With State Bank of Pakistan in local currency current account | 5.1 | 102,301 | 123,135 |
| With National Bank of Pakistan in local currency current account | | – | 16 |
| | | 102,301 | 123,151 |

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

December 31 December 31

Note **2015** **2014**

(Rupees in '000)

6. BALANCES WITH OTHER BANKS

| | | | |
|---------------------|-----|---------|--------|
| In Pakistan | | | |
| On deposit accounts | 6.1 | 474,913 | 76,759 |

6.1 These carry mark-up at rates ranging from 4.00% to 6.80% per annum (2014: 6.00% to 8.50% per annum).

7. INVESTMENTS

7.1 Investment by types

(Rupees in '000)

| | Note | December 31, 2015 | | | December 31, 2014 | | |
|---|-------|---------------------|---------------------|-------------------|---------------------|---------------------|------------|
| | | Held by the company | Given as collateral | Total | Held by the company | Given as collateral | Total |
| Held-for-trading securities | | | | | | | |
| Pakistan Investment Bonds | 7.5.1 | – | – | – | 28,544 | – | 28,544 |
| Ordinary shares of listed companies | 7.6 | 168,067 | – | 168,067 | – | – | – |
| | | 168,067 | – | 168,067 | 28,544 | – | 28,544 |
| Available-for-sale securities | | | | | | | |
| Market Treasury Bills | 7.5.1 | 737,760 | 480,243 | 1,218,003 | 1,298,579 | 8,062,491 | 9,361,070 |
| Pakistan Investment Bonds | 7.5.1 | 877,849 | 4,808,752 | 5,686,601 | 243,327 | 5,776,186 | 6,019,513 |
| Ordinary shares of listed companies | 7.7 | 854,393 | – | 854,393 | 745,250 | – | 745,250 |
| Ordinary shares of unlisted companies | 7.8 | 146,001 | – | 146,001 | 124,670 | – | 124,670 |
| Units of mutual funds | 7.9 | 1,000 | – | 1,000 | 29,835 | – | 29,835 |
| Term Finance Certificates and Sukuks | 7.13 | 2,461,249 | – | 2,461,249 | 2,789,859 | – | 2,789,859 |
| Preference shares | 7.10 | 67,260 | – | 67,260 | 93,885 | – | 93,885 |
| | | 5,145,512 | 5,288,995 | 10,434,507 | 5,325,405 | 13,838,677 | 19,164,082 |
| Held to maturity | | | | | | | |
| Commercial paper | 7.11 | 189,811 | – | 189,811 | – | – | – |
| Investment in related parties | 7.12 | 6,351,273 | – | 6,351,273 | 5,059,763 | – | 5,059,763 |
| Investments at cost | | 11,854,663 | 5,288,995 | 17,143,658 | 10,413,712 | 13,838,677 | 24,252,389 |
| Less: Provision for diminution in value of investments | 7.3 | (258,766) | – | (258,766) | (240,304) | – | (240,304) |
| Investments (net of provisions) | | 11,595,897 | 5,288,995 | 16,884,892 | 10,173,408 | 13,838,677 | 24,012,085 |
| Surplus / (deficit) on revaluation of held-for-trading securities - net | | (7,186) | – | (7,186) | 3,114 | – | 3,114 |
| Surplus / (deficit) on revaluation of available-for-sale securities - net | 16.1 | (111,088) | 83,848 | (27,240) | (15,747) | 247,442 | 231,695 |
| Total investments at market value | | 11,477,623 | 5,372,843 | 16,850,466 | 10,160,775 | 14,086,119 | 24,246,894 |

December 31 December 31

Note **2015** **2014**

(Rupees in '000)

7.2 Investments by segments

| | | | |
|---|--------------|-------------------|------------|
| Federal Government Securities: | | | |
| Market Treasury Bills | 7.5 | 1,218,003 | 9,361,070 |
| Pakistan Investment Bonds | 7.5 | 5,686,601 | 6,048,057 |
| Fully paid-up ordinary shares: | | | |
| Listed companies | 7.6 & 7.7 | 1,022,460 | 745,250 |
| Unlisted companies (including subsidiaries) | 7.8 & 7.12 | 501,001 | 479,670 |
| Term Finance Certificates and Sukuks: | | | |
| Listed | 7.13 | 378,484 | 705,909 |
| Unlisted | 7.13 | 2,082,765 | 2,083,950 |
| Units of mutual funds | 7.9 & 7.12.2 | 5,997,273 | 4,734,598 |
| Commercial paper | 7.11 | 189,811 | – |
| Preference shares | 7.10 | 67,260 | 93,885 |
| Total investments at cost | | 17,143,658 | 24,252,389 |
| Less: Provision for diminution in value of investments | 7.3 | (258,766) | (240,304) |
| Investments (net of provisions) | | 16,884,892 | 24,012,085 |
| Surplus on revaluation of held-for-trading securities - net | | (7,186) | 3,114 |
| Surplus / (deficit) on revaluation of available-for-sale securities - net | 16.1 | (27,240) | 231,695 |
| Total investments at market value | | 16,850,466 | 24,246,894 |

7.3 Particulars of provision

| | | | |
|--|-------|----------------|----------|
| As at January 01 | | 240,304 | 243,965 |
| Charge for the year | | 56,881 | 14,078 |
| Reversal during the year | | (31,211) | (17,739) |
| | | 25,670 | (3,661) |
| Impairment on equity securities transferred to profit and loss account on disposal | | (7,208) | – |
| | 7.3.1 | 258,766 | 240,304 |

7.3.1 Particulars of provision in respect of type and segment

| | | | |
|---------------------------------------|------|----------------|---------|
| Available-for-sale securities | | | |
| Ordinary shares of listed companies | 7.7 | 34,844 | 27,143 |
| Ordinary shares of unlisted companies | | 21,331 | – |
| Units of mutual funds | 7.9 | – | 7,209 |
| Preference shares | 7.10 | 3,250 | 4,875 |
| Term finance certificates and sukuks | 7.13 | 199,341 | 201,077 |
| | | 258,766 | 240,304 |

7.4 Quality of securities

(Rupees in '000)

| | December 31, 2015 | | December 31, 2014 | |
|--|--|------------|--|------------|
| | Market value / Carrying value for unlisted investments | Rating | Market value / Carrying value for unlisted investments | Rating |
| Market Treasury Bills (T-bills) | | | | |
| 1 year T-bills | 1,058,674 | Government | 6,935,967 | Government |
| 6 months T-bills | 61,785 | Securities | – | Securities |
| 3 months T-bills | 99,411 | | 2,433,980 | |
| | 1,219,870 | | 9,369,947 | |
| Pakistan Investment Bonds (PIBs) | | | | |
| 15 years PIBs | 1,206,553 | Government | – | Government |
| 10 years PIBs | 863,385 | Securities | 1,764,841 | Securities |
| 5 years PIBs | 22,390 | | 567,271 | |
| 3 years PIBs | 3,692,716 | | 3,941,253 | |
| | 5,785,044 | | 6,273,365 | |
| Commercial papers | | | | |
| Pak Elektron Limited | 189,811 | Unrated | – | – |
| Ordinary shares of listed companies | | | | |
| Oil and gas marketing / exploration companies | | | | |
| Pakistan State Oil Company Limited | 35,835 | AA | 17,896 | AA+ |
| Pakistan Petroleum Limited | 12,242 | Unrated | 13,239 | Unrated |
| Pakistan Refinery Limited | 1,356 | A- | – | – |
| Oil & Gas Development Company Limited | 28,279 | AAA | 20,587 | AAA |
| Pakistan Oilfields Limited | – | – | 9,598 | Unrated |
| Attock Refinery Limited | 530 | AA | 6,572 | AA |
| BYCO Petroleum Company Limited | 5,495 | Unrated | – | – |
| National Refinery Limited | 5,579 | AA+ | 18,485 | AA+ |
| Hascol Petroleum Limited | – | – | 24,082 | A+ |
| Shell Pakistan Limited | – | – | 6,472 | Unrated |
| Mari Petroleum Company Limited | 6,971 | Unrated | 3,661 | Unrated |
| Sui Southern Gas Company Limited | 33,596 | Unrated | – | – |
| Sui Northern Gas Pipeline Limited | 50,568 | AA- | – | – |
| Commercial banks | | | | |
| National Bank of Pakistan | 27,025 | AAA | – | – |
| United Bank Limited | 23,242 | AA+ | 26,507 | AA+ |
| Bank of Punjab | 368 | AA- | – | – |
| Habib Bank Limited | 20,913 | AAA | – | – |
| MCB Bank Limited | 27,323 | AAA | – | – |
| Askari Commercial Bank Limited | – | – | 21,916 | AA |
| Bank Al-Habib Limited | – | – | 9,710 | AA+ |
| Faysal Bank Limited | – | – | 22,750 | AA |
| Bank Alfalah Limited | – | – | 13,097 | AA |
| Habib Metropolitan Bank Limited | – | – | 4,308 | AA+ |
| Trust Investment Bank Limited | 403 | Unrated | 219 | Unrated |
| Communication | | | | |
| Pakistan Telecommunication Company Limited | 10,809 | Unrated | 17,157 | Unrated |
| Power generation and distribution | | | | |
| Altern Energy Limited | 4,875 | Unrated | – | – |
| K - Electric Limited | 7,529 | AA | – | – |
| Nishat Power Limited | 11,675 | A+ | – | – |
| Lalpir Power Limited | 18,587 | AA | 2,990 | AA |
| Kohinoor Energy Limited | – | – | 31,066 | AA |
| Cement | | | | |
| Maple Leaf Cement Factory Limited | 22,449 | A | 13,275 | A- |
| Fauji Cement Company Limited | 1,049 | Unrated | 51,680 | Unrated |
| Dewan Cement Limited | 16,550 | Unrated | – | – |
| Kohat Cement Company Limited | 4,818 | Unrated | – | – |
| Pioneer Cement Limited | 6,132 | Unrated | 29,963 | Unrated |
| PakCem Limited | 20,436 | A- | – | – |
| D.G Khan Cement Company Limited | 369 | Unrated | – | – |
| Attock Cement Pakistan Limited | 16,775 | Unrated | – | – |
| Power Cement Limited | 13,425 | Unrated | – | – |
| Lafarge Pakistan Limited | – | – | 10,410 | Unrated |
| Akzo Nobel Pakistan Limited | – | – | 10,333 | Unrated |

(Rupees in '000)

| | December 31, 2015 | | December 31, 2014 | |
|---|--|---------|--|---------|
| | Market value / Carrying value for unlisted investments | Rating | Market value / Carrying value for unlisted investments | Rating |
| Chemicals | | | | |
| ICI Pakistan Limited | – | – | 30,522 | Unrated |
| Ghani Gases Limited | – | – | 2,516 | Unrated |
| Automobile | | | | |
| Pak Suzuki Motor Company Limited | – | – | 18,556 | Unrated |
| Indus Motors Limited | – | – | 6,602 | Unrated |
| Honda Atlas Cars (Pakistan) Limited | – | – | 12,882 | Unrated |
| The General Tyre & Rubber Company of Pakistan Limited | – | – | 21,846 | Unrated |
| Pakistan International Bulk Terminal Limited | 10,489 | Unrated | – | – |
| Food producers | | | | |
| Clover Pakistan Limited | – | – | 1,434 | Unrated |
| Al Shaheer Corporation Limited | 12,436 | Unrated | – | – |
| Pharmaceuticals | | | | |
| Glaxo SmithKline Pakistan Limited | 4,730 | Unrated | – | – |
| Paper and board | | | | |
| Century Paper & Board Mills Limited | 7,678 | A+ | 8,674 | A+ |
| Packages Limited | 14,553 | AA | – | – |
| Fertilizers | | | | |
| Fauji Fertilizers Company Limited | 4,070 | Unrated | 45,210 | Unrated |
| Fauji Fertilizers Bin Qasim Limited | 14,250 | – | – | – |
| Engro Fertilizers Limited | 30,076 | AA- | 51,936 | A+ |
| Agritech Limited | 14,735 | Unrated | 9,760 | Unrated |
| Engro Corporation Limited | 76,832 | AA | – | – |
| Dawood Hercules Corporation Limited | 11,914 | AA- | – | – |
| Fatima Fertilizer Company Limited | 8,946 | AA- | – | – |
| Personal goods | | | | |
| Nishat Mills Limited | 38,375 | AA | 9,077 | AA |
| Nishat (Chunian) Limited | – | – | 27,070 | A- |
| Kohinoor Textile Mills Limited | 21,450 | A | – | – |
| Treet Corporation Limited | 12,592 | AA- | – | – |
| Pak Elektron Limited | 68,606 | A | – | – |
| Sugar | | | | |
| Abdullah Shah Ghazi Sugar Mills Limited | 18,598 | Unrated | 19,881 | Unrated |
| Miscellaneous | | | | |
| Arif Habib Corporation Limited | 204 | Unrated | – | – |
| Adamjee Insurance Company Limited | 226 | AA | – | – |
| Hum Television Network | 7 | A+ | – | – |
| Crescent Steel & Allied Products Limited | 6,218 | Unrated | 15,198 | Unrated |
| Mughal Iron and Steel Industries Limited | 9,061 | Unrated | – | – |
| International Steel Limited | 12,205 | Unrated | – | – |
| International Industries Limited | 3,075 | Unrated | – | – |
| Bannu Woolen Mills Limited | 12,926 | Unrated | – | – |
| EFU General Insurance Limited | – | – | 9,968 | AA+ |
| Cyan Limited | – | – | 4,296 | A+ |
| Searle Company Limited | – | – | 3,216 | Unrated |
| TPL Tracker Limited | 3,732 | A- | – | – |
| | 853,187 | | 667,460 | |
| Ordinary shares of unlisted companies | | | | |
| Faruki Pulp Mills Limited | 100,000 | Unrated | 100,000 | Unrated |
| Pakistan Mercantile Exchange Limited | – | – | – | Unrated |
| Omer Jibran Engineering Industries Limited | 24,670 | Unrated | 24,670 | Unrated |
| | 124,670 | | 124,670 | |
| Preference shares | | | | |
| Pakistan Mercantile Exchange Limited | – | – | 15,000 | Unrated |
| Omer Jibran Engineering Industries Limited | 64,010 | Unrated | 74,010 | Unrated |
| Trust Investment Bank Limited | – | – | – | Unrated |
| | 64,010 | | 89,010 | |

(Rupees in '000)

| | December 31, 2015 | | December 31, 2014 | |
|---|--|---------|--|---------|
| | Market value / Carrying value for unlisted investments | Rating | Market value / Carrying value for unlisted investments | Rating |
| Units of mutual funds | | | | |
| Pak Oman Advantage Fund | – | – | 28,546 | AA+ |
| Meezan Capital Preservation Fund - III | 1,200 | Unrated | 1,120 | Unrated |
| | 1,200 | | 28,546 | |
| Term Finance Certificates (TFCs) and Sukuks | | | | |
| Listed TFCs | | | | |
| Commercial banks | | | | |
| Allied Bank Limited - 2nd issue | – | – | 34,296 | AA |
| Askari Bank Limited - 4th issue | – | – | 101,136 | AA- |
| NIB Bank Limited - Perpetual TFC | 289,896 | A+ | 246,664 | A+ |
| Summit Bank Limited | 37,930 | A (SO) | 89,284 | A (SO) |
| Fertilizer | | | | |
| Engro Fertilizer Limited - 3rd issue | – | – | 56,145 | AA- |
| Telecommunication | | | | |
| World Call Telecom Limited | 19,278 | Unrated | 11,281 | Unrated |
| Pakistan Mobile Communication Limited | 30,300 | AA | 126,667 | AA- |
| Unlisted TFCs and Sukuks | | | | |
| Commercial banks | | | | |
| Bank Alfalah Limited | 81,636 | AA- | 82,790 | AA- |
| Bank Alfalah Limited - TFC Floater | 164,105 | AA- | 165,100 | AA- |
| Bank Al-Habib Limited | 151,378 | AA | 151,878 | AA |
| Askari Bank Limited | 240,267 | AA- | 40,020 | AA- |
| Standard Chartered Bank (Pakistan) Limited | 14,762 | AAA | 14,734 | AAA |
| Development financial institution | | | | |
| Pak Libya Holding Company Ltd. - Perpetual TFC | – | – | 52,667 | AA- |
| Fertilizer | | | | |
| Agritech Limited - TFC III | 21,657 | Unrated | 16,662 | Unrated |
| Agritech Limited - TFC I | – | Unrated | 8,217 | Unrated |
| Engro Fertilizer Limited - TFC Perpetual I | 450,428 | AA- | 439,294 | AA- |
| Engro Fertilizer Limited - TFC Perpetual II | 264,975 | AA- | 64,128 | AA- |
| Engro Fertilizer Limited - Sukuk | – | – | 11,302 | AA |
| Cement | | | | |
| Kohat Cement Company Limited | – | – | – | – |
| Maple Leaf Cement Factory Limited | 75,784 | A- | 97,492 | A- |
| Maple Leaf Cement Factory II Limited | – | – | 130,853 | A- |
| Personal goods (textile) | | | | |
| Azgard Nine Limited - TFC V | 15,114 | Unrated | 7,195 | Unrated |
| Azgard Nine Limited - TFC IV | – | Unrated | 4,412 | Unrated |
| Azgard Nine Limited | 8,996 | Unrated | 10,838 | Unrated |
| Real estate developers | | | | |
| Eden Housing Limited | – | Unrated | – | Unrated |
| Consumer electronics | | | | |
| New Allied Electronics Industries (Private) Limited | – | – | – | – |
| Pak Elektron Limited | 162,500 | A | 200,000 | A- |
| Media and communication | | | | |
| Independent Media Corporation (Private) Limited | 137,500 | BBB- | 187,500 | A- |
| Manufacturing | | | | |
| Amreli Steels Limited | 95,000 | A- | 190,000 | A- |
| | 2,261,506 | | 2,540,555 | |
| | 10,499,298 | | 19,093,553 | |

December 31 December 31

Note 2015 2014

(Rupees in '000)

7.5 Particulars of investments in Federal Government Securities

| | 2015 | 2014 |
|--------------------------------------|-------------------|------------|
| 7.5.1 Held-for-trading | | |
| Pakistan Investment Bonds | – | 28,544 |
| Available-for-sale | | |
| Market Treasury Bills | 1,218,003 | 9,361,070 |
| Pakistan Investment Bonds | 5,686,601 | 6,019,513 |
| Carrying value (before revaluation) | 7.5.1.1 6,904,604 | 15,409,127 |
| Surplus on revaluation of securities | 100,310 | 265,842 |
| Market value | 7,004,914 | 15,674,969 |

7.5.1.1 Market Treasury Bills and Pakistan Investment Bonds are held with SBP and are eligible for rediscounting. Market Treasury Bills embody effective yield ranging from 6.29% to 6.96% (2014: 9.51% to 9.99%) per annum and will mature within 12 months. Pakistan Investment Bonds carry mark-up ranging from 6.52% to 13.07% (December 31, 2014: 11.25% to 12.00%) per annum on semi-annual basis and will mature within 2 to 10 years. Certain government securities are kept with SBP to meet statutory liquidity requirement calculated on the basis of demand and time liabilities.

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

| Name of investee company | December 31, 2015 | December 31, 2014 | Cost as at December 31, 2015 | Cost as at December 31, 2014 |
|---|--------------------|-------------------|------------------------------|------------------------------|
| | No. of shares held | | (Rupees in 000) | |
| Oil and gas marketing / exploration companies | | | | |
| Pakistan Petroleum Limited | 1,000 | – | 120 | – |
| Oil & Gas Development Company Limited | 31,000 | – | 3,602 | – |
| Sui Southern Gas Company Limited | 899,500 | – | 35,171 | – |
| Sui Northern Gas Pipelines Limited | 1,853,500 | – | 47,792 | – |
| Attock Refinery Limited | 2,500 | – | 524 | – |
| Commercial banks | | | | |
| Habib Bank Limited | 4,500 | – | 899 | – |
| Bank of Punjab | 40,000 | – | 362 | – |
| Communication | | | | |
| Pakistan Telecommunication Company Limited | 5,500 | – | 88 | – |
| Power generation and distribution | | | | |
| K-Electric Limited | 12,000 | – | 88 | – |
| Cement | | | | |
| Maple Leaf Cement Factory Limited | 1,000 | – | 72 | – |
| Pioneer Cement Limited | 500 | – | 44 | – |
| Fauji Cement Company Limited | 28,500 | – | 1,032 | – |
| D.G. Khan Cement Limited | 2,500 | – | 360 | – |
| Fertilizers | | | | |
| Fauji Fertilizers Company Limited | 34,500 | – | 3,850 | – |
| Engro Corporation Limited | 75,000 | – | 20,957 | – |
| Fauji Fertilizer Bin Qasim Limited | 20,500 | – | 1,109 | – |
| Engro Fertilizer Limited | 132,500 | – | 11,196 | – |
| Personal goods | | | | |
| Nishat Mills Limited | 4,500 | – | 426 | – |
| Pak Elektron Limited | 597,000 | – | 39,933 | – |
| Miscellaneous | | | | |
| Adamjee Insurance Company Limited | 4,000 | – | 229 | – |
| Arif Habib Corporation Limited | 4,000 | – | 206 | – |
| Hum Television Network | 500 | – | 6 | – |
| Carrying value (before revaluation and provision) of listed shares 'held-for-trading' | | | 168,067 | – |
| Provision for diminution in value of investments | | | – | – |
| Deficit on revaluation of securities - net | | | (7,186) | – |
| Market value | | | 160,881 | – |

7.6.1 The nominal value of each share held in a listed company is Rs.10 per share except for K-Electric Ltd. and Hum Television Network which are Rs.3.5 and Rs.1 respectively.

7.6.2 This represents equity investments purchased and simultaneously sold in future market with a view to generate a spread on the transaction.

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

| Name of investee company | December 31, 2015 | December 31, 2014 | Cost as at December 31, 2015 | Cost as at December 31, 2014 |
|---|--------------------|-------------------|------------------------------|------------------------------|
| | No. of shares held | | (Rupees in 000) | |
| Oil and gas marketing / exploration companies | | | | |
| Pakistan State Oil Company Limited | 110,000 | 50,000 | 43,918 | 19,840 |
| Pakistan Petroleum Limited | 100,000 | 75,000 | 15,116 | 14,173 |
| Oil & Gas Development Company Limited | 210,000 | 100,000 | 34,336 | 27,128 |
| Pakistan Refinery Limited | 30,000 | - | 1,722 | - |
| Pakistan Oilfields Limited | - | 25,300 | - | 11,898 |
| Attock Refinery Limited | - | 35,000 | - | 7,876 |
| National Refinery Limited | 25,000 | 100,000 | 7,058 | 21,381 |
| BYCO Petroleum Pakistan Limited | 250,000 | - | 7,326 | - |
| Hascol Petroleum Limited | - | 325,000 | - | 28,517 |
| Shell Pakistan Limited | - | 25,000 | - | 7,079 |
| Sui Northern Gas Pipelines Limited | 250,000 | - | 8,343 | - |
| Mari Petroleum Company Limited | 10,000 | 7,700 | 7,013 | 4,962 |
| Commercial banks | | | | |
| National Bank of Pakistan | 500,000 | - | 33,738 | - |
| United Bank Limited | 150,000 | 150,000 | 28,676 | 28,676 |
| Habib Bank Limited | 100,000 | - | 20,858 | - |
| MCB Bank Limited | 126,000 | - | 35,773 | - |
| Askari Commercial Bank Limited | - | 950,000 | - | 21,601 |
| Bank Al-Habib Limited | - | 200,000 | - | 9,577 |
| Faysal Bank Limited | - | 1,250,000 | - | 22,919 |
| Bank Alfalah Limited | - | 375,500 | - | 11,687 |
| Habib Metropolitan Bank Limited | - | 115,500 | - | 4,221 |
| Trust Investment Bank Limited | 325,000 | 162,500 | 3,250 | 1,625 |
| Communication | | | | |
| Pakistan Telecommunication Company Limited | 650,000 | 745,000 | 14,731 | 22,553 |
| Power generation and distribution | | | | |
| Altern Energy Limited | 150,000 | - | 6,130 | - |
| K-Electric Limited | 1,000,000 | - | 8,527 | - |
| Nishat Power Limited | 217,500 | - | 13,144 | - |
| Lalpir Power Limited | 625,000 | 100,000 | 21,911 | 2,671 |
| Kohinoor Energy Limited | - | 629,500 | - | 31,334 |
| Cement | | | | |
| Maple Leaf Cement Factory Limited | 300,000 | 300,000 | 22,847 | 12,103 |
| Dewan Cement Limited | 1,278,000 | - | 22,302 | - |
| Kohat Cement Company Limited | 20,000 | - | 4,365 | - |
| Fauji Cement Company Limited | - | 2,000,000 | - | 48,023 |
| Pioneer Cement Limited | 67,000 | 35,000 | 6,074 | 27,240 |
| PakCem Limited | 1,200,000 | - | 25,193 | - |
| Attock Cement Pakistan Limited | 100,000 | - | 21,485 | - |
| Power Cement Limited | 1,500,000 | - | 17,950 | - |
| Lafarge Pakistan Limited | - | 600,000 | - | 10,419 |
| Akzo Nobel Pakistan Limited | - | 28,900 | - | 13,552 |
| Chemicals | | | | |
| ICI Pakistan Limited | - | 66,000 | - | 39,039 |
| Ghani Gases Limited | - | 88,000 | - | 2,599 |
| Automobile | | | | |
| Pak Suzuki Motors Limited | - | 50,000 | - | 18,196 |
| Pakistan International Bulk Terminal | 375,000 | - | 13,611 | - |
| Indus Motors Limited | - | 7,500 | - | 6,814 |
| Honda Atlas Cars (Pakistan) Limited | - | 65,000 | - | 14,974 |
| The General Tyre & Rubber Company of Pakistan Limited | - | 150,000 | - | 23,077 |

| Name of investee company | December 31, 2015 | December 31, 2014 | Cost as at December 31, 2015 | Cost as at December 31, 2014 |
|---|--------------------|-------------------|------------------------------|------------------------------|
| | No. of shares held | | (Rupees in 000) | |
| Food producers | | | | |
| Clover Pakistan Limited | - | 10,000 | - | 1,697 |
| Al Shaheer Corporation Limited | 200,000 | - | 13,520 | - |
| Paper and board | | | | |
| Century Paper & Board Mills Limited | 150,000 | 160,000 | 9,780 | 8,720 |
| Packages Limited | 25,000 | - | 14,470 | - |
| Fertilizers | | | | |
| Fauji Fertilizers Company Limited | - | 1,000,000 | - | 44,771 |
| Engro Corporation Limited | 200,000 | - | 67,564 | - |
| Fauji Fertilizer Bin Qasim Limited | 250,000 | - | 16,024 | - |
| Fatima Fertilizer Company Limited | 200,000 | - | 9,412 | - |
| Dawood Hercules Corporation Limited | 100,000 | - | 13,699 | - |
| Engro Fertilizer Limited | 225,000 | 665,000 | 21,440 | 46,652 |
| Agritech Limited | 1,575,915 | 1,259,337 | 46,657 | 44,077 |
| Personal goods | | | | |
| Nishat Mills Limited | 400,000 | 75,000 | 48,124 | 9,937 |
| Kohinoor Textile Mills Limited | 300,000 | - | 23,324 | - |
| Treet Corporation Limited | 200,000 | - | 12,793 | - |
| Nishat (Chunian) Limited | - | 596,000 | - | 31,966 |
| Pak Elektron Limited | 500,000 | - | 41,443 | - |
| Pharmaceuticals | | | | |
| Glaxo SmithKline Pakistan Limited | 21,500 | - | 5,136 | - |
| Sugar | | | | |
| Abdullah Shah Ghazi Sugar Mills Limited | 1,859,815 | 1,859,815 | 9,299 | 9,299 |
| Miscellaneous | | | | |
| Crescent Steel & Allied Products Limited | 50,000 | 300,000 | 6,258 | 14,213 |
| TPL Trakker Limited | 250,000 | - | 4,321 | - |
| Mughal Iron and Steel Industries Limited | 130,000 | - | 10,825 | - |
| International Steels Limited | 500,000 | - | 13,638 | - |
| International Industries Limited | 50,000 | - | 3,442 | - |
| EFU General Insurance Limited | - | 65,200 | - | 10,274 |
| Bannu Woolen Mills Limited | 255,500 | - | 17,827 | - |
| Cyan Limited | - | 50,000 | - | 4,660 |
| Searle Company Limited | - | 13,300 | - | 3,230 |
| Carrying value (before revaluation and provision) of listed shares 'available-for-sale' | | | 854,393 | 630,134 |
| Provision for diminution in value of investments | | | (34,844) | (27,143) |
| Deficit on revaluation of securities - net | | | (127,243) | (33,490) |
| Market value | | | 692,306 | 569,501 |

7.7.1 The nominal value of each share held in a listed company is Rs.10 per share except for K-Electric Ltd. which is Rs.3.5.

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

| Name of investee company | Note | Name of Chief Executive | December 31, 2015 | December 31, 2014 | Cost as at December 31, 2015 | Cost as at December 31, 2014 |
|---|-------|-------------------------|-----------------------|-------------------|------------------------------|------------------------------|
| | | | Number of shares held | | (Rupees in '000) | |
| Faruki Pulp Mills Limited | 7.8.1 | Mr. Shahid Saleem | 6,666,667 | 6,666,667 | 100,000 | 100,000 |
| Break-up value: Rs.9.70 (2014: Rs.7.24) | | | | | | |
| Holding: 1.61% (2014: 1.61%) | | | | | | |
| Omer Jibran Engineering Industries Limited | | Mr. Feroz Khan | 2,467,000 | 2,467,000 | 24,670 | 24,670 |
| Break-up value: Rs.21.07 (2014: Rs.18.14) | | | | | | |
| Holding: 7.02% (2014: 7.02%) | | | | | | |
| Pakistan Mercantile Exchange Limited | 7.8.2 | Mr. Ejaz Ali Shah | 2,133,115 | - | 21,331 | - |
| Break-up value: Rs.3.84 (2014: Nil) | | | | | | |
| Holding: 7.74% (2014: Nil) | | | | | | |
| Carrying value of shares of unlisted companies - 'available-for-sale' | | | | | 146,001 | 124,670 |

7.8.1 The break-up value per share of Faruki Pulp Mills Limited (FPML) based on the annual audited accounts of FPML for the year ended June 30, 2015 is Rs.9.70 per share as against the cost per share of Rs.15. The Company holds a put option against these shares which is exercisable at any time by the Company, whereby the seller of the shares has agreed to repurchase the above referred shares at Rs.15 per share (cost). Considering the presence of the put option, the Company has not made any provision against the said diminution in the value of these shares.

7.8.2 These include 1,500,000 previously issued preference shares which were converted into equivalent ordinary shares during the year.

7.9 Particulars of investment in units of mutual funds - available-for-sale

| Name of investee company | December 31, 2015 | December 31, 2014 | Cost as at December 31, 2015 | Cost as at December 31, 2014 |
|--|-------------------|-------------------|------------------------------|------------------------------|
| | No. of units held | | (Rupees in 000) | |
| Closed-end mutual fund | | | | |
| Pak Oman Advantage Fund | - | 2,883,499 | - | 28,835 |
| Open-ended mutual fund | | | | |
| Meezan Capital Preservation Fund-III | 20,206 | 20,206 | 1,000 | 1,000 |
| Carrying value (before revaluation and provision) of mutual funds units 'available-for-sale' | | | 1,000 | 29,835 |
| Provision for diminution in value of investments | | | - | (7,209) |
| Surplus on revaluation of securities - net | | | 200 | 7,042 |
| Market value | | | 1,200 | 29,668 |

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

| Name of investee company | Note | December 31, 2015 | December 31, 2014 | Cost as at December 31, 2015 | Cost as at December 31, 2014 |
|---|--------|--------------------|-------------------|------------------------------|------------------------------|
| | | No. of shares held | | (Rupees in 000) | |
| Pakistan Mercantile Exchange Limited | 7.8.2 | - | 1,500,000 | - | 15,000 |
| Omer Jibran Engineering Industries Limited | 7.10.1 | 6,401,000 | 7,401,000 | 64,010 | 74,010 |
| Trust Investment Bank Limited | 7.10.2 | 325,000 | 487,500 | 3,250 | 4,875 |
| Carrying value (before revaluation and provision) of preference shares 'available-for-sale' | | | | 67,260 | 93,885 |
| Provision for diminution in value of investments | | | | (3,250) | (4,875) |
| Market value | | | | 64,010 | 89,010 |

7.10.1 These are cumulative, convertible, redeemable and non-participatory preference shares, carrying dividend at the rate of 10% per annum applicable after two years from the date of investment i.e. July 06, 2012, of the face value of Rs.10 each. These shares carry call option exercisable at any time after subscription date till termination of this agreement.

7.10.2 These are cumulative, convertible, redeemable and non-participatory preference shares, carrying dividend at the rate of 1 year Kibor + 1% per annum, of the face value of Rs.10 each. These shares carried call option exercisable by the issuer between 3 to 5 years from the date of allotment i.e. May 05, 2010.

7.11 Investment in commercial paper - held to maturity

| (Rupees in '000) | | | | |
|------------------------------|--------|------------|---------------|----------------|
| Name of the investee company | Note | Face value | Purchase cost | Carrying value |
| Pak Elektron Limited | 7.11.1 | 200,000 | 187,088 | 189,811 |

7.11.1 These Commercial Papers were issued by Pakistan Elektron Limited on November 02, 2015 and will mature on July 29, 2016. They carry yield at the rate of 9.26% per annum.

7.12 Investment in related parties

7.12.1 Investment in subsidiaries - strategic investments

| (Rupees in '000) | | | | | | |
|--------------------------------------|-----------------------|-------------------------|-------------------------|-----------------------|------------------------------|------------------------------|
| Unlisted public companies | Percentage of holding | Name of Chief Executive | Breakup Value per share | Number of shares held | Cost as at December 31, 2015 | Cost as at December 31, 2014 |
| Primus Investment Management Limited | 100 | Mr. Ahmed Ateeq | 10 | 25,000,000 | 250,000 | 250,000 |
| Awwal Modaraba Management Limited | 100 | Mr. Karim Hatim | 10 | 10,500,000 | 105,000 | 105,000 |
| | | | | | 355,000 | 355,000 |

7.12.2 Investment in associates - mutual funds

| (Rupees in '000) | | | | | | |
|-----------------------------------|--------------------------|-------|----------------------|-------------------|------------------------------|------------------------------|
| Open-end mutual funds - listed | Percentage of holding %* | | Number of units held | | Cost as at December 31, 2015 | Cost as at December 31, 2014 |
| | 2015 | 2014 | 2015 | 2014 | | |
| PIML - Income Fund | 49.21 | 71.38 | 24,630,987 | 26,540,083 | 2,634,000 | 2,852,983 |
| PIML - Daily Reserve Fund | 78.44 | 47.18 | 24,221,438 | 15,295,200 | 2,470,961 | 1,603,512 |
| PIML - Strategic Multi Asset Fund | 80.39 | 91.30 | 2,054,943 | 697,267 | 241,000 | 73,956 |
| PIML - Islamic Equity Fund | 75.98 | 90.16 | 1,105,206 | 700,000 | 133,000 | 70,000 |
| PIML - Islamic Income Fund | 98.85 | 88.17 | 3,969,098 | 1,043,125 | 404,312 | 104,312 |
| PIML - Value Equity Fund | 68.48 | - | 1,065,994 | - | 113,000 | - |
| | | | 57,047,666 | 44,275,675 | 5,996,273 | 4,704,763 |

* Includes direct and indirect holding

7.13 Particulars of investments in Term Finance Certificates (TFCs) and Sukuks

| Name of the investee | Rate of interest | Profit payment | Maturity | Number of certificates held | (Rupees) | | Balance as at December 31, 2015 | Name of Chief Executive |
|---|------------------|----------------|-----------|-----------------------------|-------------------------------|---|---------------------------------|--------------------------|
| | | | | | Paid-up value per certificate | Total Paid up value (before redemption) | | |
| Listed TFCs | | | | | | | | |
| Commercial banks | | | | | | | | |
| NIB Bank Ltd TFC II | 6 K+1.15% | Half Yearly | 19-Jun-22 | 58,600 | 5,000 | 293,000 | 292,296 | Mr. Atif R. Bukhari |
| Summit Bank Ltd TFC | 6 K+3.25% | Half Yearly | 27-Oct-18 | 7,600 | 5,000 | 38,000 | 37,930 | Mr. Hussain Lawai |
| Real estate developers | | | | | | | | |
| Pace Pakistan Limited * | 6 K+2.00% | Half Yearly | 15-Feb-17 | 115 | 5,000 | 575 | 575 | Ms. Aamna Taseer |
| Telecommunication | | | | | | | | |
| World Call Telecom Limited * | 6 K+1.60% | Half Yearly | 7-Oct-21 | 10,000 | 5,000 | 50,000 | 17,684 | Mr. Babar Ali Syed |
| Pakistan Mobile Communication Limited | 3 K+2.00% | Quarterly | 18-Apr-16 | 1,500 | 100,000 | 150,000 | 30,000 | Mr. Jeffery Hedberg |
| | | | | | | | | 378,485 |
| Unlisted TFCs | | | | | | | | |
| Commercial banks | | | | | | | | |
| Askari Bank Ltd. TFC V | 6 K+1.20% | Half Yearly | 30-Sep-24 | 43,000 | 5,000 | 215,000 | 215,076 | Syed Majeedullah Husaini |
| Askari Bank Ltd. TFC 1V | 6 K+1.75% | Half Yearly | 23-Dec-21 | 25 | 1,000,000 | 25,000 | 25,191 | Syed Majeedullah Husaini |
| Bank Alfalah Ltd. TFC IV | Fixed 15.00 % | Half Yearly | 2-Dec-17 | 16,000 | 5,000 | 80,000 | 81,636 | Mr. Atif Bajwa |
| Bank Alfalah Ltd. TFC IV | 6 K+2.50% | Half Yearly | 2-Dec-17 | 32,600 | 5,000 | 163,000 | 164,105 | Mr. Atif Bajwa |
| Bank Al Habib Ltd. TFC II | Fixed 15.00 % | Half Yearly | 30-Jun-21 | 29,600 | 5,000 | 148,000 | 151,378 | Mr. Abbas D Habib |
| Standard Chartered Bank Pak Ltd. TFC | 6 K+0.75% | Half Yearly | 29-Jun-22 | 3,000 | 5,000 | 15,000 | 14,762 | Mr. Shazad Dada |
| Fertilizer | | | | | | | | |
| Pak American Fertilizer Ltd TFC III * | 3 K+3.25% | Quarterly | 1-Dec-17 | 9,000 | 5,000 | 45,000 | 46,604 | Mr. Muhammad Khalid Mir |
| Pak American Fertilizer Ltd TFC III * | 6 K+1.75% | Half Yearly | 29-Nov-17 | 1,000 | 5,000 | 5,000 | 2,831 | Mr. Muhammad Khalid Mir |
| Pak American Fertilizer Ltd TFC IV * | 0% Coupon | Half Yearly | 2-Jan-15 | - | 5,000 | - | 8,360 | Mr. Muhammad Khalid Mir |
| Engro Fertilizer Ltd TFC PRP I | 6 K+2.1% | Half Yearly | 18-Mar-18 | 90,050 | 5,000 | 450,250 | 442,408 | Mr. Ruhail Muhammad |
| Engro Fertilizer Ltd TFC PRP II | 6 K+1.65% | Half Yearly | 18-Mar-18 | 53,000 | 5,000 | 265,000 | 264,975 | Mr. Ruhail Muhammad |
| Personal goods (textiles) | | | | | | | | |
| Azgard Nine Limited - PPTFC * | 0% Coupon | Quarterly | 28-Jun-17 | 5,496 | 5,000 | 27,480 | 27,480 | Mr. Ahmed H. Sheikh |
| Azgard Nine Limited - TFC IV * | 3 K+1.25% | Quarterly | 18-Nov-15 | - | 5,000 | - | 7,196 | Mr. Ahmed H. Sheikh |
| Azgard Nine Limited * | 6 K+1.25% | Half Yearly | 4-Dec-17 | 5,000 | 5,000 | 25,000 | 10,838 | Mr. Ahmed H. Sheikh |
| | | | | | | | | 1,462,840 |
| Unlisted sukuks | | | | | | | | |
| Cement | | | | | | | | |
| Maple Leaf Cement Factory | 3 K+1.70% | Quarterly | 3-Dec-16 | 45,200 | 5,000 | 226,000 | 75,784 | Mr. Sayeed Tariq Saigol |
| Consumer electronics | | | | | | | | |
| New Allied Electronics (Private) Limited * | 3 K+2.20% | Quarterly | 3-Dec-12 | - | 5,000 | - | 105,500 | Mr. Mian Pervez Akhtar |
| Pak Elektron Limited | 3 K+1.0% | Quarterly | 31-Mar-19 | 40,000 | 5,000 | 200,000 | 162,500 | Mr. M Naseem Saigol |
| Real estate developers | | | | | | | | |
| Eden Housing (Private) Limited * | 3 K+3.00% | Quarterly | 29-Jun-14 | - | 5,000 | - | 43,640 | Dr. Mohammad Amjad |
| Media and communication | | | | | | | | |
| Independent Media Corporation (Private) Limited | 3 K+3.00% | Quarterly | 5-Aug-18 | 50,000 | 5,000 | 250,000 | 137,500 | Mr. Mir Ibrahim Rahman |
| Manufacturing | | | | | | | | |
| Amreli Steels Limited | 3 K+2.50% | Quarterly | 9-Dec-16 | 50,000 | 5,000 | 250,000 | 95,000 | Mr. Abbas Akberali |
| | | | | | | | | 619,924 |
| Carrying value (before revaluation and provision) of TFCs and Sukuks - 'available-for-sale' | | | | | | | 2,461,249 | |
| Provision for diminution in value of investments | | | | | | | (198,788) | |
| Deficit on revaluation of securities - net | | | | | | | (506) | |
| Market value | | | | | | | 2,261,955 | |

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

(Rupees) (Rupees in '000)

| Name of the investee | Rate of interest | Profit payment | Maturity | Number of certificates held | (Rupees) | | Balance as at December 31, 2014 | Name of Chief Executive |
|---|----------------------|----------------|-----------|-----------------------------|-------------------------------|---|---------------------------------|--------------------------|
| | | | | | Paid-up value per certificate | Total Paid up value (before redemption) | | |
| Listed TFCs | | | | | | | | |
| Commercial banks | | | | | | | | |
| Allied Bank Limited - 2nd issue | 6 Months KIBOR+0.85% | Half Yearly | 28-Aug-19 | 7,000 | 5,000 | 35,000 | 34,417 | Mr. Tariq Mehmood |
| Askari Bank Limited - 4th issue | 6 Months KIBOR+2.50% | Half Yearly | 18-Nov-19 | 20,700 | 5,000 | 103,500 | 103,815 | Syed Majeedullah Husaini |
| NIB Bank Limited - Perpetual TFC | 6 Months KIBOR+1.15% | Half Yearly | 19-Jun-22 | 50,000 | 5,000 | 250,000 | 249,980 | Mr. Atif R. Bukhari |
| Summit Bank Limited | 6 Months KIBOR+3.25% | Half Yearly | 27-Oct-18 | 18,200 | 5,000 | 91,000 | 90,874 | Mr. Hussain Lawai |
| Fertilizer | | | | | | | | |
| Engro Fertilizer Limited - 3rd issue | 6 Months KIBOR+2.4% | Half Yearly | 17-Dec-16 | 16,411 | 5,000 | 82,055 | 56,208 | Mr. Ruhail Muhammad |
| Real estate developers | | | | | | | | |
| Pace Pakistan Limited * | 6 Months KIBOR+1.50% | Half Yearly | 15-Feb-17 | 115 | 5,000 | 575 | 575 | Ms. Aamna Ali Taseer |
| NBFCs | | | | | | | | |
| Saudi Pak Leasing Company Limited - 3rd issue * | 6.00% Fixed | Monthly | 13-Mar-17 | 9,099 | 5,000 | 45,495 | 25,085 | Muhammad Tariq Masood |
| Telecommunication | | | | | | | | |
| World Call Telecom Limited * | 6 Months KIBOR+1.60% | Half Yearly | 7-Oct-13 | 10,000 | 5,000 | 50,000 | 21,406 | Mr. Babar Ali Syed |
| Pakistan Mobile Communication Limited | 3 Months KIBOR+2% | Quarterly | 18-Apr-16 | 2,280 | 100,000 | 228,000 | 123,549 | Mr. Jeffery Hedberg |
| | | | | | | | | 705,909 |
| Unlisted TFCs | | | | | | | | |
| Commercial banks | | | | | | | | |
| Askari Bank Limited - Perpetual TFC | 6 Months KIBOR+1.20% | Half Yearly | 30-Sep-24 | 8,000 | 5,000 | 40,000 | 40,020 | Syed Majeedullah Husaini |
| Bank Alfalah Limited | Fixed 15.00 % | Half Yearly | 2-Dec-17 | 16,000 | 5,000 | 80,000 | 82,790 | Mr. Atif Bajwa |
| Bank Alfalah Limited - TFC Flotter | 6 Months KIBOR+2.50% | Half Yearly | 2-Dec-17 | 32,600 | 5,000 | 163,000 | 165,100 | Mr. Atif Bajwa |
| Bank Al Habib Limited | Fixed 15.00 % | Half Yearly | 30-Jun-21 | 29,600 | 5,000 | 148,000 | 151,878 | Mr. Abbas D. Habib |
| Standard Chartered Bank (Pakistan) Limited | 6 Months KIBOR+0.75% | Half Yearly | 29-Jun-22 | 3,000 | 5,000 | 15,000 | 14,734 | Mr. Shazad Dada |
| Development financial institution | | | | | | | | |
| Pak Libya Holding Company Ltd. - Perpetual TFC | 6 Months KIBOR+1.60% | Half Yearly | 7-Feb-16 | 22,005 | 5,000 | 110,025 | 52,667 | Mr. Abid Aziz |
| Fertilizer | | | | | | | | |
| Agritech Limited - TFC III * | 3 Months KIBOR+3.25% | Quarterly | 1-Dec-17 | 9,000 | 5,000 | 45,000 | 44,247 | Ahmed Jaudet Bilal |
| Agritech Limited - TFC * | 6 Months KIBOR+1.75% | Half Yearly | 29-Nov-17 | 1,000 | 5,000 | 5,000 | 4,535 | Ahmed Jaudet Bilal |
| Agritech Limited - TFC I * | 0% Coupon | Half Yearly | 1-Jan-15 | 1,672 | 5,000 | 8,360 | 8,217 | Ahmed Jaudet Bilal |
| Engro Fertilizer Limited - TFC Perpetual I | 6 Months KIBOR+1.90% | Half Yearly | 18-Mar-18 | 90,050 | 5,000 | 450,250 | 439,294 | Mr. Ruhail Muhammad |
| Engro Fertilizer Limited - Sukuk | 6 Months KIBOR+1.50% | Half Yearly | 6-Sep-15 | 2,355 | 5,000 | 11,775 | 11,303 | Mr. Ruhail Muhammad |
| Engro Fertilizer Limited - TFC Perpetual II | 6 Months KIBOR+1.45% | Half Yearly | 18-Mar-18 | 13,000 | 5,000 | 60,500 | 64,128 | Mr. Ruhail Muhammad |
| Personal goods (textiles) | | | | | | | | |
| Azgard Nine Limited - TFC IV * | 0% Coupon | Quarterly | 28-Jun-17 | 5,496 | 5,000 | 27,480 | 27,517 | Mr. Ahmed H. Shaikh |
| Azgard Nine Limited - TFC V * | 3 Months KIBOR+1.25% | Quarterly | 18-Nov-15 | 15,000 | 5,000 | 75,000 | 7,196 | Mr. Ahmed H. Shaikh |
| Azgard Nine Limited * | 6 Months KIBOR+1.25% | Half Yearly | 04-Dec-17 | 5,000 | 5,000 | 25,000 | 10,838 | Mr. Ahmed H. Shaikh |
| | | | | | | | | 1,124,464 |
| Unlisted sukuks | | | | | | | | |
| Cement | | | | | | | | |
| Maple Leaf Cement Factory II | 3 Months KIBOR+1.00% | Quarterly | 3-Jun-17 | 45,200 | 5,000 | 226,000 | 130,853 | Mr. Sayeed Tariq Saigol |
| Maple Leaf Cement Factory | 3 Months KIBOR+1.00% | Quarterly | 3-Jun-17 | 55,000 | 5,000 | 275,000 | 97,492 | Mr. Sayeed Tariq Saigol |
| Consumer electronics | | | | | | | | |
| New Allied Electronics (Private) Limited * | 3 Months KIBOR+2.20% | Quarterly | 3-Dec-12 | - | 5,000 | - | 110,000 | Mr. Mian Parvaiz Akhtar |
| Pak Elektron Limited | 3 Months KIBOR+1.00% | Quarterly | 31-Mar-19 | 40,000 | 5,000 | 200,000 | 200,000 | Mr. Naseem Saigol |
| Real estate developers | | | | | | | | |
| Eden Housing (Private) Limited | 3 Months KIBOR+3.00% | Half Yearly | 29-Jun-14 | - | 5,000 | 332,630 | 43,641 | Dr. Mohammad Amjad |
| Media and communication | | | | | | | | |
| Independent Media Corporation (Private) Limited | 3 Months KIBOR+3.00% | Quarterly | 5-Aug-18 | 50,000 | 5,000 | 250,000 | 187,500 | Mr. Mir Ibrahim Rahman |
| Manufacturing | | | | | | | | |
| Amreli Steels Limited | 3 Months KIBOR+2.50% | Quarterly | 9-Dec-16 | 50,000 | 5,000 | 250,000 | 190,000 | Mr. Abbas Akberali |
| | | | | | | | | 959,486 |
| Carrying value (before revaluation and provision) of TFCs and Sukuks - 'available-for-sale' | | | | | | | 2,789,859 | |
| Provision for diminution in value of investments | | | | | | | (201,077) | |
| Deficit on revaluation of securities - net | | | | | | | (4,585) | |
| Market value | | | | | | | 2,584,197 | |

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

December 31 December 31

Note **2015** **2014**

(Rupees in '000)

8. ADVANCES

| | | | |
|--|-----|-------------------|-----------|
| Loans, cash credits, running finances, etc. | | | |
| In Pakistan | 8.1 | 8,082,603 | 5,052,248 |
| LTFF scheme under State Bank of Pakistan | | | |
| - Long Term Finance Facility (LTFF) scheme | | 951,045 | 1,248,827 |
| - Power Plants Using Renewable Energy (PPRE) scheme | | 172,582 | 45,000 |
| - Finance for Storage of Agriculture Produce (FSAP) scheme | | 17,672 | - |
| Net investment in finance lease | | | |
| In Pakistan | 8.3 | 1,169,812 | 1,042,480 |
| Advances - gross | 8.2 | 10,393,714 | 7,388,555 |
| Provision for non-performing advances - specific | 8.4 | (155,854) | (2,537) |
| Provision for non-performing advances - general | | (519) | (327) |
| | 8.5 | (156,373) | (2,864) |
| Advances - net of provision | | 10,237,341 | 7,385,691 |

8.1 Included herein is Rs.107.226 million (2014: Rs.9.13 million) representing advances against lease which carry mark-up at the rates ranges from 8.24% to 9.40% per annum (2014: Rs.6 MK + 4.25% per annum).

8.2 Particulars of advances - gross

| | | | |
|---|--|-------------------|------------------|
| 8.2.1 In local currency | | 10,393,714 | 7,388,555 |
| In foreign currencies | | - | - |
| | | 10,393,714 | 7,388,555 |
| 8.2.2 Short-term (for upto one year) | | 4,914,263 | 3,478,557 |
| Long-term (for over one year) | | 5,479,451 | 3,909,998 |
| | | 10,393,714 | 7,388,555 |

8.3 Net Investment in Finance Lease

(Rupees in '000)

| | 2015 | | | | 2014 | | | |
|---|-------------------------|--|-----------------------|-----------|-------------------------|--|-----------------------|-----------|
| | Not later than one year | Later than one year and less than five years | Later than five years | Total | Not later than one year | Later than one year and less than five years | Later than five years | Total |
| Lease rentals receivable | 465,010 | 544,670 | 50,235 | 1,059,915 | 389,224 | 626,571 | - | 1,015,795 |
| Residual value | 57,604 | 215,810 | 2 | 273,416 | 29,730 | 188,093 | - | 217,823 |
| Minimum lease payments | 522,614 | 760,480 | 50,237 | 1,333,331 | 418,954 | 814,664 | - | 1,233,618 |
| Financial charges for future periods | (85,389) | (75,080) | (3,050) | (163,519) | (94,754) | (96,384) | - | (191,138) |
| Present value of minimum lease payments | 437,225 | 685,400 | 47,187 | 1,169,812 | 324,200 | 718,280 | - | 1,042,480 |

8.3.1 These leases are executed for a term of 1 to 7 years. Security deposit has been obtained within a range of 0% to 31.81% of the cost of investment at the time of disbursement and has been recorded in other liabilities. The rate of return ranges from 8.63% to 24% per annum (2014: 11.90% to 26.01% per annum). Lease rentals are receivable in monthly / quarterly installments. The assets are insured in favour of the Company.

8.4 Advances include Rs.311.707 million (2014: Rs.2.537 million) which have been placed under non-performing status as detailed below:

(Rupees in '000)

| Category of classification | 2015 | | | | | | | | |
|-----------------------------------|---------------------|----------|---------|--------------------|----------|---------|----------------|----------|---------|
| | Classified advances | | | Provision required | | | Provision held | | |
| | Domestic | Overseas | Total | Domestic | Overseas | Total | Domestic | Overseas | Total |
| Other assets especially mentioned | - | - | - | - | - | - | - | - | - |
| Substandard | - | - | - | - | - | - | - | - | - |
| Doubtful | 311,707 | - | 311,707 | 155,854 | - | 155,854 | 155,854 | - | 155,854 |
| Loss | - | - | - | - | - | - | - | - | - |
| | 311,707 | - | 311,707 | 155,854 | - | 155,854 | 155,854 | - | 155,854 |

(Rupees in '000)

| Category of classification | 2014 | | | | | | | | |
|-----------------------------------|---------------------|----------|-------|--------------------|----------|-------|----------------|----------|-------|
| | Classified advances | | | Provision required | | | Provision held | | |
| | Domestic | Overseas | Total | Domestic | Overseas | Total | Domestic | Overseas | Total |
| Other assets especially mentioned | - | - | - | - | - | - | - | - | - |
| Substandard | - | - | - | - | - | - | - | - | - |
| Doubtful | - | - | - | - | - | - | - | - | - |
| Loss | 2,537 | - | 2,537 | 2,537 | - | 2,537 | 2,537 | - | 2,537 |
| | 2,537 | - | 2,537 | 2,537 | - | 2,537 | 2,537 | - | 2,537 |

8.5 Particulars of provision against non-performing advances

(Rupees in '000)

| | 2015 | | | 2014 | | |
|--------------------------|----------|---------|---------|----------|---------|-------|
| | Specific | General | Total | Specific | General | Total |
| As at January 01 | 2,537 | 327 | 2,864 | 2,537 | 331 | 2,868 |
| Charge during the year | 155,854 | 192 | 156,046 | - | - | - |
| Reversal during the year | (2,537) | - | (2,537) | - | (4) | (4) |
| | 155,854 | 519 | 156,373 | 2,537 | 327 | 2,864 |

8.5.1 Particulars of provision against non-performing advances

(Rupees in '000)

| | 2015 | | | 2014 | | |
|-----------------------|----------|---------|---------|----------|---------|-------|
| | Specific | General | Total | Specific | General | Total |
| In local currency | 155,854 | 519 | 156,373 | 2,537 | 327 | 2,864 |
| In foreign currencies | - | - | - | - | - | - |
| | 155,854 | 519 | 156,373 | 2,537 | 327 | 2,864 |

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Note **2015** **2014**

(Rupees in '000)

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

| | 2015 | 2014 |
|--|----------|----------|
| Debts due by directors, executives or officers of the Company or any of them either severally or jointly with any other persons: | | |
| As at January 01 | 79,509 | 62,347 |
| Loans granted during the year | 44,900 | 29,967 |
| Repayments during the year | (16,397) | (12,805) |
| | 108,012 | 79,509 |

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

The aforesaid details are given in Annexure-I which forms an integral part of these financial statements.

9. OPERATING FIXED ASSETS

| | 2015 | 2014 |
|--------------------------|--------|--------|
| Property and equipment | 30,071 | 30,872 |
| Intangible assets | 1,276 | 1,446 |
| Capital work-in-progress | 319 | – |
| | 31,666 | 32,318 |

9.1 Property and equipment

(Rupees in '000)

| | December 31, 2015 | | | | | | | | | |
|-----------------------|------------------------|-----------|-----------|-------------------------|------------------------|---------------------|-----------|------------------------------------|----------------------|-------------------------|
| | Cost | | | Depreciation | | | | Book value as at December 31, 2015 | Rate of depreciation | |
| | As at January 01, 2015 | Additions | Disposals | As at December 31, 2015 | As at January 01, 2015 | Charge for the year | Disposals | | | As at December 31, 2015 |
| Owned | | | | | | | | | | |
| Leasehold improvement | 42,464 | 179 | – | 42,643 | 23,616 | 8,511 | – | 32,127 | 10,516 | 20% |
| Furniture and fixture | 14,003 | 159 | – | 14,162 | 10,942 | 1,403 | – | 12,345 | 1,817 | 20% |
| Office equipment | 4,434 | 2,222 | (901) | 5,755 | 3,388 | 530 | (901) | 3,017 | 2,738 | 20% |
| Computers | 12,586 | 2,126 | – | 14,712 | 10,837 | 1,428 | – | 12,265 | 2,447 | 33.33% |
| Vehicles | 14,015 | 11,395 | (7,916) | 17,494 | 7,969 | 3,265 | (6,178) | 5,056 | 12,438 | 25% |
| Mobile phones | 427 | 119 | (105) | 441 | 305 | 126 | (105) | 326 | 115 | 50% |
| | 87,929 | 16,200 | (8,922) | 95,207 | 57,057 | 15,263 | (7,184) | 65,136 | 30,071 | |

(Rupees in '000)

| | December 31, 2014 | | | | | | | | | |
|-----------------------|------------------------|-----------|-----------|-------------------------|------------------------|---------------------|-----------|------------------------------------|----------------------|-------------------------|
| | Cost | | | Depreciation | | | | Book value as at December 31, 2014 | Rate of depreciation | |
| | As at January 01, 2014 | Additions | Disposals | As at December 31, 2014 | As at January 01, 2014 | Charge for the year | Disposals | | | As at December 31, 2014 |
| Owned | | | | | | | | | | |
| Leasehold improvement | 42,321 | 143 | – | 42,464 | 15,137 | 8,479 | – | 23,616 | 18,848 | 20% |
| Furniture and fixture | 13,639 | 364 | – | 14,003 | 9,414 | 1,528 | – | 10,942 | 3,061 | 20% |
| Office equipment | 3,970 | 464 | – | 4,434 | 3,034 | 354 | – | 3,388 | 1,046 | 20% |
| Computers | 13,245 | 836 | (1,495) | 12,586 | 10,747 | 1,585 | (1,495) | 10,837 | 1,749 | 33.33% |
| Vehicles | 12,457 | 1,558 | – | 14,015 | 5,279 | 2,690 | – | 7,969 | 6,046 | 25% |
| Mobile phones | 300 | 157 | (30) | 427 | 221 | 103 | (19) | 305 | 122 | 50% |
| | 85,932 | 3,522 | (1,525) | 87,929 | 43,832 | 14,739 | (1,514) | 57,057 | 30,872 | |

9.1.1 Property and equipment having cost of Rs.25.595 million (2014: Rs.24.720 million) are fully depreciated.

9.1.2 Details of disposal of fixed assets

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 |
|-----------------------|--------------|----------------|---------------|------------|------------------|-----------------------------------|
| Vehicle | | | | | | |
| Mercedes | 7,875 | 1,734 | 1,734 | – | Company policy | Ms. Ayesha Aziz, MD related party |
| Motor cycle | 41 | 4 | 19 | 15 | Balloting | Mr. Farhan - related party |
| Office equipment | 901 | – | 90 | 90 | Quotation | Ghosi Airconditioning |
| Mobile phones | 105 | – | 1 | 1 | As per policy | Company employees |
| 2015 | 8,922 | 1,738 | 1,844 | 106 | | |
| 2014 | 1,525 | 11 | 141 | 130 | | |

9.2 Intangible assets

(Rupees in '000)

| | December 31, 2015 | | | | | | | |
|----------|------------------------|-----------|-------------------------|------------------------|---------------------|-------------------------|------------------------------------|----------------------|
| | COST | | | AMORTIZATION | | | Book value as at December 31, 2015 | Rate of Amortization |
| | As at January 01, 2015 | Additions | As at December 31, 2015 | As at January 01, 2015 | Charge for the year | As at December 31, 2015 | | |
| Software | 12,275 | 860 | 13,135 | 10,829 | 1,030 | 11,859 | 1,276 | 33.33% |

| | December 31, 2014 | | | | | | | |
|----------|------------------------|-----------|-------------------------|------------------------|---------------------|-------------------------|------------------------------------|----------------------|
| | COST | | | AMORTIZATION | | | Book value as at December 31, 2014 | Rate of Amortization |
| | As at January 01, 2014 | Additions | As at December 31, 2014 | As at January 01, 2014 | Charge for the year | As at December 31, 2014 | | |
| Software | 12,132 | 143 | 12,275 | 9,596 | 1,233 | 10,829 | 1,446 | 33.33% |

December 31 December 31

Note **2015** **2014**

(Rupees in '000)

10. OTHER ASSETS

| | | |
|---|-----------|-----------|
| Income / mark-up accrued in local currency | 425,829 | 513,757 |
| Advances, deposits and other prepayments | 104,838 | 117,237 |
| Advance tax (payments less provisions) | 186,946 | 271,474 |
| Dividend receivable | 1,125 | 250 |
| Receivable from Primus Investment Management Limited (subsidiary company) | 2,335 | 1,597 |
| Unrealized gain on forward contracts | 7,915 | – |
| Pre IPO Investment in Awwal Modaraba (a related party) | 10.1 | 650,000 |
| Receivable from Awwal Modaraba (a related party) | 12,192 | – |
| Receivable from Awwal Modaraba Management Limited (subsidiary company) | 4,907 | 964 |
| Receivable against sale of shares | 7,484 | 180,680 |
| | 1,403,570 | 1,085,959 |
| Less: Provision held against advances, deposits and other prepayments | 10.2 | (50,000) |
| Other assets (net of provisions) | 1,353,570 | 1,035,959 |

- 10.1** This represents Pre- IPO investment made by the Company in Awwal Modaraba (a related party) which was launched on January 04, 2016. The Company is entitled to receive 65,000,000 certificates having a par value of Rs.10 each.
- 10.2** This represents Rs.50 million (2014: Rs.50 million) advance against Pre-IPO placement of Term Finance Certificates of Dewan Cement Limited and are fully provided.

| | December 31 | December 31 |
|--|-------------|-------------|
| | Note | 2015 |

11. BORROWINGS

| | 2015 | 2014 |
|------------------|------------|------------|
| In Pakistan | 14,543,592 | 18,089,905 |
| Outside Pakistan | - | - |
| | 14,543,592 | 18,089,905 |

11.1 Particulars of borrowings with respect to currencies

| | | |
|-----------------------|------------|------------|
| In local currency | 14,543,592 | 18,089,905 |
| In foreign currencies | - | - |
| | 14,543,592 | 18,089,905 |

11.2 Details of borrowings secured / unsecured

Secured

| | | | |
|--|------|-----------|------------|
| Borrowing from SBP under LTFF Scheme | | | |
| - Long Term Finance Facility (LTFF) scheme | 11.3 | 910,491 | 1,248,827 |
| - Power Plants Using Renewable Energy (PPRE) scheme | | 172,582 | 45,000 |
| - Finance for Storage of Agriculture Produce (FSAP) scheme | | 17,672 | - |
| Repurchase agreement borrowings (Repo) | 11.4 | 5,162,632 | 13,944,322 |
| Borrowing from Banks | 11.5 | 2,250,000 | 750,000 |
| | | 8,513,377 | 15,988,149 |

Unsecured

| | | | |
|----------------------|------|------------|------------|
| Letters of placement | 11.6 | 6,030,215 | 2,101,756 |
| | | 14,543,592 | 18,089,905 |

- 11.3** 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 from 2.00% to 8.60% per annum (2014: 6.00% to 9.70% per annum). This is repayable within 5 years (2014: 5 years).
- 11.4** These represent borrowings from various financial institutions at mark-up rate ranging from 6.00% to 6.50% per annum (2014: 9.50% to 10.00% per annum), maturing within 1 month. Market Treasury Bills and Pakistan Investment Bonds amounting to Rs. 5,289 million (2014: Rs.13,834 million) have been given as collateral against these borrowings (see note 7).
- 11.5** These represent borrowings secured against hypothecation of receivables and floating charge over term finance certificates. These carry mark-up at rate ranges from 6.90% to 7.09% per annum (2014: 10.61% per annum) and are repayable within 3 years (2014: 2 years).
- 11.6** These carry mark-up at rate ranging from 6.25% to 7.25% per annum (2014: 9.50% to 10.50% per annum) and are repayable within 3 months (2014: 3 months).

| | December 31 | December 31 |
|--|-------------|-------------|
| | Note | 2015 |

12. DEPOSITS AND OTHER ACCOUNTS

Customers

| | | | |
|--|------|-----------|-----------|
| Certificates of investment- remunerative | 12.1 | 4,218,289 | 5,164,230 |
|--|------|-----------|-----------|

- 12.1** These carry mark-up at rates ranging from 6.00% to 7.40% per annum (2014: 7.25% to 10.25% per annum) and are repayable within 1 month to 11 months (2014: 1 month to 10 months).

12.2 Particulars of deposits

| | | |
|-----------------------|-----------|-----------|
| In local currency | 4,218,289 | 5,164,230 |
| In foreign currencies | - | - |
| | 4,218,289 | 5,164,230 |

13. DEFERRED TAX ASSETS - NET

Taxable temporary differences

| | | |
|---|--------|--------|
| Surplus on revaluation of securities - net | 12,881 | 81,016 |
| Amortisation of discount on investments | 16,401 | 71,362 |
| Net investment in finance lease | 38,930 | 64,004 |
| Difference between accounting book value of fixed assets and tax base | 894 | - |

Deductible temporary differences

| | | |
|---|----------|----------|
| Provision for diminution in the value of investments | (55,132) | (54,524) |
| Provision against other assets | (16,000) | (16,500) |
| Provision for bonus | (11,672) | (9,900) |
| Provision against non-performing loans and advances | (50,039) | (945) |
| Difference between accounting book value of fixed assets and tax base | - | (919) |
| Remeasurements of defined benefit plan | (1,208) | (673) |
| | (64,945) | 132,921 |

13.1 Movement in temporary differences during the year

| (Rupees in '000) | | | | | | | |
|---|--------------------------------|---------------------------------------|---|---------------------------------|---------------------------------------|---|---------------------------------|
| | Balance as at January 01, 2014 | Recognised in profit and loss account | Recognised in OCI or surplus/(deficit) in revaluation of assets | Balance as at December 31, 2014 | Recognised in profit and loss account | Recognised in OCI or surplus/(deficit) in revaluation of assets | Balance as at December 31, 2015 |
| Taxable temporary differences | | | | | | | |
| Surplus on revaluation of securities - net | - | - | 81,016 | 81,016 | - | (68,135) | 12,881 |
| Amortisation of discount on investments | 40,531 | 30,831 | - | 71,362 | (54,961) | - | 16,401 |
| Net investment in finance lease | 66,516 | (2,512) | - | 64,004 | (25,074) | - | 38,930 |
| Difference between accounting book value of fixed assets and tax base | 4,543 | (4,543) | - | - | 894 | - | 894 |
| Deductible temporary differences | | | | | | | |
| Provision for diminution in the value of investments | (60,939) | 6,415 | - | (54,524) | (608) | - | (55,132) |
| Provision against other assets | (17,000) | 500 | - | (16,500) | 500 | - | (16,000) |
| Provision for bonus | (10,200) | 300 | - | (9,900) | (1,772) | - | (11,672) |
| Provision against non-performing loans and advances | (975) | 30 | - | (945) | (49,094) | - | (50,039) |
| Difference between accounting book value of fixed assets and tax base | - | (919) | - | (919) | 919 | - | - |
| Remeasurements of defined benefit plan | - | - | (673) | (673) | - | (535) | (1,208) |
| | 22,476 | 30,102 | 80,343 | 132,921 | (129,196) | (68,670) | (64,945) |

| | December 31 | December 31 | |
|------------------|-------------|-------------|------|
| | Note | 2015 | 2014 |
| (Rupees in '000) | | | |

14. OTHER LIABILITIES

| | | | |
|---|------|---------|---------|
| Mark-up / return / interest payable in local currency | | 106,368 | 125,886 |
| Accrued expenses | | 37,712 | 33,183 |
| Brokerage commission payable | | 2,341 | 2,540 |
| Unearned commission | | 11,814 | 9,924 |
| Security deposit against advances | | 500,580 | 196,198 |
| Payable to defined benefit plan | 27.1 | 1,673 | 2,039 |
| Others | | 8,532 | 4,640 |
| | | 669,020 | 374,410 |

15. SHARE CAPITAL

15.1 Authorised Capital

| 2015 | | 2014 | |
|------------------|-------------|-------------------------------|-----------|
| Number of shares | | (Rupees in '000) | |
| 600,000,000 | 600,000,000 | Ordinary shares of Rs.10 each | 6,000,000 |
| | | | 6,000,000 |

15.2 Issued, subscribed and paid-up

| | | | | |
|-------------|-------------|------------------------------------|-----------|-----------|
| 600,000,000 | 600,000,000 | Ordinary shares fully paid in cash | 6,000,000 | 6,000,000 |
|-------------|-------------|------------------------------------|-----------|-----------|

15.3 The Ministry of Finance and Secretary Economic Affairs Division, Government of Pakistan, holds 299,995,999 and 4,001 shares (2014: 299,995,999 and 4,001 shares) respectively on behalf of the Government of Pakistan and remaining 300,000,000 shares (2014: 300,000,000 shares) are held by the Brunei Investment Agency.

| | December 31 | December 31 |
|------------------|-------------|-------------|
| | 2015 | 2014 |
| (Rupees in '000) | | |

16. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF TAX

| 16.1 Surplus / (deficit) on revaluation of available-for-sale securities - net of tax | | |
|---|-----------|----------|
| Market treasury bills | 1,868 | 8,876 |
| Pakistan Investment Bonds | 98,442 | 253,852 |
| Listed securities | | |
| - Term finance certificates | (506) | (4,585) |
| - Units of open-ended mutual funds | 199 | 122 |
| - Units of closed-end mutual funds | - | 6,920 |
| - Ordinary shares of listed companies | (127,243) | (33,490) |
| | (27,240) | 231,695 |
| Deferred tax liability recognised | (12,881) | (81,016) |
| | (40,121) | 150,679 |

17. CONTINGENCIES AND COMMITMENTS

17.1 Transaction related contingent liability

| | | |
|-------------------|---------|---------|
| Letters of credit | 849,964 | 745,642 |
|-------------------|---------|---------|

17.2 In the year 2009, Burj Bank Limited (formerly Dawood Islamic Bank 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. Legal advisors of the Company are of the opinion that the possibility of the Company being subject to any liability in relation to the suit is negligible.

17.3 Tax contingencies have been discussed in note 23.2 to these unconsolidated financial statements.

| | December 31 | December 31 |
|------------------|-------------|-------------|
| | 2015 | 2014 |
| (Rupees in '000) | | |

| | | |
|--|-----------|------------|
| 17.4 Commitments in respect of purchase of government securities | - | 1,106,995 |
| 17.5 Commitments to extend credit | 3,468,396 | 2,350,945 |
| 17.6 Commitments in respect of sale of government securities | 5,183,360 | 13,952,913 |
| sale of shares | 169,891 | - |
| purchase of Modaraba certificates | 250,000 | - |

December 31 December 31

2015 **2014**

(Rupees in '000)

18. MARK-UP / RETURN / INTEREST EARNED

| | 2015 | 2014 |
|---|------------------|------------------|
| On loans and advances to: | | |
| Customers | 707,018 | 793,836 |
| Financial institutions | 1,662 | 7,783 |
| On investments in: | | |
| Available-for-sale securities | 1,076,916 | 1,670,296 |
| Held to maturity securities | 9,664 | – |
| Held-for-trading securities | 11,246 | 1,156 |
| On deposits with financial institutions | 5,288 | 6,881 |
| On securities purchased under resale agreements | 11,140 | 7,877 |
| Finance income on deferred sale of assets acquired on satisfaction of claims - non-banking assets | 8,693 | 15,534 |
| | 1,831,627 | 2,503,363 |

19. MARK-UP / RETURN / INTEREST EXPENSED

| | 2015 | 2014 |
|---|------------------|------------------|
| Securities sold under repurchase agreements | 397,527 | 1,026,676 |
| Short-term borrowings | 173,340 | 411,218 |
| Deposits | 482,779 | 376,277 |
| Long-term borrowings | 224,969 | 221,591 |
| | 1,278,615 | 2,035,762 |

20. GAIN ON SALE OF SECURITIES - NET

| | 2015 | 2014 |
|--------------------------------------|------------------|----------------|
| Federal Government Securities | | |
| - Market Treasury Bills | 43,899 | 17,392 |
| - Pakistan Investment Bonds | 513,903 | 116,874 |
| | 557,802 | 134,266 |
| Units of mutual funds - associates | 364,147 | 321,084 |
| Units of mutual funds - others | 7,209 | – |
| Ordinary shares of listed companies | 127,447 | 122,470 |
| Preference shares | 5,900 | – |
| Term finance certificates | 2,132 | 3,948 |
| | 1,064,637 | 581,768 |

21. OTHER INCOME

| | 2015 | 2014 |
|--|--------------|---------------|
| Income on forward contracts | 7,915 | 13,840 |
| Rent income | – | 2,310 |
| Gain on sale of property and equipment | 106 | 129 |
| Other income | 36 | – |
| | 8,057 | 16,279 |

December 31 December 31

Note **2015** **2014**

(Rupees in '000)

22. ADMINISTRATIVE EXPENSES

| | Note | 2015 | 2014 |
|--|--------|----------------|----------------|
| Salaries and allowances | | 157,473 | 130,104 |
| Charge for defined benefit plan | 27.1.2 | 5,026 | 24,887 |
| Contribution to defined contribution plan | 27.2 | 6,592 | 5,732 |
| Non-executive directors' fees, allowances and other expenses | | 3,861 | 2,557 |
| Rent, taxes, insurance, electricity, etc. | | 26,483 | 22,214 |
| Legal and professional charges | | 8,968 | 5,588 |
| Travelling and accommodation | | 9,052 | 4,608 |
| Communications | | 2,602 | 2,578 |
| Repairs and maintenance | | 7,080 | 8,374 |
| Brokerage commission | | 24,137 | 12,596 |
| Stationery and printing | | 1,536 | 3,133 |
| Advertisement and publicity | | 785 | 1,296 |
| Donation | | – | 1,000 |
| Auditors' remuneration | 22.1 | 2,317 | 1,906 |
| Depreciation | 9.1 | 15,264 | 14,739 |
| Amortisation | 9.2 | 1,030 | 1,233 |
| Vehicle running expenses | | 22,830 | 22,750 |
| Medical expense | | 3,052 | 2,517 |
| Fee and subscription | | 868 | 813 |
| Bank charges | | 774 | 855 |
| Others | | 4,728 | 2,647 |
| | | 304,458 | 272,127 |

22.1 Auditors' remuneration

| | 2015 | 2014 |
|---|--------------|--------------|
| Audit fee | 675 | 500 |
| Half yearly review fee | 250 | 200 |
| Special certifications and other services | 1,125 | 1,085 |
| Out-of-pocket expenses | 267 | 121 |
| | 2,317 | 1,906 |

23. TAXATION

| | 2015 | 2014 |
|-------------|----------------|----------------|
| Current | 468,214 | 185,933 |
| Prior years | 23,782 | (14,750) |
| Deferred | (129,196) | 30,102 |
| | 362,800 | 201,285 |

December 31 December 31

2015 **2014**

(Rupees in '000)

23.1 Relationship between tax expense and accounting profit

| | | |
|--|----------------|----------------|
| Accounting profit before tax | 1,299,733 | 1,106,152 |
| Tax rate | 32% | 33% |
| Tax on accounting profit | 415,914 | 365,030 |
| Tax effect of: | | |
| Income chargeable to tax at special rate | (50,219) | (221,589) |
| Income exempt from tax | (5,312) | – |
| Permanent differences | (17,259) | 74,554 |
| Prior year charge | 23,782 | (14,750) |
| Others | (4,106) | (1,960) |
| | 362,800 | 201,285 |

23.2 Commencing from the tax year 2008 up to tax year 2013, the assessment orders filed by the Company have been revised and tax demands have been raised to the tune of Rs.319.633 million against which an aggregate amount of Rs.93.871 million has been paid. 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 Honorable Sindh High Court.

December 31 December 31

2015 **2014**

24. EARNINGS PER SHARE - BASIC AND DILUTED

| | | | |
|--|-----------------|---------|---------|
| Profit for the year | Rupees in '000 | 936,933 | 904,867 |
| Weighted average number of ordinary shares | Numbers in '000 | 600,000 | 600,000 |
| Basic earnings per share | Rupees | 1.56 | 1.51 |

24.1 There were no convertible dilutive potential ordinary shares outstanding as on December 31, 2015 and 2014.

December 31 December 31

2015 **2014**

(Rupees in '000)

25. CASH AND CASH EQUIVALENTS

| | | |
|---------------------------------------|----------------|----------------|
| Cash and balances with treasury banks | 102,301 | 123,151 |
| Balances with other banks | 474,913 | 76,759 |
| | 577,214 | 199,910 |

26. STAFF STRENGTH

(Numbers)

| | | |
|----------------------------------|-----------|-----------|
| Permanent | 48 | 47 |
| Temporary / on contractual basis | 32 | 30 |
| | 80 | 77 |

December 31 December 31

Note **2015** **2014**

(Rupees in '000)

27. STAFF RETIREMENT BENEFITS

27.1 Defined benefit plan

27.1.1 Net defined benefit plan's liability

| | | |
|--|--------------|----------------|
| Present value of defined benefit obligations | 37,879 | 26,938 |
| Fair value of plan assets | (36,206) | (24,899) |
| | 1,673 | (2,039) |

27.1.2 Movement in defined benefit plan's liability

| | | |
|--|--------------|--------------|
| As at January 01 | 2,039 | – |
| Charge recognised in profit and loss account | | |
| Present value of defined benefit plan at the inception of fund | – | 22,688 |
| Current service cost | 5,198 | 2,199 |
| | 22 | 5,198 |
| Remeasurements recognised in other comprehensive income | | |
| Return on plan assets excluding net interest income | – | 1,631 |
| Actuarial loss / (gain) arising from changes in | | |
| - demographic assumptions | – | (1,748) |
| - experience assumptions | 1,673 | 2,156 |
| | 1,673 | 2,039 |
| Contributions by the Company | (7,237) | (24,887) |
| | 1,673 | 2,039 |

27.1.3 Movement in present value of defined benefit obligations

| | | |
|--|---------------|---------------|
| As at January 01 | 26,938 | – |
| Present value of defined benefit plan at the inception of fund | – | 22,688 |
| Current service cost | 4,980 | 2,199 |
| Interest cost | 3,226 | 1,643 |
| Actuarial loss / (gain) arising from changes in | | |
| - demographic assumptions | – | (1,748) |
| - experience assumptions | 2,735 | 2,156 |
| | 37,879 | 26,938 |

27.1.4 Movement in fair value of plan assets

| | | |
|--|---------------|---------------|
| As at January 01 | 24,899 | – |
| Contributions by the Company | 7,237 | 24,887 |
| Interest income | 3,008 | 12 |
| Re-measurement: Actuarial gain / (loss) on plan assets | 1,062 | – |
| | 36,206 | 24,899 |

27.1.5 Break-up of plan assets

| | | |
|----------------------------|---------------|---------------|
| Cash and bank balances | 57 | 24,899 |
| Investment in Mutual funds | 9,070 | – |
| Pakistan Investment Bonds | 27,078 | – |
| | 36,205 | 24,899 |

| | December 31 2015 | December 31 2014 |
|--|---------------------|---------------------|
| | (Rupees in '000) | |

27.1.6 Significant actuarial assumptions

| Financial assumptions | | |
|--|---|---|
| Discount rate | 10.00% | 11.25% |
| Long-term salary increase rate | 10.00% | 10.25% |
| Demographic assumptions | | |
| Mortality rates (for death in service) | SLIC (2001-2005) rated down 1 year | SLIC (2001-2005) rated down 1 year |
| Rates of employee turnover | Moderate | Moderate |

27.1.7 Sensitivity analysis on significant financial assumptions

A sensitivity analysis for each significant financial assumption as of the balance sheet date, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date, is as follows:

| | December 31, 2015 | | December 31, 2014 | |
|--------------------------------|-------------------|----------|-------------------|----------|
| | + 1% | - 1% | + 1% | - 1% |
| Discount rate | (33,976) | 42,453 | (24,116) | 30,247 |
| Long-term salary increase rate | 42,601 | (33,789) | 30,247 | (24,068) |

| | December 31 2015 | December 31 2014 |
|--|---------------------|---------------------|
| | (Rupees in '000) | |

27.1.8 Maturity profile of the defined benefit obligation

| | | |
|---|-------|-------|
| Weighted average duration (number of years) | 11.12 | 11.38 |
| The retirement will at most continue (year) | 2,034 | 2,034 |

27.1.9 The Company expects to contribute Rs.6.4 million (2014: Rs.5.2 million) to the defined benefit plan for the next year.

27.1.10 Description of risks

The defined benefit plans expose the Company to the following risks:

Withdrawal risks - 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.

Mortality risks - The risk that the actual mortality experience is different. Similar to the withdrawal risk, the effect depends on the beneficiaries' service / age distribution and the benefit.

Investment risks - The risk of the investment underperformance and being not sufficient to meet the liabilities.

Final salary risks - The risk that the final salary at the time of cessation of service is greater than what was assumed.

27.2 Defined Contribution Plan

The Company operates a provident fund scheme for all its permanent employees. Equal monthly contribution at the rate of 10.00% per annum (2014: 10.00% per annum) is made both by the Company (employer) and employees. Contributions made to the provident fund during the year are as follows:

| | December 31 2015 | December 31 2014 |
|----------------------------------|---------------------|---------------------|
| | (Rupees in '000) | |
| Contribution made by the Company | 6,592 | 5,732 |
| Contribution made by employees | 6,592 | 5,732 |
| | 13,184 | 11,464 |

27.2.1 Information related to the provident fund

| | | |
|--------------------------------|--------|--------|
| Size of the fund | 75,934 | 59,558 |
| Cost of investments made | 71,700 | 57,695 |
| Percentage of investments made | 96.46% | 99.10% |
| Fair value of investments | 73,245 | 59,022 |

27.2.2 Break-up of investments at fair value

| | December 31, 2015 | | December 31, 2014 | |
|--------------------------|-----------------------------|------------------------------|-----------------------------|------------------------------|
| | Fair value (Rs. in '000) | % of the size of the fund | Fair value (Rs. in '000) | % of the size of the fund |
| Government Securities | 58,935 | 77.61% | 47,408 | 79.60% |
| Quoted shares | 5,473 | 7.21% | 5,736 | 9.63% |
| Term Finance Certificate | 4,752 | 6.26% | 4,620 | 7.76% |
| Mutual Funds | 1,192 | 1.57% | 1,258 | 2.11% |
| Commercial Paper | 2,893 | 3.81% | — | 0.00% |
| | 73,245 | 96.46% | 59,022 | 99.10% |

The financial year end of provident fund is June 30 and, accordingly, the above information is based on the unaudited financial statement of the provident fund.

Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

28. COMPENSATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVE

| | (Rupees in '000) | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | Chief Executive | | Directors | | Executives | |
| | December 31, 2015 | December 31, 2014 | December 31, 2015 | December 31, 2014 | December 31, 2015 | December 31, 2014 |
| Fee for attending meetings | — | — | 3,111 | 2,557 | — | — |
| Managerial remuneration | 29,622 | 26,350 | — | — | 120,551 | 94,629 |
| Charge for defined benefit plan | 1,102 | 6,357 | — | — | 3,880 | 16,604 |
| Contribution to defined contribution plan | 1,310 | 1,256 | — | — | 5,060 | 4,277 |
| Utilities | 427 | 437 | — | — | 6,730 | 7,885 |
| Medical | 321 | 319 | — | — | 2,610 | 2,018 |
| Travelling allowance | 357 | 431 | — | — | 511 | 512 |
| | 33,139 | 35,150 | 3,111 | 2,557 | 139,342 | 125,925 |
| Number of persons | 1 | 1 | 3 | 3 | 46 | 37 |

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

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

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

All quoted investments have been stated at their market values as disclosed in note 7. All un-quoted investments have been stated at lower of cost or break up value, being their estimated fair values.

Fair value of loans and advances, other assets (excluding properties acquired in satisfaction of claims as disclosed in note 10.1) 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 4.21.2.

The maturity and re-pricing profile and effective rates are stated in notes 34.3.1 and 34.2.4 respectively.

Fair value of these assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of deposits, they 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, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices 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.

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

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

| (Rupees in '000) | | | | |
|--------------------------------------|---------|-----------|---------|------------|
| December 31, 2015 | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Asset measured at fair value | | | | |
| Held-for-trading | | | | |
| Ordinary shares of listed companies | 160,881 | – | – | 160,881 |
| Available-for-sale securities | | | | |
| Market Treasury Bills | – | 1,219,870 | – | 1,219,870 |
| Pakistan Investment Bonds | – | 5,785,044 | – | 5,785,044 |
| Ordinary shares of listed companies | 692,306 | – | – | 692,306 |
| Units of mutual funds | – | 1,200 | – | 1,200 |
| Term Finance Certificates and Sukuks | – | 2,261,955 | – | 2,261,955 |
| | 692,306 | 9,268,069 | – | 9,960,375 |
| | 853,187 | 9,268,069 | – | 10,121,256 |

(Rupees in '000)

| December 31, 2014 | | | | |
|--------------------------------------|---------|------------|---------|------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Asset measured at fair value | | | | |
| Held-for-trading | | | | |
| Pakistan Investment Bonds | – | 31,658 | – | 31,658 |
| Available-for-sale securities | | | | |
| Market Treasury Bills | – | 9,369,947 | – | 9,369,947 |
| Pakistan Investment Bonds | – | 6,273,365 | – | 6,273,365 |
| Ordinary shares of listed companies | 569,501 | – | – | 569,501 |
| Units of mutual funds | – | 29,668 | – | 29,668 |
| Term Finance Certificates and Sukuks | – | 2,584,197 | – | 2,584,197 |
| | 569,501 | 18,257,177 | – | 18,826,678 |
| | 569,501 | 18,288,835 | – | 18,858,336 |

30. 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 |
| 2015 | | | |
| Total income | 19,312 | 2,369,414 | 673,259 |
| Total expenses | 9,984 | 1,250,678 | 501,590 |
| Net income | 9,328 | 1,118,736 | 171,669 |
| Segment assets (gross) | – | 18,990,792 | 10,538,352 |
| Segment non performing loans | – | – | 311,707 |
| Investment provided for | – | 337,888 | – |
| Segment provision required * | – | 258,762 | 155,854 |
| Segment liabilities | – | 12,496,407 | 6,934,494 |
| Segment return on assets (ROA) (%) | – | 4.94% | 1.97% |
| Segment return on net assets (ROA) (%) | – | 18.75% | 4.97% |
| Segment cost of funds (%) | – | 7.96% | 7.96% |
| 2014 | | | |
| Total income | 53,088 | 2,650,218 | 707,190 |
| Total expenses | 35,926 | 1,789,837 | 478,581 |
| Net income | 17,162 | 860,381 | 228,609 |
| Segment assets (gross) | – | 26,275,168 | 6,868,445 |
| Segment non performing loans | – | 2,537 | – |
| Investment provided for | – | 331,485 | – |
| Segment provision required * | – | 242,841 | – |
| Segment liabilities | – | 18,837,595 | 4,923,871 |
| Segment return on assets (ROA) (%) | – | 3.12% | 3.34% |
| Segment return on net assets (ROA) (%) | – | 12.83% | 13.04% |
| Segment cost of funds (%) | – | 9.61% | 9.61% |

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

31. TRUST ACTIVITIES

The Company has assumed the role of Trustee to certain issues of Term Finance Certificates (TFCs) / Sukuk and is holding the trust properties in fiduciary capacity on behalf of the relevant beneficiaries. In this behalf, the Company is fulfilling 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.

The Company is acting as trustee to various Debt Instruments (Term Finance Certificates, Commercial Papers and Sukuk) issued by Agritech Limited, Al-Baraka Bank (Pakistan) Limited, Al-Razi Healthcare, Askari Bank Limited, Azgard Nine Limited, Bank Alfalah Limited, Bank Al-Habib Limited, Engro Fertilizer Limited, Faysal Bank Limited, Habib Bank Ltd., Independent Media Corporation (Private) Limited, Jahangir Siddiqui & Co. Limited, K-Electric Limited, Maple Leaf Cement Factory Limited, NIB Bank Limited, Pak Elektron Ltd., Pak Water & Power Development Authority (WAPDA) and WAPDA Third Sukuk Company Limited, Pakistan International Airline Corporation, Sindh Nooriabad Power Company (Phase-I and Phase-II) and Soneri Bank Ltd. The combined value of the debt securities as at December 31, 2015 amounted to Rs.140,956 million (2014: Rs.72,077 million).

32. RELATED PARTY TRANSACTIONS

The Company has related party relationship with:

- subsidiary companies (Primus Investment Management Limited and Awwal Modaraba Management Limited);
- associates (collective investment schemes managed by Primus Investment Management Limited);
- its employee defined benefit plan contribution plan;
- its key management personnel; and
- other related parties include Maple Leaf Cement Factory Limited, Omer Jibran Engineering Industries Ltd., Nimir Industrial Chemicals Limited and Haq Bahu Sugar Mills (Pvt) Limited due to common directorship.

Details of loans and advances to the executives are given in note 8.6 to these unconsolidated financial statements. There are no transactions with key management personnel other than under their terms of employment. Contribution to approved defined contribution plan are disclosed in note 27.2 to these unconsolidated financial statements. Remuneration to the executives is disclosed in note 28 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. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these unconsolidated financial statements, are as follows:

(Rupees in '000)

| | 2015 | | | | | 2014 | | | | |
|-------------------------------------|--------------------------|---------------------------|-----------------------|--------------|-------------|--------------------------|---------------------------|-----------------------|--------------|-------------|
| | Key management personnel | State controlled entities | Other related parties | Subsidiaries | Associates | Key management personnel | State controlled entities | Other related parties | Subsidiaries | Associates |
| Advances | | | | | | | | | | |
| As at January 01 | 41,922 | 160,825 | 566,259 | - | - | 29,194 | 127,852 | 423,829 | - | - |
| Disbursement during the year | 20,979 | 9,514 | 105,981 | - | - | 17,385 | 66,982 | 297,918 | - | - |
| Transfer from other related parties | 6,991 | - | (6,991) | - | - | - | - | - | - | - |
| Repaid during the year | (8,248) | (116,873) | (125,017) | - | - | (4,657) | (34,009) | (155,488) | - | - |
| | 61,644 | 53,466 | 540,232 | - | - | 41,922 | 160,825 | 566,259 | - | - |
| Borrowings | | | | | | | | | | |
| As at January 01 | - | 15,880,124 | - | - | 690,000 | - | 13,263,851 | - | - | 575,000 |
| Received during the year | - | 207,469,362 | - | - | 2,645,000 | - | 460,721,602 | - | - | 7,430,000 |
| Repaid during the year | - | (216,743,668) | - | - | (2,705,000) | - | (458,105,329) | - | - | (7,315,000) |
| | - | 6,605,818 | - | - | 630,000 | - | 15,880,124 | - | - | 690,000 |
| Placements | | | | | | | | | | |
| As at January 01 | - | - | - | - | - | - | - | - | - | - |
| Placements made during the year | - | 19,307,119 | - | - | - | - | 2,613,974 | - | - | - |
| Placements matured during the year | - | (19,307,119) | - | - | - | - | (2,613,974) | - | - | - |
| | - | - | - | - | - | - | - | - | - | - |

(Rupees in '000)

| | Note | 2015 | | | | 2014 | | | | | |
|--|------|--------------------------|---------------------------|-----------------------|--------------|--------------|--------------------------|---------------------------|-----------------------|--------------|--------------|
| | | Key management personnel | State controlled entities | Other related parties | Subsidiaries | Associates | Key management personnel | State controlled entities | Other related parties | Subsidiaries | Associates |
| Investments | | | | | | | | | | | |
| As at January 01 | | - | 15,508,620 | 338,989 | 355,000 | 4,704,764 | - | 29,676 | 94,994 | 250,000 | 5,601,811 |
| Investments / additions made during the year | | - | 44,042,066 | 734,186 | - | 25,384,045 | - | 74,493,435 | 723,034 | 105,000 | 12,140,665 |
| Redemption during the year | | - | (52,487,121) | (885,866) | - | (24,092,536) | - | (59,014,491) | (479,039) | - | (13,037,712) |
| | | - | 7,063,565 | 187,309 | 355,000 | 5,996,273 | - | 15,508,620 | 338,989 | 355,000 | 4,704,764 |
| Mark-up / return / interest earned | | 2,056 | 812,379 | 52,339 | - | - | 1,039 | 1,860,215 | 120,518 | - | - |
| Mark-up / return / interest expensed | | - | 286,395 | - | - | 37,184 | - | 586,785 | - | - | 60,986 |
| Gain on sale of securities - net | | - | 546,724 | 35,097 | - | 364,147 | - | 136,436 | 26,269 | - | 321,111 |
| Dividend income | | - | 11,229 | 1,999 | - | 87,543 | - | 12,403 | - | 25,000 | 186,667 |
| Salaries and other benefits | | 92,570 | - | - | - | - | 73,227 | - | - | - | - |
| Processing fee | | - | - | (16,179) | - | - | - | - | 10,432 | - | - |
| Reimbursement of expenses | | 4,956 | - | - | - | - | 4,946 | - | - | - | - |
| Expenses charged to the subsidiary companies | 32.1 | - | - | - | - | 26,279 | - | - | - | - | 6,843 |

32.1 The transactions with related parties during the year include costs (administrative expenses) charged by the Company under the cost sharing agreement entered into between the Company and its Subsidiaries, Primus Investment Management Limited and Awwal Modaraba Management Limited.

33. CAPITAL ASSESSMENT AND ADEQUACY

33.1 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 unappropriated 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.

33.2 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 two fully owned subsidiaries namely Primus Investment Management Limited and Awwal Modaraba Management Limited. Both subsidiaries are consolidated as per International Financial Reporting Standards (IFRS).

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

| | December 31 | December 31 |
|---|--------------------|-------------|
| Note | 2015 | 2014 |
| (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 | 1,065,388 | 878,000 |
| Gain / (losses) on derivatives held as cash flow hedge | - | - |
| Unappropriated / unremitted profits / (losses) | 2,659,034 | 2,110,627 |
| Minority Interests arising from CET1 capital instruments consolidated Company subsidiaries (amount allowed in CET1 capital of the consolidation group) | - | - |
| CET 1 before regulatory adjustments | 9,724,422 | 8,988,627 |
| Total regulatory adjustments applied to CET1 | 33.2.1 (2,427,791) | (1,983,753) |
| Common Equity Tier 1 | a 7,296,631 | 7,004,874 |
| 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 | 33.2.2 - | - |
| Additional Tier 1 capital recognized for capital adequacy | b - | - |
| Tier 1 Capital (CET1 + admissible AT1) | (c=a+b) 7,296,631 | 7,004,874 |
| 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 | 519 | 327 |
| Revaluation reserves | - | - |
| of which: Revaluation reserves on property | - | - |
| of which: Unrealised gains / losses on AFS | - | 84,380 |
| Foreign exchange translation reserves | - | - |
| Undisclosed / other reserves (if any) | - | - |
| T2 before regulatory adjustments | 519 | 84,707 |
| Total regulatory adjustment applied to T2 capital | 33.2.3 (194,913) | (84,707) |
| Tier 2 capital (T2) after regulatory adjustments | - | - |

| | December 31 | December 31 |
|---|----------------------------|-------------|
| Note | 2015 | 2014 |
| (Rupees in '000) | | |
| 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) 7,296,631 | 7,004,874 |
| Total Risk Weighted Assets (RWA) | f 33.2.4 & 33.5 27,591,767 | 20,726,750 |
| Capital ratios and buffers (in percentage of risk weighted assets) | | |
| CET1 to total RWA | (a/f) 26.44% | 33.80% |
| Tier-1 capital to total RWA | (c/f) 26.44% | 33.80% |
| Total capital to RWA | (e/f) 26.44% | 33.80% |
| 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 | 2.50% | 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) | 16.44% | 23.80% |
| National minimum capital requirements prescribed by SBP | | |
| CET1 minimum ratio | 6.00% | 5.50% |
| Tier 1 minimum ratio | 7.50% | 7.00% |
| Total capital minimum ratio | 10.00% | 10.00% |

33.2.1 Common Equity Tier 1 capital: Regulatory adjustments

| | December 31, | Amounts subject to | December 31, |
|---|--------------|-------------------------|--------------|
| | 2015 | Pre-Basel III treatment | 2014 |
| (Rupees in '000) | | | |
| Goodwill (net of related deferred tax liability) | - | - | - |
| All other intangibles (net of any associated deferred tax liability) | 1,602 | - | 1,446 |
| 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 | 40,121 | - | - |
| 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) | 10,976 | 15,939 | 6,310 |
| 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 | 2,375,092 | 129,148 | 1,975,997 |
| Total regulatory adjustments applied to CET1 | 2,427,791 | 145,087 | 1,983,753 |

33.2.2 Additional Tier 1 Capital: regulatory adjustments

| (Rupees in '000) | | | |
|---|----------------------|---|----------------------|
| | December 31, 2015 | Amounts subject to Pre-BaseI III treatment | December 31, 2014 |
| Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment) | 2,073,679 | - | 1,704,514 |
| 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) | - | - | - |
| 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-BaseI III treatment which, during transitional period, remain subject to deduction from tier-1 capital | 106,500 | - | 142,000 |
| Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions | 194,913 | - | 129,483 |
| Total of Regulatory Adjustment applied to AT1 capital | 2,375,092 | - | 1,975,997 |

33.2.3 Tier 2 Capital: regulatory adjustments

| | | | |
|---|----------------|----------------|----------------|
| Portion of deduction applied 50:50 to core capital and supplementary capital based on Pre-BaseI III treatment which, during transitional period, remain subject to deduction from tier-2 capital | 106,500 | - | 142,000 |
| 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) | 88,932 | 129,148 | 72,190 |
| 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 | 195,432 | 129,148 | 214,190 |

| | December 31 2015 | December 31 2014 |
|--|---------------------|---------------------|
| | 2015 | 2014 |

(Rupees in '000)

33.2.4 Additional information

| | | |
|--|-----------|---------|
| Total Risk Weighted Assets subject to pre-BaseI III treatment | | |
| Risk weighted assets in respect of amounts subject to Pre-BaseI III Treatment | 274,235 | 917,499 |
| 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 | 145,087 | 313,999 |
| 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 | - | 603,500 |
| Amounts below the thresholds for deduction (before risk weighting) | | |
| Non-significant investments in the capital of other financial entities | 1,218,039 | 898,706 |
| Significant investments in the common stock of financial entities | 355,000 | 71,000 |
| Deferred tax assets arising from temporary differences (net of related tax liability) | - | - |

December 31 December 31

2015 **2014**

(Rupees in '000)

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 | - | - |

33.3 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, 2015 is 23.15% (2014: 22.51%) . Eligible capital amounts to Rs. 7.297 million and the total exposure for leverage amounts to Rs. 31.520 million.

33.4 Capital Structure Reconciliation

33.4.1 Step 1

December 31, 2015

| | Balance sheet as in published financial statements | Under regulatory scope of consolidation |
|--|--|---|
| | | |

(Rupees in '000)

Assets

| | | |
|---------------------------------------|-------------------|-------------------|
| Cash and balances with treasury banks | 102,301 | 102,301 |
| Balances with other banks | 474,913 | 474,913 |
| Lendings to financial institutions | - | - |
| Investments | 16,850,466 | 16,850,466 |
| Advances | 10,237,341 | 10,237,341 |
| Operating fixed assets | 31,666 | 31,666 |
| Deferred tax assets | 64,945 | 64,945 |
| Other assets | 1,353,570 | 1,353,570 |
| Total assets | 29,115,202 | 29,115,202 |

Liabilities and equity

| | | |
|---|-------------------|-------------------|
| Bills payable | - | - |
| Borrowings | 14,543,592 | 14,543,592 |
| Deposits and other accounts | 4,218,289 | 4,218,289 |
| Sub-ordinated loans | - | - |
| Liabilities against assets subject to finance lease | - | - |
| Deferred tax liabilities | - | - |
| Other liabilities | 669,020 | 669,020 |
| Total liabilities | 19,430,901 | 19,430,901 |

Common Equity Tier 1 capital (CET1): Instruments and reserves

| | | |
|--|------------------|------------------|
| Fully paid-up capital / capital deposited with SBP | 6,000,000 | 6,000,000 |
| Reserves | 1,065,388 | 1,065,388 |
| Unappropriated / unremitted profit / (losses) | 2,659,034 | 2,659,034 |
| Minority interest | - | - |
| Surplus on revaluation of assets | (40,121) | (40,121) |
| Total liabilities and equity | 9,684,301 | 9,684,301 |

33.4.2 Step 2

December 31, 2015

| References | Balance sheet as in published financial statements | Under regulatory scope of consolidation |
|--|--|---|
| (Rupees in '000) | | |
| Assets | | |
| Cash and balances with treasury banks | 102,301 | 102,301 |
| Balance with other banks | 474,913 | 474,913 |
| Lending to financial institutions | – | – |
| Investments | 16,850,466 | 16,850,466 |
| of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold | a 241,812 | 241,812 |
| of which: significant capital investments in financial sector entities exceeding regulatory threshold | b – | – |
| of which: Mutual Funds exceeding regulatory threshold | c 2,073,679 | 2,073,679 |
| of which: Reciprocal cross holdings in CET1 | d – | – |
| of which: Reciprocal cross holdings in Tier2 | d – | – |
| of which: others | e – | – |
| Advances | f 10,237,341 | 10,237,341 |
| shortfall in provisions / excess of total EL amount over eligible provisions under IRB | | |
| general provisions reflected in Tier 2 capital | g 519 | 519 |
| Fixed Assets | h 31,666 | 31,666 |
| of which: Intangibles | i 1,602 | 1,602 |
| Deferred tax assets | – | – |
| of which: DTAs excluding those arising from temporary differences | j 64,945 | – |
| of which: DTAs arising from temporary differences exceeding regulatory threshold | k – | – |
| Other assets | l 1,353,570 | 1,353,570 |
| of which: Goodwill | m – | – |
| of which: Intangibles | m 1,602 | 4,819 |
| of which: Defined-benefit pension fund net assets | – | – |
| Total assets | 29,115,202 | 29,050,257 |
| Liabilities and equity | | |
| Bills payable | – | – |
| Borrowings | 14,543,592 | 14,543,592 |
| Deposits and other accounts | 4,218,289 | 4,218,289 |
| 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 | 669,020 | 669,020 |
| Total liabilities | 19,430,901 | 19,430,901 |

December 31, 2015

| References | 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 | 1,065,388 | 1,065,388 |
| of which: portion eligible for inclusion in CET1: Share premium | v 1,065,388 | 1,065,388 |
| 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 2,659,034 | 2,659,034 |
| 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 (40,121) | (40,121) |
| of which: Revaluation reserves on fixed assets | ac – | – |
| of which: Unrealised gains / losses on AFS | ac (40,121) | (40,121) |
| In case of deficit on revaluation (deduction from CET1) | ad – | – |
| Total liabilities and equity | 29,115,202 | 29,155,323 |

33.4.3 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) | 1,065,388 |
| Gain / (losses) on derivatives held as cash flow hedge | | – |
| Unappropriated/unremitted profits / (losses) | (y) | 2,659,034 |
| 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 | | 9,724,422 |

| | 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) | 1,602 |
| 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) | 40,121 |
| 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) | 10,976 |
| 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 | | 2,375,092 |
| Total regulatory adjustments applied to CET1 (sum of 9 to 25) | | 2,427,791 |
| Common Equity Tier 1 | | 7,296,631 |

| | 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) | 2,073,679 |
| 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 | | 106,500 |
| Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions | | 192,080 |
| Total of regulatory adjustment applied to AT1 capital | | 2,372,259 |
| Additional Tier 1 capital | | – |
| Additional Tier 1 capital recognised for capital adequacy | | – |

| | Source based on reference number from step 2 | Component of regulatory capital reported by Company |
|---|--|---|
| (Rupees in '000) | | |
| Tier 1 capital (CET1 + admissible AT1) | | 7,296,631 |
| 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) | 519 |
| 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 | | 519 |
| 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 | | 106,500 |
| 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) | 88,932 |
| 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 | | 195,432 |
| 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) | | 7,296,631 |

33.5 Main Features of Regulatory Capital Instruments

| Sr. No. | Main Features | Common Shares | Instrument-2 | Explanation |
|-----------------------------|---|---------------|--------------|---|
| 1 | Issuer | 6,000,000 | | Pak Brunei. 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.) | | | NA |
| 3 | Governing law(s) of the instrument | | | Companies Ordinance, 1984, Government of Pakistan |
| Regulatory treatment | | | | |
| 4 | Transitional Basel III rules | | | NA |
| 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) | | | 9,724,422 |
| 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 | | | NA |
| 14 | Issuer call subject to prior supervisory approval | | | No |
| 15 | Optional call date, contingent call dates and redemption amount | | | NA |
| 16 | Subsequent call dates, if applicable Coupons / dividends | | | NA |
| 17 | Fixed or floating dividend / coupon | | | NA |
| 18 | Coupon rate and any related index/ benchmark | | | NA |
| 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) | | | NA |
| 25 | If convertible, fully or partially | | | NA |
| 26 | If convertible, conversion rate | | | NA |
| 27 | If convertible, mandatory or optional conversion | | | NA |
| 28 | If convertible, specify instrument type convertible into | | | NA |
| 29 | If convertible, specify issuer of instrument it converts into | | | NA |
| 30 | Write-down feature | | | No |
| 31 | If write-down, write-down trigger(s) | | | NA |
| 32 | If write-down, full or partial | | | NA |
| 33 | If write-down, permanent or temporary | | | NA |
| 34 | If temporary write-down, description of write-up mechanism | | | NA |
| 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 |

33.6 Risk Weighted Exposures

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, 2015 | December 31, 2014 | December 31, 2015 | December 31, 2014 |
| Credit risk | | | | |
| Portfolios subject to standardised approach (Simple or Comprehensive) | | | | |
| Cash and cash equivalents | – | – | – | – |
| Sovereign | – | – | – | – |
| Public sector entities | 2,668 | 4,999 | 26,681 | 49,985 |
| Banks | 9,498 | 2,641 | 94,983 | 26,408 |
| Corporate | 931,729 | 693,599 | 9,317,294 | 6,935,994 |
| Retail | 1,881 | 1,725 | 18,811 | 17,252 |
| Residential mortgages | 2,903 | 1,978 | 29,026 | 19,777 |
| Past due loans | 18,167 | 3,461 | 181,669 | 34,608 |
| Operating fixed assets | 3,007 | 3,087 | 30,068 | 30,870 |
| Other assets | 95,356 | 55,813 | 953,562 | 558,127 |
| | 1,065,210 | 767,302 | 10,652,094 | 7,673,021 |
| Portfolios subject to Internal Rating Based (IRB) approach | | | | |
| Off - balance sheet | | | | |
| Non-market related | 370,121 | 252,406 | 3,701,214 | 2,524,058 |
| Market related exposures | – | 292 | – | 2,915 |
| Equity exposure risk in the banking book | | | | |
| Under simple risk weight method | 169,786 | 137,717 | 1,697,857 | 1,377,167 |
| Under Internal models approach | – | – | – | – |
| | 539,908 | 390,414 | 5,399,071 | 3,904,140 |
| Market risk | | | | |
| Capital requirement for portfolios subject to standardised approach | | | | |
| Interest rate risk | 167,318 | 226,952 | 1,673,175 | 2,269,517 |
| Equity position risk | 830,453 | 509,632 | 8,304,531 | 5,096,317 |
| Foreign Exchange risk | 1 | – | 5 | – |
| | 997,770 | 736,583 | 9,977,711 | 7,365,834 |
| Capital requirement for portfolios subject to internal models approach | – | – | – | – |
| Operational risk | | | | |
| Capital requirement for operational risks | 124,750 | 178,484 | 1,562,892 | 1,784,840 |
| Total | 2,727,638 | 2,072,784 | 27,591,768 | 20,727,835 |

(Rupees in '000)

| | December 31, 2015 | | December 31, 2014 | |
|-----------------------------|-------------------|--------|-------------------|--------|
| | Required | Actual | Required | Actual |
| CET1 to total RWA | 5.50% | 26.44% | 5.50% | 34.11% |
| Tier-1 capital to total RWA | 7.00% | 26.44% | 7.00% | 34.11% |
| Total capital to total RWA | 10.00% | 26.44% | 10.00% | 34.11% |

33.7 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 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.9.743 billion and 26.47% of its risk weighted exposure as at December 31, 2015.

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

34. RISK MANAGEMENT

The Risk Management Framework (the Framework) 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. Effective management of these risks is the decisive factor in our profitability. In addition, the Company is subject to certain consequential risks that are common to all business undertakings. These risks are grouped under two headings: Operational and Reputational Risk. 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 | The risk of loss generated by adverse changes in the price of assets or contracts currently held by the Company (this risk is also known as price risk). |
| Liquidity risk | The risk that the Company is unable to meet its payment obligations or fund increases in assets when they 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 | Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. The definition includes legal risk. |
| Reputational risk | 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 approval of all risk policies and ensuring that these are properly implemented. Further, the Board appoints the senior management personnel who are capable of managing the risk activities conducted by the Company.

A separate unit has been setup for credit risk management. Risk Management comprises of two areas; 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, Prudential Regulations and additional regulatory directives issued from time to time. These units are independent of business generation and risk taking. CRM monitors the credit portfolio of the Company on a regular basis to ensure prudent lending. Moreover, this department will also set 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 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 provides guidance to management on risk controls, limits, risk measurement tools and a reporting framework.

34.1 Credit risk

Credit risk, 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 corporates 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.
- ii) Non-sovereign credit risk on its private sector advances.
- iii) Counterparty credit risk on interbank limits.

Sovereign credit risk

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.

Non-sovereign credit risk

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 stand alone basis. A new internal rating model to rate corporate and commercial customers has been designed and its framework has been approved by the Board in July, 2011. The new model has been running under parallel testing with the old model since December, 2012.

Counter party credit risk on interbank limits

In the normal course of its business, the Company's Treasury utilises products such as Reverse Repo and call lending to meet the needs of the borrowers and manage 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 to 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 semi-annual 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.

34.1.1 Segmental Information

34.1.1.1 Segments by class of business

| | December 31, 2015 | | | | | |
|---------------------------------------|-------------------|---------|----------------|---------|-------------------------------|---------|
| | Advances (Gross) | | Deposits | | Contingencies and commitments | |
| | Rupees in '000 | Percent | Rupees in '000 | Percent | Rupees in '000 | Percent |
| Cement | – | – | – | – | – | – |
| Textile | 1,448,760 | 13.94 | – | – | 1,375,775 | 13.23 |
| Sugar | 1,493,920 | 14.37 | – | – | 9,190 | 0.09 |
| Chemicals and pharmaceuticals | 452,140 | 4.35 | 500,000 | 11.85 | 280,125 | 2.69 |
| Production and transmission of energy | 2,666,464 | 25.65 | – | – | 1,652,703 | 15.89 |
| Auto and allied | 42,932 | 0.41 | – | – | – | – |
| Financial | – | – | 3,715,000 | 88.07 | 5,603,251 | 53.88 |
| Individuals | 108,012 | 1.04 | – | – | – | – |
| Health and pharma | 86,548 | 0.83 | – | – | – | – |
| Telecommunication | 64,901 | 0.62 | – | – | – | – |
| Paper and board | 60,000 | 0.58 | – | – | – | – |
| Food and confectionary | 743,739 | 7.16 | – | – | 710,735 | 6.83 |
| Entertainment | 114,195 | 1.10 | – | – | – | – |
| Printing | 374,935 | 3.61 | – | – | 70,000 | 0.67 |
| Public sector | – | – | – | – | – | – |
| Transportation | – | – | – | – | 400,000 | 3.85 |
| Packaging | – | – | – | – | – | – |
| Services | 1,268 | 0.01 | – | – | 16,400 | 0.16 |
| Electronics and electrical appliances | 530,000 | 5.10 | – | – | – | – |
| Engineering | 1,572,505 | 15.13 | – | – | 101,321 | 0.97 |
| Construction | 240,980 | 2.32 | – | – | 160,001 | 1.54 |
| Poultry | 281,250 | 2.71 | – | – | – | – |
| Agricultural and dairy | 91,068 | 0.88 | – | – | – | – |
| Others | 20,097 | 0.19 | 3,289 | 0.08 | 19,500 | 0.19 |
| | 10,393,714 | 100.00 | 4,218,289 | 100.00 | 10,399,001 | 100.00 |

| | December 31, 2014 | | | | | |
|---------------------------------------|-------------------|---------|----------------|---------|-------------------------------|---------|
| | Advances (Gross) | | Deposits | | Contingencies and commitments | |
| | Rupees in '000 | Percent | Rupees in '000 | Percent | Rupees in '000 | Percent |
| Cement | 254,810 | 3.45 | – | – | – | – |
| Textile | 1,603,754 | 21.71 | – | – | 801,538 | 4.41 |
| Sugar | 1,525,886 | 20.65 | 200 | 0.00 | 23,820 | 0.13 |
| Chemicals and pharmaceuticals | 363,001 | 4.91 | 3,030 | 0.06 | 278,000 | 1.53 |
| Production and transmission of energy | 1,255,687 | 17.00 | – | – | 1,153,019 | 6.35 |
| Auto and allied | 4,356 | 0.06 | – | – | – | – |
| Financial | 52,537 | 0.71 | 4,730,000 | 91.59 | 15,059,908 | 82.95 |
| Individuals | 79,509 | 1.08 | – | – | – | – |
| Health and pharma | 97,500 | 1.32 | – | – | – | – |
| Telecommunication | 65,019 | 0.88 | – | – | – | – |
| Paper and board | 88,889 | 1.20 | – | – | – | – |
| Food and confectionary | 519,906 | 7.04 | – | – | 149,952 | 0.83 |
| Entertainment | 128,830 | 1.74 | – | – | 7,000 | 0.04 |
| Printing | 9,130 | 0.12 | – | – | 1,871 | 0.01 |
| Public sector | – | – | 400,000 | 7.75 | – | – |
| Transportation | 113,083 | 1.53 | – | – | 400,000 | 2.20 |
| Packaging | 193,365 | 2.62 | – | – | 210,000 | 1.16 |
| Services | 6,925 | 0.09 | – | – | 70,056 | 0.39 |
| Electronics and electrical appliances | 480,000 | 6.50 | – | – | – | – |
| Engineering | 46,829 | 0.63 | – | – | 1,321 | 0.01 |
| Construction | 83,688 | 1.13 | – | – | – | – |
| Poultry | 286,458 | 3.88 | – | – | – | – |
| Others | 129,393 | 1.75 | 31,000 | 0.60 | 10 | 0.00 |
| | 7,388,555 | 100.00 | 5,164,230 | 100.00 | 18,156,495 | 100.00 |

34.1.1.2 Segment by sector

| | December 31, 2015 | | | | | |
|---------------------|-------------------|---------|----------------|---------|-------------------------------|---------|
| | Advances (Gross) | | Deposits | | Contingencies and commitments | |
| | Rupees in '000 | Percent | Rupees in '000 | Percent | Rupees in '000 | Percent |
| Public / Government | 53,362 | 1 | 400,000 | 9 | 3,877,752 | 37 |
| Private | 10,340,352 | 99 | 3,818,289 | 91 | 6,521,249 | 63 |
| | 10,393,714 | 100 | 4,218,289 | 100 | 10,399,001 | 100 |

| | December 31, 2014 | | | | | |
|---------------------|-------------------|---------|----------------|---------|-------------------------------|---------|
| | Advances (Gross) | | Deposits | | Contingencies and commitments | |
| | Rupees in '000 | Percent | Rupees in '000 | Percent | Rupees in '000 | Percent |
| Public / Government | 160,824 | 2 | 400,000 | 8 | 12,166,316 | 67 |
| Private | 7,227,731 | 98 | 4,764,230 | 92 | 5,990,179 | 33 |
| | 7,388,555 | 100 | 5,164,230 | 100 | 18,156,495 | 100 |

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

| | (Rupees in '000) | | | |
|-----------|---------------------|--------------------------|---------------------|--------------------------|
| | 2015 | | 2014 | |
| | Classified Advances | Specific Provisions Held | Classified Advances | Specific Provisions Held |
| Poultry | 281,250 | 140,625 | – | – |
| Textile | 30,457 | 15,229 | – | – |
| Financial | – | – | 2,537 | 2,537 |
| | 311,707 | 155,854 | 2,537 | 2,537 |

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

| | (Rupees in '000) | | | |
|---------------------|---------------------|--------------------------|---------------------|--------------------------|
| | 2015 | | 2014 | |
| | Classified Advances | Specific Provisions Held | Classified Advances | Specific Provisions Held |
| Public / Government | – | – | – | – |
| Private | 311,707 | 155,854 | 2,537 | 2,537 |
| | 311,707 | 155,854 | 2,537 | 2,537 |

34.1.1.5 Geographical segment analysis

| | (Rupees in '000) | | | |
|----------|------------------------|-----------------------|---------------------|-------------------------------|
| | December 31, 2015 | | | |
| | Profit before taxation | Total assets employed | Net assets employed | Contingencies and commitments |
| Pakistan | 1,299,733 | 29,115,202 | 9,684,301 | 10,399,001 |

| | (Rupees in '000) | | | |
|----------|------------------------|-----------------------|---------------------|-------------------------------|
| | December 31, 2014 | | | |
| | Profit before taxation | Total assets employed | Net assets employed | Contingencies and commitments |
| Pakistan | 1,106,152 | 32,900,772 | 9,139,306 | 18,156,495 |

34.2 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 SBP. 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 actively measures, controls and manages market risk on 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 '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 etc. The results are communicated to ALCO and Risk Management Committee on 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 policy of investment mentioned in note 4.5 to these financial statements. Further, composition of equity investments is available in note 7 of these financial statements.

34.2.1 Interest rate risk

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 investments are subject to interest rate risk classified under 'Held-for-trading' as well as 'Available-for-sale' category if they meet the SBP criteria. 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 investments are marked to market to assess changes in the market value of investments due to interest rate movements.

34.2.2 Foreign exchange risk

Foreign Exchange Risk is the risk of loss arising from fluctuations of exchange rates. The Company is not exposed to any significant funded or non-funded foreign exchange exposure.

(Rupees in '000)

| | December 31, 2015 | | | |
|----------------------|-------------------|-------------|-------------------------|-------------------------------|
| | Assets | Liabilities | Off-balance sheet items | Net foreign currency exposure |
| Pakistani Rupee | 29,115,198 | 19,430,901 | – | 9,684,297 |
| United States Dollar | 4 | – | – | 4 |
| | 29,115,202 | 19,430,901 | – | 9,684,301 |

(Rupees in '000)

| | December 31, 2014 | | | |
|----------------------|-------------------|-------------|-------------------------|-------------------------------|
| | Assets | Liabilities | Off-balance sheet items | Net foreign currency exposure |
| Pakistani Rupee | 32,900,768 | 23,761,466 | – | 9,139,302 |
| United States Dollar | 4 | – | – | 4 |
| | 32,900,772 | 23,761,466 | – | 9,139,306 |

34.2.3 Equity position risk

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

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.

34.2.4 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 | December 31, 2015 | | | | | | | | | | | Non-interest Bearing Financial Instruments | |
|---|-------------------|--------------------------------|--------------------|--------------------|-------------------------|-------------------|-------------------|--------------------|--------------------|------------------|------------------|--|-------------------|
| | Total | Exposed to yield/interest risk | | | | | | | | | Above 10 years | | |
| | | 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 | | | | |
| On-balance sheet financial instruments | | | | | | | | | | | | | |
| Assets | | | | | | | | | | | | | |
| Cash and balances with treasury banks | - | 102,301 | - | - | - | - | - | - | - | - | - | - | 102,301 |
| Balances with other banks | 5.10% | 474,913 | 118,728 | 356,185 | - | - | - | - | - | - | - | - | - |
| Investments | 14.63% | 16,850,466 | 186,406 | 1,786,631 | 811,418 | 4,392,038 | 36,610 | 1,714 | 324,779 | 709,981 | 1,206,552 | - | 7,394,337 |
| Advances | 9.72% | 10,237,341 | 3,923,535 | 2,695,917 | 2,234,730 | 177,897 | 370,478 | 298,846 | 383,595 | 94,638 | 32,627 | - | 25,078 |
| Other assets | - | 442,112 | - | - | - | - | - | - | - | - | - | - | 442,112 |
| | | 28,107,133 | 4,228,669 | 4,838,733 | 3,046,148 | 4,569,935 | 407,088 | 300,560 | 708,374 | 804,619 | 1,239,179 | - | 7,963,828 |
| Liabilities | | | | | | | | | | | | | |
| Borrowings | 7.68% | 14,543,592 | 8,040,364 | 3,463,161 | 50,956 | 74,206 | 235,103 | 2,197,587 | 471,057 | 11,158 | - | - | - |
| Deposits and other accounts | 8.50% | 4,218,289 | - | 3,315,000 | 500,000 | 403,289 | - | - | - | - | - | - | - |
| Other liabilities | - | 657,206 | - | - | - | - | - | - | - | - | - | - | 657,206 |
| | | 19,419,087 | 8,040,364 | 6,778,161 | 550,956 | 477,495 | 235,103 | 2,197,587 | 471,057 | 11,158 | - | - | 657,206 |
| On-balance sheet gap | | 8,688,046 | (3,811,695) | (1,939,428) | 2,495,192 | 4,092,440 | 171,985 | (1,897,027) | 237,317 | 793,461 | 1,239,179 | - | 7,306,622 |
| Off-balance sheet financial instruments | | | | | | | | | | | | | |
| Forward purchase of Government Securities | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Forward Sale of Government Securities | - | 5,183,360 | 5,183,360 | - | - | - | - | - | - | - | - | - | - |
| Interest Rate Derivatives - Short position | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Interest Rate Derivatives - Long position | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Off-balance sheet gap | | 5,183,360 | 5,183,360 | - | - | - | - | - | - | - | - | - | - |
| Total Yield / Interest Risk sensitivity gap | | 13,871,406 | 1,371,665 | (1,939,428) | 2,495,192 | 4,092,440 | 171,985 | (1,897,027) | 237,317 | 793,461 | 1,239,179 | - | 7,306,622 |
| Cumulative Yield / Interest Risk sensitivity gap | | | 1,371,665 | (567,763) | 1,927,429 | 6,019,869 | 6,191,854 | 4,294,827 | 4,532,144 | 5,325,605 | 6,564,784 | - | 13,871,406 |

(Rupees in '000)

| Effective yield/interest rate | December 31, 2014 | | | | | | | | | | | Non-interest Bearing Financial Instruments | |
|---|-------------------|--------------------------------|---------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|-------------------|-------------------|--|-------------------|
| | Total | Exposed to yield/interest risk | | | | | | | | | Above 10 years | | |
| | | 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 | | | | |
| On-balance sheet financial instruments | | | | | | | | | | | | | |
| Assets | | | | | | | | | | | | | |
| Cash and balances with treasury banks | - | 123,151 | - | - | - | - | - | - | - | - | - | - | 123,151 |
| Balances with other banks | 9.42% | 76,759 | 76,759 | - | - | - | - | - | - | - | - | - | - |
| Lendings to financial institutions | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Investments | 12.22% | 24,246,894 | 1,841,835 | 2,283,424 | 3,371,929 | 4,210,276 | 4,052,253 | 498,547 | 483,785 | 1,517,116 | - | - | 5,987,729 |
| Advances | 12.20% | 7,385,691 | 2,088,824 | 2,438,978 | 940,174 | 367,576 | 404,606 | 395,649 | 552,228 | 108,745 | - | - | 88,911 |
| Other assets | - | 710,668 | - | - | - | - | - | - | - | - | - | - | 710,668 |
| | | 32,543,163 | 4,007,418 | 4,722,402 | 4,312,103 | 4,577,852 | 4,456,859 | 894,196 | 1,036,013 | 1,625,861 | - | - | 6,910,459 |
| Liabilities | | | | | | | | | | | | | |
| Borrowings | 9.86% | 18,089,905 | 15,812,119 | 1,017,654 | 34,833 | 134,143 | 300,612 | 282,165 | 426,410 | 81,969 | - | - | - |
| Deposits and other accounts | 10.32% | 5,164,230 | 500,000 | 2,061,200 | 2,200,000 | 403,030 | - | - | - | - | - | - | - |
| Other liabilities | - | 365,675 | - | - | - | - | - | - | - | - | - | - | 365,675 |
| | | 23,619,810 | 16,312,119 | 3,078,854 | 2,234,833 | 537,173 | 300,612 | 282,165 | 426,410 | 81,969 | - | - | 365,675 |
| On-balance sheet gap | | 8,923,353 | (12,304,701) | 1,643,548 | 2,077,270 | 4,040,679 | 4,156,247 | 612,031 | 609,603 | 1,543,892 | - | - | 6,544,784 |
| Off-balance sheet financial instruments | | | | | | | | | | | | | |
| Forward purchase of Government Securities | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Forward Sale of Government Securities | - | 13,952,913 | 13,952,913 | - | - | - | - | - | - | - | - | - | - |
| Interest Rate Derivatives - Short position | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Interest Rate Derivatives - Long position | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Off-balance sheet gap | | 13,952,913 | 13,952,913 | - | - | - | - | - | - | - | - | - | - |
| Total Yield / Interest Risk sensitivity gap | | 22,876,266 | 1,648,212 | 1,643,548 | 2,077,270 | 4,040,679 | 4,156,247 | 612,031 | 609,603 | 1,543,892 | - | - | 6,544,784 |
| Cumulative Yield / Interest Risk Sensitivity Gap | | | 1,648,212 | 3,291,760 | 5,369,030 | 9,409,709 | 13,565,956 | 14,177,987 | 14,787,590 | 16,331,482 | 16,331,482 | - | 22,876,266 |

34.3 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. Change in the Government monetary policy 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. Company's MIS provides information on expected cash inflows / out flows which allow the Company to take timely decisions based on the future requirements. Company monitors all the possible sources from which liquidity risk can emanate including market reputation, borrowing terms, deterioration in quality of credit portfolio etc. Other sources are also identified for which early warning indicators have been created and being monitored for early intervention of management sensing a potential liquidity crunch.

Gap analysis and stress testing is done on 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.

34.3.1 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, 2015 | | | | | | | | | |
|---|-------------------|--------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|----------------|
| | 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 | 102,301 | 25,575 | 76,726 | - | - | - | - | - | - | - |
| Balances with other banks | 474,913 | 118,728 | 356,185 | - | - | - | - | - | - | - |
| Investments | 16,850,466 | 1,027,579 | 1,920,820 | 2,295,294 | 7,322,502 | 261,976 | 811,663 | 316,646 | 1,234,815 | 1,659,171 |
| Advances | 10,237,341 | 1,980,198 | 1,211,557 | 650,312 | 1,587,956 | 2,306,210 | 1,093,278 | 1,143,166 | 219,220 | 45,444 |
| Operating fixed assets | 31,666 | 2,468 | 4,291 | 5,517 | 7,115 | 6,877 | 4,174 | 1,224 | - | - |
| Deferred tax assets | 64,945 | (20,672) | 15,682 | (540) | 16,024 | 42,192 | (16,228) | 41,611 | (14,316) | 1,192 |
| Other assets | 1,353,570 | 1,000,525 | 103,774 | 15,666 | 205,716 | 22,894 | 1,946 | 150 | - | 2,899 |
| | 29,115,202 | 4,134,401 | 3,689,035 | 2,966,249 | 9,139,313 | 2,640,149 | 1,894,833 | 1,502,797 | 1,439,719 | 1,708,706 |
| Liabilities | | | | | | | | | | |
| Borrowings | 14,543,592 | 8,286,930 | 3,205,239 | 316,398 | 1,129,729 | 1,012,856 | 242,409 | 330,843 | 19,188 | - |
| Deposits and other accounts | 4,218,289 | - | 3,315,000 | 500,000 | 403,289 | - | - | - | - | - |
| Deferred tax liabilities | - | - | - | - | - | - | - | - | - | - |
| Other liabilities | 669,020 | 96,548 | 64,188 | 34,238 | 30,174 | 350,423 | 64,981 | 28,468 | - | - |
| | 19,430,901 | 8,383,478 | 6,584,427 | 850,636 | 1,563,192 | 1,363,279 | 307,390 | 359,311 | 19,188 | - |
| Net assets | 9,684,301 | (4,249,077) | (2,895,392) | 2,115,613 | 7,576,121 | 1,276,870 | 1,587,443 | 1,143,486 | 1,420,531 | 1,708,706 |
| Share capital | 6,000,000 | | | | | | | | | |
| Reserves | 1,065,388 | | | | | | | | | |
| Unappropriated profit | 2,659,034 | | | | | | | | | |
| Surplus on revaluation of assets - net of tax | (40,121) | | | | | | | | | |
| | 9,684,301 | | | | | | | | | |

(Rupees in '000)

| | December 31, 2014 | | | | | | | | | |
|---|-------------------|--------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|----------------|
| | 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 | 123,151 | 30,788 | 92,363 | - | - | - | - | - | - | - |
| Balances with other banks | 76,759 | 19,190 | 57,569 | - | - | - | - | - | - | - |
| Investments | 24,246,894 | 3,448,637 | 862,732 | 6,358,999 | 4,764,046 | 4,063,406 | 1,234,602 | 1,381,932 | 1,777,540 | 355,000 |
| Advances | 7,385,691 | 1,237,100 | 462,567 | 459,719 | 1,319,171 | 1,328,103 | 1,146,661 | 1,107,025 | 302,345 | 23,000 |
| Operating fixed assets | 32,318 | 1,986 | 3,972 | 5,024 | 7,667 | 11,805 | 1,864 | - | - | - |
| Other assets | 1,035,959 | 490,072 | 117,475 | 80,172 | 340,975 | 4,200 | 3,065 | - | - | - |
| | 32,900,772 | 5,227,773 | 1,596,678 | 6,903,914 | 6,431,859 | 5,407,514 | 2,386,192 | 2,488,957 | 2,079,885 | 378,000 |
| Liabilities | | | | | | | | | | |
| Borrowings | 18,089,905 | 15,799,110 | 509,251 | 57,003 | 384,765 | 550,111 | 280,799 | 427,078 | 81,788 | - |
| Deposits and other accounts | 5,164,230 | 500,000 | 2,061,200 | 2,200,000 | 403,030 | - | - | - | - | - |
| Deferred tax liabilities | 132,921 | 76,894 | (9,445) | 9,134 | 8,051 | 26,229 | 21,534 | (14,687) | 15,211 | - |
| Other liabilities | 374,410 | 85,890 | 71,606 | 10,850 | 36,597 | 39,030 | 97,685 | 30,713 | - | 2,039 |
| | 23,761,466 | 16,461,894 | 2,632,612 | 2,276,987 | 832,443 | 615,370 | 400,018 | 443,104 | 96,999 | 2,039 |
| Net assets | 9,139,306 | (11,234,121) | (1,035,934) | 4,626,927 | 5,599,416 | 4,792,144 | 1,986,174 | 2,045,853 | 1,982,886 | 375,961 |
| Share capital | 6,000,000 | | | | | | | | | |
| Reserves | 878,000 | | | | | | | | | |
| Unappropriated profit | 2,110,627 | | | | | | | | | |
| Surplus on revaluation of assets - net of tax | 150,679 | | | | | | | | | |
| | 9,139,306 | | | | | | | | | |

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

(Rupees in '000)

| | December 31, 2015 | | | | | | | | | |
|---|-------------------|--------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|----------------|
| | 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 | 102,301 | 25,575 | 76,726 | - | - | - | - | - | - | - |
| Balances with other banks | 474,913 | 118,728 | 356,185 | - | - | - | - | - | - | - |
| Investments | 16,850,466 | 1,027,579 | 1,920,820 | 2,295,294 | 7,322,502 | 261,976 | 811,663 | 316,646 | 1,234,815 | 1,659,171 |
| Advances | 10,237,341 | 1,980,198 | 1,211,557 | 650,312 | 1,587,956 | 2,306,210 | 1,093,278 | 1,143,166 | 219,220 | 45,444 |
| Operating fixed assets | 31,666 | 2,468 | 4,291 | 5,517 | 7,115 | 6,877 | 4,174 | 1,224 | - | - |
| Deferred tax assets | 64,946 | (20,672) | 15,682 | (539) | 16,024 | 42,192 | (16,228) | 41,611 | (14,316) | 1,192 |
| Other assets | 1,353,570 | 1,000,525 | 103,774 | 15,666 | 205,716 | 22,894 | 1,946 | 150 | - | 2,899 |
| | 29,115,203 | 4,134,401 | 3,689,035 | 2,966,250 | 9,139,313 | 2,640,149 | 1,894,833 | 1,502,797 | 1,439,719 | 1,708,706 |
| Liabilities | | | | | | | | | | |
| Borrowings | 14,543,592 | 8,286,930 | 3,205,239 | 316,398 | 1,129,729 | 1,012,856 | 242,409 | 330,843 | 19,188 | - |
| Deposits and other accounts | 4,218,289 | - | 3,315,000 | 500,000 | 403,289 | - | - | - | - | - |
| Deferred tax liabilities | - | - | - | - | - | - | - | - | - | - |
| Other liabilities | 669,021 | 96,549 | 64,188 | 34,238 | 30,174 | 350,423 | 64,981 | 28,468 | - | - |
| | 19,430,902 | 8,383,479 | 6,584,427 | 850,636 | 1,563,192 | 1,363,279 | 307,390 | 359,311 | 19,188 | - |
| Net assets | 9,684,301 | (4,249,078) | (2,895,392) | 2,115,614 | 7,576,121 | 1,276,870 | 1,587,443 | 1,143,486 | 1,420,531 | 1,708,706 |
| Share capital | 6,000,000 | | | | | | | | | |
| Reserves | 1,065,388 | | | | | | | | | |
| Unappropriated profit | 2,659,034 | | | | | | | | | |
| Surplus on revaluation of assets - net of tax | (40,121) | | | | | | | | | |
| | 9,684,301 | | | | | | | | | |

(Rupees in '000)

| | December 31, 2014 | | | | | | | | | |
|---|-------------------|--------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|----------------|
| | 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 | 123,151 | 30,788 | 92,363 | - | - | - | - | - | - | - |
| Balances with other banks | 76,759 | 19,190 | 57,569 | - | - | - | - | - | - | - |
| Investments | 24,246,894 | 3,448,637 | 862,732 | 6,358,999 | 4,764,046 | 4,063,406 | 1,234,602 | 1,381,932 | 1,777,540 | 355,000 |
| Advances | 7,385,691 | 1,237,100 | 462,567 | 459,719 | 1,319,171 | 1,328,103 | 1,146,661 | 1,107,025 | 302,345 | 23,000 |
| Operating fixed assets | 32,318 | 1,986 | 3,972 | 5,024 | 7,667 | 11,805 | 1,864 | - | - | - |
| Other assets | 1,035,959 | 490,072 | 117,475 | 80,172 | 340,975 | 4,200 | 3,065 | - | - | - |
| | 32,900,772 | 5,227,773 | 1,596,678 | 6,903,914 | 6,431,859 | 5,407,514 | 2,386,192 | 2,488,957 | 2,079,885 | 378,000 |
| Liabilities | | | | | | | | | | |
| Borrowings | 18,089,905 | 15,799,110 | 509,251 | 57,003 | 384,765 | 550,111 | 280,799 | 427,078 | 81,788 | - |
| Deposits and other accounts | 5,164,230 | 500,000 | 2,061,200 | 2,200,000 | 403,030 | - | - | - | - | - |
| Deferred tax liabilities | 132,921 | 76,894 | (9,445) | 9,134 | 8,051 | 26,229 | 21,534 | (14,687) | 15,211 | - |
| Other liabilities | 374,410 | 85,890 | 71,606 | 10,850 | 36,597 | 39,030 | 97,685 | 30,713 | - | 2,039 |
| | 23,761,466 | 16,461,894 | 2,632,612 | 2,276,987 | 832,443 | 615,370 | 400,018 | 443,104 | 96,999 | 2,039 |
| Net assets | 9,139,306 | (11,234,121) | (1,035,934) | 4,626,927 | 5,599,416 | 4,792,144 | 1,986,174 | 2,045,853 | 1,982,886 | 375,961 |
| Share capital | 6,000,000 | | | | | | | | | |
| Reserves | 878,000 | | | | | | | | | |
| Unappropriated profit | 2,110,627 | | | | | | | | | |
| Surplus on revaluation of assets - net of tax | 150,679 | | | | | | | | | |
| | 9,139,306 | | | | | | | | | |

34.4 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 best practice. 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.

35. NON ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors have proposed a final dividend for the year ended December 31, 2015 of Rs. **0.33** per share (2014: Re.0.33 per share), amounting to Rs. **200** million (2014: Rs.200 million) at their meeting held on **February 29, 2016**, for approval of the members at the annual general meeting to be held on **March 28, 2016**. The unconsolidated financial statements for the year ended December 31, 2015 do not include the effect of these appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2016.

36. GENERAL

36.1 Credit rating

The Pakistan Credit Rating Agency Limited (PACRA) has assigned a long-term entity rating of 'AA+' (Double A plus) and short-term rating of 'A1+' (Single A One Plus) to the Company in June 2015. 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.

36.2 Figures have been rounded off to the nearest thousand rupees.

37. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue on **February 29, 2016** by the Board of Directors of the Company.

Chief Executive

Director

Director

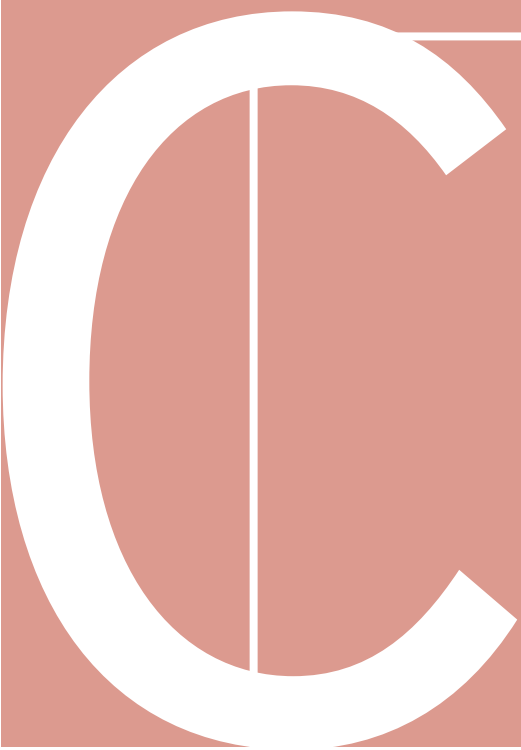
Chairman

Annexure - I

As referred in note 8.6 of the unconsolidated financial statements

Statement showing written-off loans on any other financial relief of Rs. 500,000 or above provided during the year ended December 31, 2015.

| S. No. | Name and address of the borrowers | Name of individual/partner/director and CNIC No. | Father's /Husband's name | Outstanding Liabilities at the beginning of the year | | | | Amount written-off | | | |
|--------|-----------------------------------|--|--------------------------|--|---------|--------|-------|--------------------|---------|--------|-------|
| | | | | Principal | Mark-up | Others | Total | Principal | Mark-up | Others | Total |
| | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |



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 subsidiary companies namely Primus Investment Management Limited and Awwal Modaraba Management Limited, here-in-after referred to as the Group, as at **31 December 2015** 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 the Holding Company and its subsidiary companies. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated 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 subsidiary companies as at 31 December 2015 and the results of their operations for the year then ended.

Chartered Accountants
Audit Engagement Partner: Shabbir Yunus
Date: February 29, 2016
Karachi

Consolidated Statement of Financial Position

As at December 31, 2015

| 2015 | 2014 | Note | 2015 | 2014 |
|---|---------|------|------------------|------------|
| (US \$ in '000) | | | (Rupees in '000) | |
| ASSETS | | | | |
| 977 | 1,176 | 5 | 102,304 | 123,153 |
| 4,660 | 1,659 | 6 | 487,887 | 173,645 |
| – | – | | – | – |
| 160,132 | 231,065 | 7 | 16,765,721 | 24,192,538 |
| 97,838 | 70,614 | 8 | 10,243,680 | 7,393,282 |
| 474 | 355 | 9 | 49,584 | 37,204 |
| 635 | – | 13 | 66,529 | – |
| 14,288 | 10,308 | 10 | 1,495,943 | 1,079,285 |
| 279,004 | 315,177 | | 29,211,648 | 32,999,107 |
| LIABILITIES | | | | |
| – | – | | – | – |
| 138,907 | 172,777 | 11 | 14,543,592 | 18,089,905 |
| 40,289 | 49,324 | 12 | 4,218,289 | 5,164,230 |
| – | – | | – | – |
| – | – | | – | – |
| – | 1,334 | 13 | – | 139,656 |
| 6,765 | 3,837 | 14 | 708,302 | 401,742 |
| 185,961 | 227,272 | | 19,470,183 | 23,795,533 |
| 93,043 | 87,905 | | 9,741,465 | 9,203,574 |
| NET ASSETS | | | | |
| REPRESENTED BY | | | | |
| 57,307 | 57,307 | 15 | 6,000,000 | 6,000,000 |
| 10,176 | 8,386 | | 1,065,388 | 878,000 |
| 25,943 | 20,773 | | 2,716,198 | 2,174,895 |
| 93,426 | 86,466 | | 9,781,586 | 9,052,895 |
| (383) | 1,439 | 16 | (40,121) | 150,679 |
| 93,043 | 87,905 | | 9,741,465 | 9,203,574 |
| CONTINGENCIES AND COMMITMENTS 17 | | | | |

The annexed notes from 1 to 37 form an integral part of these consolidated financial statements

Consolidated Profit and Loss Account

For the Year ended December 31, 2015

| 2015 | 2014 | Note | 2015 | 2014 |
|--|--------|------|------------------|-----------|
| (US \$ in '000) | | | (Rupees in '000) | |
| 17,561 | 23,949 | 18 | 1,838,671 | 2,507,431 |
| 12,212 | 19,444 | 19 | 1,278,615 | 2,035,772 |
| 5,349 | 4,505 | | 560,056 | 471,659 |
| 1,466 | – | 8.5 | 153,509 | (4) |
| 245 | (35) | 7.3 | 25,670 | (3,661) |
| – | – | | – | – |
| 1,711 | (35) | | 179,179 | (3,665) |
| 3,638 | 4,540 | | 380,877 | 475,324 |
| NON MARK-UP / INTEREST INCOME | | | | |
| 848 | 1,138 | | 88,738 | 119,114 |
| 554 | 394 | | 57,995 | 41,253 |
| – | – | | – | – |
| 6,690 | 2,799 | 20 | 700,490 | 293,003 |
| (67) | 30 | 7.1 | (7,019) | 3,114 |
| 77 | 154 | 21 | 8,057 | 16,159 |
| 8,102 | 4,515 | | 848,261 | 472,643 |
| 11,740 | 9,055 | | 1,229,138 | 947,967 |
| NON MARK-UP / INTEREST EXPENSES | | | | |
| 3,669 | 3,254 | 22 | 384,095 | 340,661 |
| – | – | | – | – |
| – | 1 | | – | 120 |
| 3,669 | 3,255 | | 384,095 | 340,781 |
| 8,071 | 5,800 | | 845,043 | 607,186 |
| 4,331 | 5,652 | | 453,438 | 591,716 |
| 12,402 | 11,452 | | 1,298,481 | 1,198,902 |
| 4,572 | 1,799 | | 478,710 | 188,330 |
| 262 | (144) | | 27,457 | (15,098) |
| (1,313) | 352 | | (137,515) | 36,820 |
| 3,521 | 2,007 | 23 | 368,652 | 210,052 |
| 8,881 | 9,445 | | 929,829 | 988,850 |
| Attributable to: | | | | |
| 8,881 | 9,445 | | 929,829 | 988,850 |
| – | – | | – | – |
| 8,881 | 9,445 | | 929,829 | 988,850 |
| US \$ | | | Rupees | |
| 0.01 | 0.02 | 24 | 1.55 | 1.66 |

The annexed notes from 1 to 37 form an integral part of these consolidated financial statements.

Consolidated Statement of comprehensive income

For the Year ended
December 31, 2015

| 2015 | 2014 | | 2015 | 2014 |
|-----------------|--------|---|------------------|-----------|
| (US \$ in '000) | | | (Rupees in '000) | |
| 8,881 | 9,445 | Profit after taxation | 929,829 | 988,850 |
| | | Other comprehensive income - net | | |
| | | Items not to be reclassified to profit or loss in subsequent periods: | | |
| (16) | (19) | Remeasurement loss on defined benefit plan | (1,673) | (2,039) |
| 5 | 6 | Related tax effects | 535 | 673 |
| (11) | (13) | | (1,138) | (1,366) |
| 8,870 | 9,432 | Comprehensive income / (loss) transferred to equity | 928,691 | 987,484 |
| | | Components of comprehensive income not reflected in equity | | |
| (1,822) | 1,809 | Surplus / (deficit) on revaluation of 'available-for-sale securities' - net of tax* | (190,800) | 189,425 |
| 7,048 | 11,241 | Total comprehensive income / (loss) | 737,891 | 1,176,909 |
| | | Attributable to: | | |
| 8,870 | 9,432 | Equity shareholders of the Company | 928,691 | 987,484 |
| - | - | Non-controlling interest | - | - |
| 8,870 | 9,432 | | 928,691 | 987,484 |

* Surplus / (deficit) on revaluation of 'available-for-sale securities' - net of 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 from 1 to 37 form an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the Year ended December 31, 2015

| 2015 | 2014 | Note | 2015 | 2014 |
|-----------------|----------|--|------------------|-------------|
| (US \$ in '000) | | | (Rupees in '000) | |
| | | | | |
| | | CASH FLOWS FROM OPERATING ACTIVITIES | | |
| 12,402 | 11,451 | Profit before taxation | 1,298,477 | 1,198,902 |
| 554 | 394 | Less: Dividend income | 57,995 | 41,253 |
| 11,848 | 11,057 | | 1,240,482 | 1,157,649 |
| | | Adjustments for non-cash charges and other items | | |
| 176 | 158 | Depreciation 22 | 18,439 | 16,548 |
| 16 | 26 | Amortisation 22 | 1,720 | 2,746 |
| 5 | - | Amortisation of license fee | 500 | - |
| (2) | - | Interest income on investments | (233) | - |
| 1,466 | - | Provision / (reversal) against non-performing loans and advances | 153,509 | (4) |
| 245 | (35) | (Reversal) / provision for diminution in the value of investments 7.3 | 25,670 | (3,661) |
| - | - | Other provisions / write off | - | - |
| - | - | Asset written off | - | 18 |
| (1) | - | Gain on sale of property and equipment 21 | (106) | (7) |
| 67 | (30) | Unrealised loss on revaluation of investments classified as held-for-trading | 7,019 | (3,114) |
| (4,331) | (5,652) | Share of profit of associates | (453,438) | (591,716) |
| (2,359) | (5,533) | | (246,920) | (579,190) |
| 9,489 | 5,524 | | 993,562 | 578,459 |
| | | Decrease / (increase) in operating assets | | |
| (1,333) | (273) | Held-for-trading securities | (139,523) | (28,544) |
| (28,703) | (5,647) | Advances | (3,005,159) | (591,259) |
| (3,897) | (1,345) | Others assets (excluding current taxation) | (408,045) | (140,839) |
| (33,933) | (7,265) | | (3,552,727) | (760,642) |
| | | (Decrease) / increase in operating liabilities | | |
| (33,871) | (79,294) | Borrowings | (3,546,313) | (8,302,090) |
| (9,035) | 43,908 | Deposits and other accounts | (945,942) | 4,597,160 |
| 2,972 | 1,002 | Other liabilities (excluding current taxation) | 311,126 | 104,891 |
| (39,934) | (34,384) | | (4,181,129) | (3,600,039) |
| (64,378) | (36,125) | | (6,740,294) | (3,782,222) |
| (4,124) | (1,827) | Income tax paid | (431,776) | (191,471) |
| (68,502) | (37,952) | Net cash used in operating activities | (7,172,070) | (3,973,693) |
| | | CASH FLOWS FROM INVESTING ACTIVITIES | | |
| 80,127 | 25,839 | Net investment in available-for-sale securities | 8,389,284 | 2,705,377 |
| 1,813 | - | Net investment in held-to-maturity securities | 189,811 | - |
| 12 | - | Loan and advances disbursed - net | 1,252 | - |
| (9,813) | 13,642 | Investment in subsidiaries | (1,027,377) | 1,428,345 |
| 1,384 | 88 | Dividend income received | 144,907 | 9,238 |
| (342) | (42) | Investments in operating fixed assets | (35,756) | (4,385) |
| 33 | - | Sale proceeds from disposal of property and equipment | 3,342 | 18 |
| 73,214 | 39,527 | Net cash generated from investing activities | 7,665,463 | 4,138,593 |
| | | CASH FLOWS FROM FINANCING ACTIVITIES | | |
| (1,910) | (1,910) | Dividend paid | (200,000) | (200,000) |
| (1,910) | (1,910) | Net cash used in financing activities | (200,000) | (200,000) |
| 2,802 | (335) | Increase / (decrease) in cash and cash equivalents | 293,393 | (35,100) |
| 2,835 | 3,170 | Cash and cash equivalents at the beginning of the year | 296,798 | 331,898 |
| 5,637 | 2,835 | Cash and cash equivalents at the end of the year 25 | 590,191 | 296,798 |

The annexed notes from 1 to 37 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the Year ended
December 31, 2015

| | Share capital | Statutory reserve | Unappropriated profit | Total |
|---|------------------|-------------------|-----------------------|------------------|
| (Rupees in '000) | | | | |
| As at January 01, 2014 | 6,000,000 | 697,026 | 1,568,385 | 8,265,411 |
| Total comprehensive income for the year | | | | |
| Profit after tax for the year ended December 31, 2014 | – | – | 988,850 | 988,850 |
| Other comprehensive income | – | – | (1,366) | (1,366) |
| Total comprehensive income for the year ended December 31, 2014 | – | – | 987,484 | 987,484 |
| Transfers | | | | |
| Transfer to statutory reserve | – | 180,974 | (180,974) | – |
| Transaction with owners, recorded directly in equity | | | | |
| Final cash dividend paid for the year ended December 31, 2013 @ Rs.0.33 per share | – | – | (200,000) | (200,000) |
| As at December 31, 2014 | 6,000,000 | 878,000 | 2,174,895 | 9,052,895 |
| Total comprehensive income for the year | | | | |
| Profit after tax for the year ended December 31, 2015 | – | – | 929,829 | 929,829 |
| Other comprehensive income | – | – | (1,138) | (1,138) |
| Total comprehensive income for the year ended December 31, 2015 | – | – | 928,691 | 928,691 |
| Transfers | | | | |
| Transfer to statutory reserve | – | 187,388 | (187,388) | – |
| Transaction with owners, recorded directly in equity | | | | |
| Final cash dividend paid for the year ended December 31, 2014 @ Rs.0.33 per share | – | – | (200,000) | (200,000) |
| As at December 31, 2015 | 6,000,000 | 1,065,388 | 2,716,198 | 9,781,586 |

The annexed notes from 1 to 37 form an integral part of these consolidated financial statements.

Chief Executive

Director

Director

Chairman

Consolidated Notes to the Financial Statements

For the Year ended
December 31, 2015

1. STATUS AND NATURE OF BUSINESS

The Group comprises of Pak Brunei Investment Company Limited (the Holding Company) and wholly owned subsidiary companies, Primus Investment Management Limited and Awwal Modaraba Management Limited. Brief profile of the Holding Company and its subsidiary companies is as follows:

1.1 The 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 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 objective inter alia includes 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 making 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 Holding Company is situated at Horizon Vista, Plot No. Comm-10, Block No. 4, Scheme No. 5, Clifton, Karachi, Pakistan.

1.2 Primus Investment Management Limited (PIML)

PIML is a public unlisted company incorporated in Pakistan on August 10, 2011 under the Companies Ordinance, 1984. The registered office of the PIML is situated at 4th Floor, Horizon Vista, Plot No. Comm-10, Block No. 4, Scheme No. 5, Clifton, Karachi, Pakistan. PIML has obtained the license of an "Investment Advisor" and "Asset Management Company" (AMC) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

1.3 Awwal Modaraba Management Limited (AMML)

AMML is a public unlisted company incorporated in Pakistan on June 05, 2014 under the Companies Ordinance 1984. The registered office of the AMML is situated at Horizon Vista, Commercial-10, Block-4, Scheme-5, Clifton, Karachi, Pakistan. AMML has been incorporated to carry on the business of modaraba floatation and management in Pakistan and to initiate, sponsor, promote, float, organize, manage, administer and operate Modaraba companies, Modaraba funds, multi purpose and specific purpose Modaraba and Modarabas of all types and description as per Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. As of the balance sheet date, the floatation of Modaraba is in process.

2. BASIS OF PRESENTATION

2.1 Basis of Measurement

These consolidated financial statements have been prepared under the historical cost convention except that certain investments have been stated at revalued amounts in accordance with the directives of the State Bank of Pakistan (SBP).

2.2 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 stated as additional information solely for the convenience of readers and are not audited. For this purpose of conversion to US Dollars, the rate of Rs.104.70 to US Dollars has been used for both 2015 and 2014, as it was the prevalent rate on December 31, 2015.

3. STATEMENT OF COMPLIANCE

- 3.1** 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 provisions of and directives issued under the Companies Ordinance, 1984 and the directives issued by the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984 or directives issued under the Companies Ordinance, 1984 and the State Bank of Pakistan differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.
- 3.2** The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for DFIs through BSD Circular Letter No. 11 dated September 11, 2002 till further instructions. Further, according to the notification of the SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable to Banks / DFIs. 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 of various circulars issued by the SBP.
- 3.3 Standards, interpretations and amendments to approved accounting standards that are not yet effective**

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

| Standards and Interpretations | Effective Date (Annual periods beginning on or after) |
|---|---|
| IFRS 10 IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment) | January 01, 2016 |
| IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment) | Not yet finalized |
| IFRS 11 Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment) | January 01, 2016 |
| IAS 1 Presentation of Financial Statements - Disclosure Initiative (Amendment) | January 01, 2016 |
| IAS 16 Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment) | January 01, 2016 |
| IAS 16 Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment) | January 01, 2016 |
| IAS 27 Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment) | January 01, 2016 |

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in September 2014. Such improvements are generally effective for accounting periods beginning on or after January 01, 2016. The Company expects that such improvements to the standards will not have any material impact on the Fund's financial statements in the period of initial application.

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

| Standard | IASB Effective Date (Annual periods beginning on or after) |
|--|--|
| IFRS 9 Financial Instruments: Classification and Measurement | January 01, 2018 |
| IFRS 14 Regulatory Deferral Accounts | January 01, 2016 |
| IFRS 15 Revenue from Contracts with Customers | January 01, 2018 |
| IFRS 16 Leases | January 01, 2019 |

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 4.1** The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year except as described below:

New, Revised and Amended Standards and Interpretations

Standard or interpretation

The Group has adopted the following revised standards, amendments and interpretations of IFRSs which became effective during the current year:

IFRS 10 – Consolidated Financial Statements

IFRS 11 – Joint Arrangements

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 13 – Fair Value Measurement

IAS 19 – Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions

Improvements to Accounting Standards Issued by the IASB in December 2013

IFRS 2 Share-based Payment - Definitions of vesting conditions

IFRS 3 Business Combinations – Accounting for contingent consideration in a business combination

IFRS 3 Business Combinations - Scope exceptions for joint ventures

IFRS 8 Operating Segments – Aggregation of operating segments

IFRS 8 Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets

IFRS 13 Fair Value Measurement - Scope of paragraph 52 (portfolio exception)

IAS16 Property, Plant and Equipment and IAS 38 Intangible Assets – Revaluation method – proportionate restatement of accumulated depreciation / amortisation

IAS 24 Related Party Disclosures - Key management personnel

IAS 40 Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any material effect on the financial statements, except of IFRS 13 which requires additional disclosures (see note 29).

IFRS 10 replaces the current guidance on consolidation in IAS 27 Consolidated and Separate Financial Statements. It introduces a single model of assessing control whereby an investor controls an investee when the investor has the power to control exposure to variable returns and the ability to use its power to influence the returns of the investee.

The SECP vide S.R.O 56(I)/2016, has directed that the requirements of consolidation under section 237 of the Companies Ordinance 1984 and IFRS 10 are not applicable in case of investment by companies in mutual funds established under Trust Structure.

Accordingly, the application of IFRS 10 did not result in any additional investee being in control of the Group.

4.2 Basis of consolidation

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

Subsidiaries are consolidated from the date on which more than 50 percent of voting rights are transferred to the Group or power to control the entity is established and excluded from consolidation from the date of disposal or when the control is lost.

The financial statements of subsidiaries are prepared for the same reporting year as the Group for the purpose of consolidation, using consistent accounting policies.

The assets, liabilities, income and expenses of subsidiary have been consolidated on a line by line basis and the carrying value of investment in subsidiary held by the Group is eliminated against the shareholders' equity in the consolidated financial statements.

Non-Controlling Interest in equity of the Subsidiaries are measured at proportionate share of net assets of the acquiree.

Material intra-group balances and transactions have been eliminated.

4.3 Cash and cash equivalents

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

4.4 Investments

Investments other than those categorised as held-for-trading are initially recognised at fair value which includes transaction costs associated with the acquisition of investments. Investments classified as held-for-trading are initially recognised at fair value, and transaction costs are expensed in the consolidated profit and loss account. The Group has classified its investment portfolio into 'held-for-trading', 'held-to-maturity' and 'available-for-sale' portfolios as follows:

Held-for-trading

These are investments, which are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements, dealer's margin or are securities included in a portfolio in which a pattern of short-term profit taking exists and are to be sold within 90 days of acquisition. These are carried at market value, with the related surplus / deficit being taken to consolidated profit and loss account.

Held-to-maturity

These are securities with fixed or determinable payments and fixed maturity in respect of which the Group has the positive intent and ability to hold till maturity. These are carried at amortised cost using the effective interest rate method.

Available-for-sale

These are investments that do not fall under the 'held-for-trading' or 'held-to-maturity' categories. These are carried at market value with the surplus / deficit taken to surplus / deficit on revaluation of assets' account below equity. Provision for diminution in the value of investments in respect of unquoted shares is calculated with reference to break-up value. Provision for unquoted debt securities is calculated with reference to the time-based criteria as per the SBP's Prudential Regulations.

On derecognition or impairment in quoted available-for-sale investments, the cumulative gain or loss previously reported as 'surplus / (deficit) on revaluation of assets' below equity is included in the consolidated profit and loss account for the year.

Held-for-trading and quoted available-for-sale securities are marked to market with reference to ready quotes on Reuters page (PKRV) or the Stock Exchanges.

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. Investments in other unquoted securities are valued at cost less impairment, if any.

The carrying values of investments are reviewed for impairment at each reporting date. Where any such indications exist that the carrying values exceed the estimated recoverable amounts, provision for impairment is made through the consolidated profit and loss account.

Investments in associates

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

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in the associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee subsequent to the date of acquisition. The increase / decrease in the share of profit or loss of associates is accounted for in the consolidated profit and loss account. The Group applies equity accounting for its own investment in mutual funds managed by PIML.

4.5 Repurchase and resale 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 rate method.

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 effective interest rate method.

4.6 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. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative instruments is taken to the consolidated profit and loss account.

4.7 Trade date accounting

All regular way purchases / sales of investment are recognised on the trade date, i.e. the date the Group commits to purchase / sell the investments. Regular way purchases or sales of investment require delivery of securities within time frame generally established by regulations or convention in market place.

4.8 Financial instruments

Financial assets and liabilities are recognised at the time when the Group 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 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 of the current period. The particular recognition and subsequent measurement method for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

4.9 Advances

Advances are stated net of specific and general provisions. Specific provisions are made in accordance with the requirements of the Prudential Regulations issued by SBP and charged to the consolidated profit and loss account. These regulations prescribe an age based criteria (as supplemented by subjective evaluation of advances) for classification of non-performing loans and advances and computing provision / allowance thereagainst. 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 the minimum lease payments, including guaranteed residual value, if any. Finance lease receivables are included in advances to customers.

4.10 Taxation

4.10.1 Current

The charge for current taxation is based on taxable income at the current rates of taxation in accordance with the requirements of the Income Tax Ordinance 2001. The charge for current tax also includes adjustments whenever considered relating to prior year, arising from assessments framed during the year.

4.10.2 Deferred

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

The carrying amount of deferred income 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 income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

4.11 Operating fixed assets

4.11.1 Property and equipment

4.11.1.1 Owned assets

Operating fixed assets are stated at cost less accumulated depreciation and 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 9.1. Depreciation is charged from the date when the asset is available for use and no depreciation is charged from the date when the asset is disposed off.

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 asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced

part is derecognised. All other repairs and maintenance are charged to the consolidated profit and loss account during the financial period in which they are incurred.

Residual values and useful lives are reviewed at each reporting date and adjusted if the impact on depreciation is considered significant.

Gain / loss on sale or disposal of fixed assets is recognised in the consolidated profit and loss account.

4.11.1.2 Leased assets

Assets held under finance lease are accounted for by recording the assets and the related liability. These are recorded at 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.

4.11.2 Intangibles

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any. Intangible assets are amortised using the straight line method at the rate stated in note 9.2. The residual values and useful life are reviewed and adjusted, if appropriate at each reporting date.

Amortisation is charged from the date when the asset is available for use and no amortisation is charged from the date when the asset is disposed off.

4.11.3 Capital work-in-progress

Capital work-in-progress is stated at cost. These are transferred to specific assets as and when assets are available for use.

4.11.4 Impairment

The carrying values of operating fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, fixed assets are written down to their recoverable amounts.

The resulting impairment loss is taken to consolidated profit and loss account. Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognised as income.

4.12 Provisions

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

4.13 Borrowings / deposits

- a) Borrowings / deposits are recorded when the proceeds are received.
- b) 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.

4.14 Offsetting

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

4.15 Assets acquired in satisfaction of claims

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

4.16 Staff retirement benefits**4.16.1 Defined benefit plan - Staff gratuity fund**

The Holding Company operates a funded gratuity scheme for its eligible permanent employees. The scheme was established during the year and approved by the Commissioner of Income Tax. The Holding Company recognises expense in accordance with IAS 19 "Employee Benefits".

The latest actuarial valuation was conducted as at December 31, 2014 and is carried out using the Projected Unit Credit Method (PUCM). Under this method, the cost of providing gratuity is charged to the profit and loss account so as to spread the cost over the service lives of the employees in accordance with the actuarial valuation. Actuarial gains and losses are recognised in full in the period in which they occur in other comprehensive income. All past service costs are recognised at the earlier of when the amendment or curtailment occurs and when the Holding Company has recognised related restructuring or termination benefits.

4.16.2 Defined contribution plan - Staff provident fund

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

4.17 Revenue recognition

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

Dividend income is recognised when the Group's right to receive income is established.

Fee, commission and brokerage income, management fee and remuneration for trustee and advisory services are recognised upon performance of services.

Premium or discount on debt securities classified as "available-for-sale" and "held-to-maturity" securities is amortised using the effective interest method and taken to consolidated profit and loss account.

Gains and losses on disposal of investments are dealt with through profit and loss account in the year in which they arise.

Return on bank deposits is recognised on time proportionate basis using the effective interest rates.

4.18 Foreign currency translation

Foreign currency transactions are converted into Rupees by applying the exchange rate at the date of the respective transactions. Monetary assets and liabilities in foreign currencies are translated into Rupees at the rates of exchange prevailing at the reporting date. Exchange gains and losses are included in income.

The Group's consolidated financial statements are presented in Pak Rupees (Rs.) which is the Group's functional and presentation currency.

4.19 Distributions and other appropriations to reserves

The Group recognises all appropriations, other than statutory appropriations, to reserves including those in respect of cash dividends and bonus shares, in the year in which such appropriations are approved by shareholders / directors as appropriate.

4.20 Earnings per share

The Group 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 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. There were no convertible dilutive potential ordinary shares in issue at December 31, 2015 and 2014.

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.

4.21.1 Business Segments**Corporate finance**

Corporate finance includes services provided in connection with mergers and acquisitions, underwriting, privatization, securitization, research, debts (government, high yield), equity, syndication, IPO and secondary private placements.

Trading and sales

It includes fixed income, equity, foreign exchange, commodities, credit, funding, lending and repos, brokerage debt and prime brokerage.

Commercial Banking

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

4.21.2 Geographical segments

The Group operates in Pakistan only.

4.22 Accounting estimates and judgments

The preparation of consolidated financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The key areas where various assumptions and estimates are significant to the Group's consolidated financial statements or where judgment was exercised in application of accounting policies are as follows:

4.22.1 Classification of investments

- i) In classifying investments as 'held-for-trading', the Group has determined securities which are acquired with an intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.
- ii) In classifying investments as 'held-to-maturity', the Group follows the guidance provided in the SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Group evaluates its intention and ability to hold such investment till maturity.
- iii) The investments which are not classified as 'held-for-trading' or 'held-to-maturity' are classified as 'available-for-sale'.

4.22.2 Provision against non-performing loans and advances

The Group reviews its loan portfolio to assess amount of non-performing loans and advances and determine provision required there against. While assessing this requirement various factors including the past dues, delinquency in the account, financial position of the borrower and requirements of Prudential Regulations are considered.

4.22.3 Impairment of available-for-sale equity investments

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant or prolonged" requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

4.22.4 Taxation

In making the estimates for income taxes currently payable by the Group, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past.

4.22.5 Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant interest rates and exchange rates over the term of contract.

4.22.6 Fixed assets' depreciation and amortization

In making estimates of the depreciation / amortization method, the management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Group. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the changed pattern.

4.22.7 Employees' defined benefit plan

The liability for employees' defined benefit plan is determined using actuarial valuations. The actuarial valuation involve assumptions about discount rates, expected rates of returns on assets, future salary increase etc. Due to the long term nature of the plan, such estimates are subject to significant uncertainty.

| | | December 31 | December 31 |
|--|------|------------------|-------------|
| | Note | 2015 | 2014 |
| | | (Rupees in '000) | |

5. CASH AND BALANCES WITH TREASURY BANKS

| | | December 31 | December 31 |
|--|------|------------------|-------------|
| | Note | 2015 | 2014 |
| | | (Rupees in '000) | |
| In hand | | 3 | 2 |
| With State Bank of Pakistan in local currency current account | 5.1 | 102,301 | 123,135 |
| With National Bank of Pakistan in local currency current account | | - | 16 |
| | | 102,304 | 123,153 |

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

| | | December 31 | December 31 |
|--|------|------------------|-------------|
| | Note | 2015 | 2014 |
| | | (Rupees in '000) | |

6. BALANCES WITH OTHER BANKS

| | | December 31 | December 31 |
|---------------------|------|------------------|-------------|
| | Note | 2015 | 2014 |
| | | (Rupees in '000) | |
| In Pakistan | | | |
| On deposit accounts | 6.1 | 487,887 | 173,645 |
| | | 487,887 | 173,645 |

6.1 These carry mark-up at rates ranging from 4% to 8.5% per annum (2014: 6.00% to 8.50% per annum).

7. INVESTMENTS

7.1 Investment by types

| | | December 31, 2015 | | | December 31, 2014 | | |
|---|-------|-------------------|---------------------|------------|-------------------|---------------------|------------|
| | Note | Held by the Group | Given as collateral | Total | Held by the Group | Given as collateral | Total |
| (Rupees in '000) | | | | | | | |
| Held-for-trading securities | | | | | | | |
| Market Treasury Bills | | - | - | - | - | - | - |
| Pakistan Investment Bonds | 7.5.1 | 5,828 | - | 5,828 | 28,544 | - | 28,544 |
| Units of mutual funds | | - | - | - | - | - | - |
| Ordinary shares of listed companies | 7.6 | 168,069 | - | 168,069 | - | - | - |
| | | 173,897 | - | 173,897 | 28,544 | - | 28,544 |
| Available-for-sale securities | | | | | | | |
| Market Treasury Bills | 7.5.1 | 737,760 | 480,243 | 1,218,003 | 1,298,579 | 8,062,491 | 9,361,070 |
| Pakistan Investment Bonds | 7.5.1 | 877,849 | 4,808,752 | 5,686,601 | 243,327 | 5,776,186 | 6,019,513 |
| Ordinary shares of listed companies | 7.7 | 854,393 | - | 854,393 | 745,250 | - | 745,250 |
| Ordinary shares of unlisted companies | 7.8 | 146,001 | - | 146,001 | 124,670 | - | 124,670 |
| Units of mutual funds | 7.9 | 1,000 | - | 1,000 | 29,835 | - | 29,835 |
| Term Finance Certificates and Sukuks | 7.13 | 2,461,249 | - | 2,461,249 | 2,789,859 | - | 2,789,859 |
| Preference shares | 7.10 | 67,260 | - | 67,260 | 93,885 | - | 93,885 |
| | | 5,145,512 | 5,288,995 | 10,434,507 | 5,325,405 | 13,838,677 | 19,164,082 |
| Held to maturity | | | | | | | |
| Commercial paper | 7.11 | 205,957 | - | 205,957 | - | - | - |
| Investment in associates | 7.12 | 6,244,385 | - | 6,244,385 | 5,005,407 | - | 5,005,407 |
| Investments at cost | | 11,769,751 | 5,288,995 | 17,058,746 | 10,359,356 | 13,838,677 | 24,198,033 |
| Less: Provision for diminution in value of Investments | 7.3 | (258,766) | - | (258,766) | (240,304) | - | (240,304) |
| Investments (net of provisions) | | 11,510,985 | 5,288,995 | 16,799,980 | 10,119,052 | 13,838,677 | 23,957,729 |
| Surplus / (deficit) on revaluation of held-for-trading securities - net | | (7,019) | - | (7,019) | 3,114 | - | 3,114 |
| Surplus / (deficit) on revaluation of available-for-sale securities - net | 16.1 | (27,240) | - | (27,240) | (15,747) | 247,442 | 231,695 |
| Total investments at market value | | 11,476,726 | 5,288,995 | 16,765,721 | 10,106,419 | 14,086,119 | 24,192,538 |

December 31 December 31

Note **2015** **2014**

(Rupees in '000)

7.2 Investments by segments

| | | 2015 | 2014 |
|---|------------|-------------------|-------------------|
| Federal Government Securities: | | | |
| Market Treasury Bills | 7.5 | 1,218,003 | 9,361,070 |
| Pakistan Investment Bonds | 7.5 | 5,692,429 | 6,048,057 |
| Fully paid-up ordinary shares: | | | |
| Listed companies | 7.6 & 7.7 | 1,022,462 | 745,250 |
| Unlisted companies | 7.8 | 146,001 | 124,670 |
| Term Finance Certificates and Sukuks: | | | |
| Listed | 7.13 | 378,484 | 705,909 |
| Unlisted | 7.13 | 2,082,765 | 2,083,950 |
| Units of mutual funds (including associates) | 7.9 & 7.12 | 6,245,385 | 5,035,242 |
| Commercial paper | 7.11 | 205,957 | - |
| Preference shares | 7.10 | 67,260 | 93,885 |
| Total investments at cost | | 17,058,746 | 24,198,033 |
| Less: Provision for diminution in value of investments | 7.3 | (258,766) | (240,304) |
| Investments (net of provisions) | | 16,799,980 | 23,957,729 |
| Surplus / (deficit) on revaluation of held-for-trading securities - net | | (7,019) | 3,114 |
| Surplus / (deficit) on revaluation of available-for-sale securities - net | 16.1 | (27,240) | 231,695 |
| Total investments at market value | | 16,765,721 | 24,192,538 |

7.3 Particulars of provision

| | | | |
|--|-------|----------|----------|
| As at January 01 | | 240,304 | 243,965 |
| Charge for the year | | 56,881 | 14,078 |
| Reversal during the year | | (31,211) | (17,739) |
| | | 25,670 | (3,661) |
| Impairment on equity securities transferred to profit and loss account on disposal | | (7,208) | - |
| | 7.3.1 | 258,766 | 240,304 |

7.3.1 Particulars of provision in respect of type and segment

| Available-for-sale securities | | | |
|---------------------------------------|------|---------|---------|
| Ordinary shares of listed companies | 7.7 | 34,844 | 27,143 |
| Ordinary shares of unlisted companies | | 21,331 | - |
| Units of mutual funds | 7.9 | - | 7,209 |
| Preference shares | 7.10 | 3,250 | 4,875 |
| Term finance certificates and sukuks | 7.13 | 199,341 | 201,077 |
| | | 258,766 | 240,304 |

7.4 Quality of available-for-sale securities

(Rupees in '000)

| | December 31, 2015 | | December 31, 2014 | |
|--|--|------------|--|------------|
| | Market value / Carrying value for unlisted investments | Rating | Market value / Carrying value for unlisted investments | Rating |
| Market Treasury Bills (T-bills) | | | | |
| 1 year T-bills | 1,058,674 | Government | 6,935,967 | Government |
| 6 months T-bills | 61,785 | Securities | - | Securities |
| 3 months T-bills | 99,411 | | 2,433,980 | |
| | 1,219,870 | | 9,369,947 | |
| Pakistan Investment Bonds (PIBs) | | | | |
| 15 years PIBs | 1,206,553 | Government | - | Government |
| 10 years PIBs | 863,385 | Securities | 1,764,841 | Securities |
| 5 years PIBs | 22,390 | | 567,271 | |
| 3 years PIBs | 3,692,716 | | 3,941,253 | |
| | 5,785,044 | | 6,273,365 | |
| Commercial papers | | | | |
| Pak Elektron Limited | 205,957 | Unrated | - | - |
| Ordinary shares of listed companies | | | | |
| Oil and gas marketing / exploration companies | | | | |
| Pakistan State Oil Company Limited | 35,835 | AA | 17,896 | AA+ |
| Pakistan Petroleum Limited | 12,181 | Unrated | 13,239 | Unrated |
| Pakistan Refinery | 1,356 | A- | - | - |
| Oil & Gas Development Corporation | 24,641 | - | 20,587 | AAA |
| Pakistan Oilfields Limited | - | - | 9,598 | Unrated |
| Attock Refinery Limited | - | - | 6,572 | AA |
| BYCO Petroleum Pakistan | 5,495 | - | - | - |
| National Refinery Limited | 5,579 | AA+ | 18,485 | AA+ |
| Hascol Petroleum Limited | - | - | 24,082 | A+ |
| Shell Pakistan Limited | - | - | 6,472 | Unrated |
| Mari Petroleum Company Limited | 6,971 | Unrated | 3,661 | Unrated |
| Sui Northern Gas Pipeline Ltd. | 6,010 | AA- | - | - |
| Commercial banks | | | | |
| National Bank of Pakistan | 27,020 | AAA | - | - |
| United Bank Limited | 23,242 | AA+ | 26,507 | AA+ |
| Habib Bank Limited | 20,012 | AAA | - | - |
| MCB Bank Limited | 27,323 | AAA | - | - |
| Askari Commercial Bank Limited | - | - | 21,916 | AA |
| Bank Al-Habib Limited | - | - | 9,710 | AA+ |
| Faysal Bank Limited | - | - | 22,750 | AA |
| Bank Alfalah Limited | - | - | 13,097 | AA |
| Habib Metropolitan Bank Limited | - | - | 4,308 | AA+ |
| Trust Investment Bank Limited | - | - | 219 | Unrated |
| Communication | | | | |
| Pakistan Telecommunication Company Limited | 10,718 | Unrated | 17,157 | Unrated |
| Power generation and distribution | | | | |
| Altern Energy Limited | 4,875 | - | - | - |
| K - Electric Limited | 7,440 | AA | - | - |
| Nishat Power Limited | 11,675 | A+ | - | - |
| Lalpir Power Limited | 18,587 | AA | 2,990 | AA |
| Kohinoor Energy Limited | - | - | 31,066 | AA |
| Cement | | | | |
| Maple Leaf Cement Factory Limited | 22,374 | A | 13,275 | A- |
| Fauji Cement Company Limited | - | - | 51,680 | Unrated |
| Dewan Cement Limited | 16,550 | - | - | - |
| Kohat Cement | 4,818 | - | - | - |
| Pioneer Cement Limited | 6,087 | Unrated | 29,963 | Unrated |
| PakCem | 20,436 | A- | - | - |
| Attock Cement | 16,775 | - | - | - |
| Power Cement | 13,365 | - | - | - |
| Lafarge Pakistan Limited | - | - | 10,410 | Unrated |
| Akzo Nobel Pakistan Limited | - | - | 10,333 | Unrated |
| Balance carried forward | 349,365 | | 385,973 | |

(Rupees in '000)

| | December 31, 2015 | | December 31, 2014 | |
|---|--|---------|--|---------|
| | Market value / Carrying value for unlisted investments | Rating | Market value / Carrying value for unlisted investments | Rating |
| Balance brought forward | 349,365 | | 385,973 | |
| Chemicals | | | | |
| ICI Pakistan Limited | - | - | 30,522 | Unrated |
| Ghani Gases Limited | - | - | 2,516 | Unrated |
| Automobile | | | | |
| Pak Suzuki Motor Company Limited | - | - | 18,556 | Unrated |
| Indus Motors Limited | - | - | 6,602 | Unrated |
| Honda Atlas Cars (Pakistan) Limited | - | - | 12,882 | Unrated |
| The General Tyre & Rubber Company of Pakistan Limited | - | - | 21,846 | Unrated |
| Pakistan International Bulk Terminal | 10,489 | - | - | - |
| Food producers | | | | |
| Clover Pakistan Limited | - | - | 1,434 | Unrated |
| Al Shaheer Corporation Limited | 12,436 | - | - | - |
| Pharmaceuticals | | | | |
| Glaxo SmithKline | 4,730 | - | - | - |
| Paper and board | | | | |
| Century Paper & Board Mills Limited | 7,678 | A+ | 8,674 | A+ |
| Packages Limited | 14,553 | AA | - | - |
| Fertilizers | | | | |
| Fauji Fertilizers Company Limited | 13,170 | Unrated | 45,210 | Unrated |
| Engro Fertilizer Limited | 18,929 | AA- | 51,936 | A+ |
| Agritech Limited | 9,760 | Unrated | 9,760 | Unrated |
| Engro Corporation | 55,878 | AA | - | - |
| Dawood Hercules Corporation | 11,914 | AA- | - | - |
| Fatima Fertilizer | 8,946 | AA- | - | - |
| Personal goods | | | | |
| Nishat Mills Limited | 37,948 | AA | 9,077 | AA |
| Nishat (Chunian) Limited | - | - | 27,070 | A- |
| Kohinoor Textile | 21,450 | AA | - | - |
| Treet Corporation | 12,592 | AA- | - | - |
| Pak Elektron Ltd. | 31,270 | A | - | - |
| Sugar | | | | |
| Abdullah Shah Ghazi Sugar Mills Limited | 19,881 | Unrated | 19,881 | Unrated |
| Miscellaneous | | | | |
| Crescent Steel & Allied Products | 6,218 | Unrated | 15,198 | Unrated |
| Mughal Iron and Steel | 9,061 | - | - | - |
| International Steel | 12,205 | - | - | - |
| International Industries | 3,075 | - | - | - |
| Bannu Woolen | 12,926 | - | - | - |
| EFU General Insurance Limited | - | - | 9,968 | AA+ |
| Cyan Limited | - | - | 4,296 | A+ |
| Searle Company Limited | - | - | 3,216 | Unrated |
| TPL Tracker Ltd. | 3,732 | - | - | - |
| | 688,206 | | 684,617 | |
| Ordinary shares of unlisted companies | | | | |
| Faruki Pulp Mills Limited | 100,000 | Unrated | 100,000 | Unrated |
| Pakistan Mercantile Exchange Limited | 21,331 | Unrated | - | - |
| Omer Jibran Engineering Industries Limited | 24,670 | Unrated | 24,670 | Unrated |
| | 146,001 | | 124,670 | |
| Preference shares | | | | |
| Pakistan Mercantile Exchange Limited | - | - | 15,000 | Unrated |
| Omer Jibran Engineering Industries Limited | 64,010 | Unrated | 74,010 | Unrated |
| Trust Investment Bank Limited | - | Unrated | - | Unrated |
| | 64,010 | | 89,010 | |

(Rupees in '000)

| | December 31, 2015 | | December 31, 2014 | |
|--|--|---------|--|---------|
| | Market value / Carrying value for unlisted investments | Rating | Market value / Carrying value for unlisted investments | Rating |
| Units of mutual funds | | | | |
| Pak Oman Advantage Fund | - | - | 28,546 | AA+ |
| Meezan Capital Preservation Fund - III | 1,200 | Unrated | 1,120 | Unrated |
| | 1,200 | | 28,546 | |
| Term Finance Certificates (TFCs) and Sukuks | | | | |
| Listed TFCs | | | | |
| Commercial banks | | | | |
| Allied Bank Limited - 2nd issue | - | - | 34,296 | AA |
| Askari Bank Limited - 4th issue | - | - | 101,136 | AA- |
| NIB Bank Limited - Perpetual TFC | 289,896 | A+ | 246,664 | A+ |
| Summit Bank Limited | 37,930 | A (SO) | 89,284 | A (SO) |
| Fertilizer | | | | |
| Engro Fertilizer Limited - 3rd issue | - | - | 56,145 | AA- |
| Real estate developers | | | | |
| Pace Pakistan Limited | - | - | - | - |
| Telecommunication | | | | |
| World Call Telecom Limited | 19,277 | Unrated | 11,281 | Unrated |
| Pakistan Mobile Communication Limited | 30,300 | AA | 126,667 | AA- |
| Unlisted TFCs and Sukuks | | | | |
| Commercial banks | | | | |
| Bank Alfalah Limited | 81,636 | AA- | 82,790 | AA- |
| Bank Alfalah Limited - TFC Floater | 164,105 | AA- | 165,100 | AA- |
| Bank Al-Habib Limited | 151,378 | AA | 151,878 | AA |
| Askari Bank Limited | 240,268 | AA- | 40,020 | AA- |
| Standard Chartered Bank | 14,762 | AAA | 14,734 | AAA |
| Development financial institution | | | | |
| Pak Libya Holding Company Ltd. - Perpetual TFC | - | - | 52,667 | AA- |
| Fertilizer | | | | |
| Agritech Limited - TFC III | 49,435 | Unrated | 16,662 | Unrated |
| Agritech Limited - TFC I | 2,786 | Unrated | 8,217 | Unrated |
| Engro Fertilizer Limited - TFC Perpetual I | 442,408 | AA- | 439,294 | AA- |
| Engro Fertilizer Limited - TFC Perpetual II | 264,975 | AA- | 64,128 | AA- |
| Engro Fertilizer Limited - Sukuk | - | - | 11,302 | AA |
| Cement | | | | |
| Kohat Cement Company Limited | - | - | - | - |
| Maple Leaf Cement Factory | 75,784 | A- | 97,492 | A- |
| Maple Leaf Cement Factory II | - | - | 130,853 | A- |
| Personal goods (textile) | | | | |
| Azgard Nine Limited - TFC V | 38,318 | Unrated | 7,195 | Unrated |
| Azgard Nine Limited - TFC IV | 7,196 | Unrated | 4,412 | Unrated |
| Azgard Nine Limited | 10,838 | Unrated | 10,838 | Unrated |
| Real estate developers | | | | |
| Eden Housing Limited | 43,642 | Unrated | 43,642 | Unrated |
| Consumer electronics | | | | |
| New Allied Electronics (Private) Limited | - | - | - | - |
| Pak Elektron Limited | 162,500 | A | 200,000 | A- |
| Media and communication | | | | |
| Independent Media Corporation (Private) Limited | 137,500 | BBB- | 187,500 | A- |
| Manufacturing | | | | |
| Amreli Steels Limited | 95,000 | A- | 190,000 | A- |
| | 2,359,934 | | 2,584,197 | |
| | 10,470,222 | | 19,154,352 | |

December 31 December 31

Note **2015** **2014**

(Rupees in '000)

7.5 Particulars of investments in Federal Government Securities

7.5.1 Held-for-trading

| | | 2015 | 2014 |
|--|---------|-----------|------------|
| Pakistan Investment Bonds | 7.5.1.1 | 5,828 | 28,544 |
| Available-for-sale | | | |
| Market Treasury Bills | | 1,218,003 | 9,361,070 |
| Pakistan Investment Bonds | | 5,686,601 | 6,019,513 |
| Carrying value (before revaluation) | 7.5.1.2 | 6,910,432 | 15,409,127 |
| Surplus / (deficit) on revaluation of securities | | 100,310 | 265,842 |
| Market value | | 7,010,742 | 15,674,969 |

7.5.1.1 Pakistan Investment Bond (PIB)

(Rupees in '000)

| | Note | Carrying value | Market value | Unrealised gain on revaluation |
|-------------------------------------|-----------|----------------|--------------|--------------------------------|
| Pakistan Investment Bond - 15 years | 7.5.1.1.1 | 5,828 | 5,995 | 167 |

7.5.1.1.1 The PIB has a face value of Rs.5 million and was purchased on June 15, 2015. It was issued on August 18, 2011 and will mature on August 18, 2026. It carries interest at the rate of 12.5% per annum.

7.5.1.2 Market Treasury Bills and Pakistan Investment Bonds are held with SBP and are eligible for rediscounting. Market Treasury Bills embody effective yield ranging from 6.29% to 6.96% (2014: 9.51% to 9.99%) per annum and will mature within 12 months. Pakistan Investment Bonds carry mark-up ranging from 6.52% to 13.07% (December 31, 2014: 11.25% to 12.00%) per annum on semi-annual basis and will mature within 2 to 10 years. Certain government securities are kept with SBP to meet statutory liquidity requirement calculated on the basis of demand and time liabilities.

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

| Name of investee company | December 31, 2015 | December 31, 2014 | Cost as at December 31, 2015 | Cost as at December 31, 2014 |
|---|--------------------|-------------------|------------------------------|------------------------------|
| | No. of shares held | | (Rupees in 000) | |
| Oil and gas marketing / exploration companies | | | | |
| Pakistan Petroleum Limited | 1,000 | – | 120 | – |
| Oil & Gas Development Corporation | 31,000 | – | 3,602 | – |
| Sui Southern Gas Company Limited | 899,500 | – | 35,171 | – |
| Sui Northern Gas Pipelines Limited | 1,853,500 | – | 47,792 | – |
| Attock Refinery Limited | 2,500 | – | 524 | – |
| Commercial banks | | | | |
| Habib Bank Limited | 4,500 | – | 899 | – |
| Bank of Punjab | 40,000 | – | 362 | – |
| Communication | | | | |
| Pakistan Telecommunication Company Limited | 5,500 | – | 88 | – |
| Power generation and distribution | | | | |
| K-Electric Limited | 12,000 | – | 88 | – |
| Cement | | | | |
| Maple Leaf Cement Limited | 1,000 | – | 72 | – |
| Pioneer Cement Limited | 500 | – | 44 | – |
| Fauji Cement Company Limited | 28,500 | – | 1,032 | – |
| D.G. Khan Cement Limited | 2,500 | – | 360 | – |
| Fertilizers | | | | |
| Fauji Fertilizers Company Limited | 34,500 | – | 3,850 | – |
| Engro Corporation Limited | 75,000 | – | 20,957 | – |
| Fauji Fertilizer Bin Qasim Limited | 20,500 | – | 1,109 | – |
| Engro Fertilizer Limited | 132,500 | – | 11,196 | – |
| Personal goods | | | | |
| Nishat Mills Limited | 4,500 | – | 426 | – |
| Pak Elektron Limited | 597,000 | – | 39,936 | – |
| Miscellaneous | | | | |
| Adamjee Insurance Company Limited | 4,000 | – | 229 | – |
| Arif Habib Corporation Limited | 4,000 | – | 206 | – |
| Hum Television Network | 500 | – | 6 | – |
| Carrying value (before revaluation and provision) of listed shares 'held-for-trading' | | | 168,069 | – |
| Provision for diminution in value of investments | | | – | (27,143) |
| Deficit on revaluation of securities - net | | | (7,186) | (33,490) |
| Market value | | | 160,883 | (60,633) |

7.6.1 The nominal value of each share held in a listed company is Rs.10 per share except for K-Electric Ltd. and Hum Television Network which are Rs.3.5 and Rs.1 respectively.

7.6.2 This represents equity investments purchased and simultaneously sold in future market with a view to generate a spread on the transaction.

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

| Name of investee company | December 31, 2015 | December 31, 2014 | Cost as at December 31, 2015 | Cost as at December 31, 2014 |
|---|--------------------|-------------------|------------------------------|------------------------------|
| | No. of shares held | | (Rupees in 000) | |
| Oil and gas marketing / exploration companies | | | | |
| Pakistan State Oil Company Limited | 110,000 | 50,000 | 43,918 | 19,840 |
| Pakistan Petroleum Limited | 100,000 | 75,000 | 15,116 | 14,173 |
| Oil & Gas Development Corporation | 210,000 | 100,000 | 34,336 | 27,128 |
| Pakistan Refinery Limited | 30,000 | – | 1,722 | – |
| Pakistan Oilfields Limited | – | 25,300 | – | 11,898 |
| Attock Refinery Limited | – | 35,000 | – | 7,876 |
| National Refinery Limited | 25,000 | 100,000 | 7,058 | 21,381 |
| BYCO Petroleum Pakistan | 250,000 | – | 7,326 | – |
| Hascol Petroleum Limited | – | 325,000 | – | 28,517 |
| Shell Pakistan Limited | – | 25,000 | – | 7,079 |
| Sui Northern Gas Pipelines Limited | 250,000 | – | 8,343 | – |
| Mari Petroleum Company Limited | 10,000 | 7,700 | 7,013 | 4,962 |
| Commercial banks | | | | |
| National Bank of Pakistan | 500,000 | – | 33,738 | – |
| United Bank Limited | 150,000 | 150,000 | 28,676 | 28,676 |
| Habib Bank Limited | 100,000 | – | 20,858 | – |
| MCB Bank Limited | 126,000 | – | 35,773 | – |
| Askari Commercial Bank Limited | – | 950,000 | – | 21,601 |
| Bank Al-Habib Limited | – | 200,000 | – | 9,577 |
| Faysal Bank Limited | – | 1,250,000 | – | 22,919 |
| Bank Alfalah Limited | – | 375,500 | – | 11,687 |
| Habib Metropolitan Bank Limited | – | 115,500 | – | 4,221 |
| Trust Investment Bank Limited | 325,000 | 162,500 | 3,250 | 1,625 |
| Communication | | | | |
| Pakistan Telecommunication Company Limited | 650,000 | 745,000 | 14,731 | 22,553 |
| Power generation and distribution | | | | |
| Altern Energy Limited | 150,000 | – | 6,130 | – |
| K-Electric Limited | 1,000,000 | – | 8,527 | – |
| Nishat Power Limited | 217,500 | – | 13,144 | – |
| Lalpir Power Limited | 625,000 | 100,000 | 21,911 | 2,671 |
| Kohinoor Energy Limited | – | 629,500 | – | 31,334 |
| Cement | | | | |
| Maple Leaf Cement Limited | 300,000 | 300,000 | 22,847 | 12,103 |
| Dewan Cement Limited | 1,278,000 | – | 22,302 | – |
| Kohat Cement | 20,000 | – | 4,365 | – |
| Fauji Cement Company Limited | – | 2,000,000 | – | 48,023 |
| Pioneer Cement Limited | 67,000 | 35,000 | 6,074 | 27,240 |
| PakCem Limited | 1,200,000 | – | 25,193 | – |
| Attock Cement Limited | 100,000 | – | 21,485 | – |
| Power Cement | 1,500,000 | – | 17,950 | – |
| Lafarge Pakistan Limited | – | 600,000 | – | 10,419 |
| Akzo Nobel Pakistan Limited | – | 28,900 | – | 13,552 |
| Chemicals | | | | |
| ICI Pakistan Limited | – | 66,000 | – | 39,039 |
| Ghani Gases Limited | – | 88,000 | – | 2,599 |
| Automobile | | | | |
| Pak Suzuki Motors Limited | – | 50,000 | – | 18,196 |
| Pakistan International Bulk Terminal | 375,000 | – | 13,611 | – |
| Indus Motors Limited | – | 7,500 | – | 6,814 |
| Honda Atlas Cars (Pakistan) Limited | – | 65,000 | – | 14,974 |
| The General Tyre & Rubber Company of Pakistan Limited | – | 150,000 | – | 23,077 |

| Name of investee company | December 31, | December 31, | Cost as at | Cost as at |
|---|--------------------|--------------|-------------------|-------------------|
| | 2015 | 2014 | December 31, 2015 | December 31, 2014 |
| | No. of shares held | | (Rupees in 000) | |
| Food producers | | | | |
| Clover Pakistan Limited | – | 10,000 | – | 1,697 |
| Al Shaheer Corporation Limited | 200,000 | – | 13,520 | – |
| Paper and board | | | | |
| Century Paper & Board Mills Limited | 150,000 | 160,000 | 9,780 | 8,720 |
| Packages Limited | 25,000 | – | 14,470 | – |
| Fertilizers | | | | |
| Fauji Fertilizers Company Limited | – | 1,000,000 | – | 44,771 |
| Engro Corporation Limited | 200,000 | – | 67,564 | – |
| Fauji Fertilizer Bin Qasim Limited | 250,000 | – | 16,024 | – |
| Fatima Fertilizer Company | 200,000 | – | 9,412 | – |
| Dawood Hercules Corporation | 100,000 | – | 13,699 | – |
| Engro Fertilizer Limited | 225,000 | 665,000 | 21,440 | 46,652 |
| Agritech Limited | 1,575,915 | 1,259,337 | 46,657 | 44,077 |
| Personal goods | | | | |
| Nishat Mills Limited | 400,000 | 75,000 | 48,124 | 9,937 |
| Kohinoor Textile | 300,000 | – | 23,324 | – |
| Treet Corporation | 200,000 | – | 12,793 | – |
| Nishat (Chunian) Limited | – | 596,000 | – | 31,966 |
| Pak Elektron Limited | 500,000 | – | 41,443 | – |
| Pharmaceuticals | | | | |
| Glaxo SmithKline | 21,500 | – | 5,136 | – |
| Sugar | | | | |
| Abdullah Shah Ghazi Sugar Mills Limited | 1,859,815 | 1,859,815 | 9,299 | 9,299 |
| Miscellaneous | | | | |
| Crescent Steel & Allied Products | 50,000 | 300,000 | 6,258 | 14,213 |
| TPL Trakker Ltd. | 250,000 | – | 4,321 | – |
| Mughal Iron and Steel | 130,000 | – | 10,825 | – |
| International Steels | 500,000 | – | 13,638 | – |
| International Industries | 50,000 | – | 3,442 | – |
| EFU General Insurance Limited | – | 65,200 | – | 10,274 |
| Bannu Woolen | 255,500 | – | 17,827 | – |
| Cyan Limited | – | 50,000 | – | 4,660 |
| Searle Company Limited | – | 13,300 | – | 3,230 |
| Carrying value (before revaluation and provision) of listed shares 'available-for-sale' | | | 854,393 | 745,250 |
| Provision for diminution in value of investments | | | (34,844) | (27,143) |
| Deficit on revaluation of securities - net | | | (127,243) | (33,490) |
| Market value | | | 692,306 | 634,617 |

7.7.1 The nominal value of each share held in a listed company is Rs.10 per share except for K-Electric Ltd. and Hum Television Network which are Rs.3.5 and Rs.1 respectively.

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

| (Rupees in '000) | | | | | | |
|---|-------|-------------------------|-----------------------|-------------------|------------------------------|------------------------------|
| Name of investee company | Note | Name of Chief Executive | December 31, 2015 | December 31, 2014 | Cost as at December 31, 2015 | Cost as at December 31, 2014 |
| | | | Number of shares held | | | |
| Faruki Pulp Mills Limited | 7.8.1 | Mr. Shahid Saleem | 6,666,667 | 6,666,667 | 100,000 | 100,000 |
| Break-up value: Rs.9.70 (2014: Rs.7.24) | | | | | | |
| Holding: 1.61% (2014: 1.61%) | | | | | | |
| Omer Jibran Engineering Industries Limited | | Mr. Feroz Khan | 2,467,000 | 2,467,000 | 24,670 | 24,670 |
| Break-up value: Rs.21.07 (2014: Rs.18.14) | | | | | | |
| Holding: 7.02% (2014: 7.02%) | | | | | | |
| Pakistan Mercantile Exchange Limited | 7.8.2 | Mr. Ejaz Ali Shah | 2,133,115 | – | 21,331 | – |
| Break-up value: Rs.3.84 (2014: Nil) | | | | | | |
| Holding: 7.74% (2014: Nil) | | | | | | |
| Carrying value of shares of unlisted companies - 'available-for-sale' | | | | | 146,001 | 124,670 |

7.8.1 The break-up value per share of Faruki Pulp Mills Limited (FPML) based on the annual audited accounts of FPML for the year ended June 30, 2015 is Rs.9.70 per share as against the cost per share of Rs.15. The Holding Company holds a put option against these shares which is exercisable at any time by the Holding Company, whereby the seller of the shares has agreed to repurchase the above referred shares at Rs.15 per share (cost). Considering the presence of the put option, the Company has not made any provision against the said diminution in the value of these shares.

7.8.2 These include 1,500,000 previously issued preference shares which were converted into equivalent ordinary shares during the year.

7.9 Particulars of investment in units of mutual funds - available-for-sale

| Name of investee company | December 31, | December 31, | Cost as at | Cost as at |
|--|-------------------|--------------|-------------------|-------------------|
| | 2015 | 2014 | December 31, 2015 | December 31, 2014 |
| | No. of units held | | (Rupees in 000) | |
| Closed-end mutual fund | | | | |
| Pak Oman Advantage Fund | – | 2,883,499 | – | 28,835 |
| Open-ended mutual fund | | | | |
| Meezan Capital Preservation Fund-III | 20,206 | 20,206 | 1,000 | 1,000 |
| Carrying value (before revaluation and provision) of mutual funds units 'available-for-sale' | | | | |
| | | | 1,000 | 29,835 |
| Provision for diminution in value of investments | | | – | (7,209) |
| Surplus on revaluation of securities - net | | | 200 | 7,042 |
| Market value | | | 1,200 | 29,668 |

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

| Name of investee company | Note | December 31, | December 31, | Cost as at | Cost as at |
|---|--------|--------------------|--------------|-------------------|-------------------|
| | | 2015 | 2014 | December 31, 2015 | December 31, 2014 |
| | | No. of shares held | | (Rupees in 000) | |
| Pakistan Mercantile Exchange Limited | 7.8.2 | – | 1,500,000 | – | 15,000 |
| Omer Jibran Engineering Industries Limited | 7.10.1 | 6,401,000 | 7,401,000 | 64,010 | 74,010 |
| Trust Investment Bank Limited | 7.10.2 | 325,000 | 487,500 | 3,250 | 4,875 |
| Carrying value (before revaluation and provision) of preference shares 'available-for-sale' | | | | | |
| | | | 67,260 | 93,885 | |
| Provision for diminution in value of investments | | | (3,250) | (4,875) | |
| Market value | | | 64,010 | 89,010 | |

7.10.1 These are cumulative, convertible, redeemable and non-participatory preference shares, carrying dividend at the rate of 10% per annum applicable after two years from the date of investment i.e. July 06, 2012, of the face value of Rs.10 each. These shares carry call option exercisable at any time after subscription date till termination of this agreement.

7.10.2 These are cumulative, convertible, redeemable and non-participatory preference shares, carrying dividend at the rate of 1 year Kibor + 1% per annum, of the face value of Rs.10 each. These shares carried call option exercisable by the issuer between 3 to 5 years from the date of allotment i.e. May 05, 2010.

7.11 Investment in commercial paper - held to maturity

| Name of the investee company | Note | Face value | (Rupees in '000) | |
|------------------------------|--------|------------|------------------|----------------|
| | | | Purchase cost | Carrying value |
| Pak Elektron Limited | 7.11.1 | 200,000 | 187,088 | 189,811 |
| Pak Elektron Limited | 7.11.2 | 17,000 | 15,902 | 16,146 |
| | | 217,000 | 202,990 | 205,957 |

7.11.1 These Commercial Papers were issued by Pakistan Elektron Limited on November 02, 2015 and will mature on July 29, 2016. They carry yield at the rate of 9.26% per annum.

7.11.2 These Commercial Papers were issued by Pakistan Elektron Limited on November 02, 2015 and will mature on July 29, 2016. They carry yield at the rate of 9.33% per annum.

| | Note | December 31 | |
|--|------|------------------|------|
| | | 2015 | 2014 |
| | | (Rupees in '000) | |

7.12 Investment in associates

| Name of investee fund | | | |
|--|--------|-----------|-----------|
| PIML - Income Fund | 7.12.1 | 2,809,918 | 2,968,460 |
| PIML - Daily Reserve Fund | 7.12.2 | 2,487,400 | 1,665,125 |
| PIML - Strategic Multi Asset Fund | 7.12.3 | 242,897 | 148,609 |
| PIML - Islamic Equity Fund | 7.12.4 | 156,050 | 115,642 |
| PIML - Islamic Income Fund (formerly: PIML Islamic Money Market Fund) | 7.12.5 | 410,523 | 107,571 |
| PIML - Value Equity Fund | 7.12.6 | 137,597 | - |
| | | 6,244,385 | 5,005,407 |

7.12.1 PIML - Income Fund

| | | |
|---------------------------------|--------------|-------------|
| As at January 01 | 2,968,460 | 2,968,410 |
| Investment made during the year | 12,294,011 | 8,682,003 |
| Redemption during the year | (12,769,681) | (8,993,470) |
| Dividend received | (43,598) | (110,510) |
| Share of profit for the year | 360,726 | 422,027 |
| | 2,809,918 | 2,968,460 |

Percentage holding

| | | |
|--|--------|--------|
| | 49.21% | 71.38% |
|--|--------|--------|

7.12.1.1 PIML - Income Fund is an open ended mutual fund, listed on the Karachi Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

7.12.1.2 The details of assets, liabilities, revenues and profits of the Fund based on unaudited financial statements are as follows:

| | (Rupees in '000) | | | |
|------|------------------|-------------|---------|---------|
| | Assets | Liabilities | Revenue | Profit |
| 2015 | 5,749,646 | 38,954 | 322,130 | 249,202 |
| 2014 | 4,189,705 | 30,711 | 493,321 | 389,135 |

| Note | December 31 | |
|------|------------------|------|
| | 2015 | 2014 |
| | (Rupees in '000) | |

7.12.2 PIML - Daily Reserve Fund

| | | |
|---------------------------------|--------------|-------------|
| As at January 01 | 1,665,125 | 2,762,078 |
| Investment made during the year | 13,439,358 | 3,399,519 |
| Redemption during the year | (12,630,341) | (4,549,230) |
| Dividend received | (23,847) | (70,877) |
| Share of profit for the year | 37,105 | 123,635 |
| | 2,487,400 | 1,665,125 |

Percentage holding

| | | |
|--|--------|--------|
| | 78.44% | 47.18% |
|--|--------|--------|

7.12.2.1 Primus Daily Reserve Fund is an open ended mutual fund, listed on the Karachi Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

7.12.2.2 The details of assets, liabilities, revenues and profits of the Fund based on unaudited financial statements are as follows:

| | (Rupees in '000) | | | |
|------|------------------|-------------|----------|----------|
| | Assets | Liabilities | Revenue | Profit |
| 2015 | 3,188,861 | 17,611 | (33,871) | (45,912) |
| 2014 | 3,549,654 | 20,192 | 417,065 | 358,073 |

| | December 31 | |
|--|------------------|------|
| | 2015 | 2014 |
| | (Rupees in '000) | |

7.12.3 Primus Strategic Multi Asset Fund

| | | |
|---------------------------------|-----------|-----------|
| As at January 01 | 148,609 | 107,433 |
| Investment made during the year | 434,964 | 275,952 |
| Redemption during the year | (345,346) | (255,393) |
| Dividend received | (15,304) | (2,680) |
| Share of profit for the year | 19,974 | 23,297 |
| | 242,897 | 148,609 |

Percentage holding

| | | |
|--|--------|--------|
| | 80.39% | 91.30% |
|--|--------|--------|

7.12.3.1 Primus Strategic Multi Asset Fund is an open ended mutual fund, listed on the Karachi Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

7.12.3.2 The details of assets, liabilities, revenues and profits of the Fund based on unaudited financial statements are as follows:

| | (Rupees in '000) | | | |
|------|------------------|-------------|---------|--------|
| | Assets | Liabilities | Revenue | Profit |
| 2015 | 306,056 | 3,914 | 60,954 | 50,799 |
| 2014 | 164,485 | 1,710 | 20,185 | 17,609 |

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2015 **2014**

(Rupees in '000)

7.12.4 PIML - Islamic Equity Fund

| | | |
|---------------------------------|---------------|---------------|
| As at January 01 | 115,642 | – |
| Investment made during the year | 229,168 | 187,949 |
| Redemption during the year | (207,449) | (83,894) |
| Dividend received | – | (889) |
| Share of profit for the year | 18,689 | 12,476 |
| | 156,050 | 115,642 |
| Percentage holding | 75.98% | 90.16% |

7.12.4.1 Primus Islamic Equity Fund is an open ended mutual fund, listed on the Karachi Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

7.12.4.2 The details of assets, liabilities, revenues and profits of the Fund based on unaudited financial statements are as follows:

(Rupees in '000)

| | Assets | Liabilities | Revenue | Profit |
|-------------|----------------|--------------|---------------|---------------|
| 2015 | 207,664 | 2,279 | 33,654 | 27,355 |
| 2014 | 129,918 | 1,650 | 13,782 | 9,976 |

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2015 **2014**

(Rupees in '000)

7.12.5 PIML - Islamic Income Fund (formerly: PIML Islamic Money Market Fund)

| | | |
|---------------------------------|---------------|---------------|
| As at January 01 | 107,571 | – |
| Investment made during the year | 300,000 | 720,000 |
| Redemption during the year | (50) | (620,999) |
| Dividend received | (5,038) | (1,711) |
| Share of profit for the year | 8,040 | 10,281 |
| | 410,523 | 107,571 |
| Percentage holding | 98.85% | 88.17% |

7.12.5.1 Primus Islamic Income Fund is an open ended mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

7.12.5.2 The details of assets, liabilities, revenues and profits of the Fund based on unaudited financial statements are as follows:

(Rupees in '000)

| | Assets | Liabilities | Revenue | Profit |
|-------------|----------------|--------------|---------------|---------------|
| 2015 | 416,474 | 1,180 | 17,698 | 15,228 |
| 2014 | 122,625 | 618 | 8,093 | 5,505 |

December 31 December 31

2015 **2014**

(Rupees in '000)

7.12.6 PIML - Value Equity Fund

| | | |
|---------------------------------|---------------|----------|
| As at January 01 | – | – |
| Investment made during the year | 344,532 | – |
| Redemption during the year | (215,839) | – |
| Dividend received | – | – |
| Share of profit for the year | 8,904 | – |
| | 137,597 | – |
| Percentage holding | 68.48% | – |

7.12.6.1 Primus Value Equity Fund is an open ended mutual fund, listed on the Karachi Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

7.12.6.2 The details of assets, liabilities, revenues and profits of the Fund based on unaudited financial statements are as follows:

(Rupees in '000)

| | Assets | Liabilities | Revenue | Profit |
|-------------|----------------|--------------|---------------|--------------|
| 2015 | 202,955 | 2,009 | 15,768 | 8,737 |
| 2014 | 129,918 | 1,650 | 13,782 | 9,976 |

7.13 Particulars of investments in Term Finance Certificates (TFCs) and Sukuks

| Name of the investee | Rate of interest | Profit payment | Maturity | Number of certificates held | (Rupees) | | As at December 31, 2015 | Name of Chief Executive | |
|---|------------------|----------------|-----------|-----------------------------|-------------------------------|---|-------------------------|--------------------------|--|
| | | | | | Paid-up value per certificate | Total Paid up value (before redemption) | | | |
| Listed TFCs | | | | | | | | | |
| Commercial banks | | | | | | | | | |
| NIB Bank Ltd TFC II | 6 K+1.15% | Half Yearly | 19-Jun-22 | 58,600 | 5,000 | 293,000 | 292,296 | Mr. Atif R. Bukhari | |
| Summit Bank Ltd TFC | 6 K+3.25% | Half Yearly | 27-Oct-18 | 7,600 | 5,000 | 38,000 | 37,930 | Mr. Hussain Lawai | |
| Real estate developers | | | | | | | | | |
| Pace Pakistan Limited * | 6 K+2.00% | Half Yearly | 15-Feb-17 | 115 | 5,000 | 575 | 575 | Ms. Aamna Taseer | |
| Telecommunication | | | | | | | | | |
| World Call Telecom Limited * | 6 K+1.60% | Half Yearly | 7-Oct-21 | 10,000 | 5,000 | 50,000 | 17,684 | Mr. Babar Ali Syed | |
| Pakistan Mobile Communication Limited | 3 K+2.00% | Quarterly | 18-Apr-16 | 1,500 | 100,000 | 150,000 | 30,000 | Mr. Jeffery Hedberg | |
| | | | | | | | 378,485 | | |
| Unlisted TFCs | | | | | | | | | |
| Commercial banks | | | | | | | | | |
| Askari Bank Ltd. TFC V | 6 K+1.20% | Half Yearly | 30-Sep-24 | 43,000 | 5,000 | 215,000 | 215,076 | Syed Majeedullah Husaini | |
| Askari Bank Ltd. TFC 1V | 6 K+1.75% | Half Yearly | 23-Dec-21 | 25 | 1,000,000 | 25,000 | 25,191 | Syed Majeedullah Husaini | |
| Bank Alfalah Ltd. TFC IV | Fixed 15.00 % | Half Yearly | 2-Dec-17 | 16,000 | 5,000 | 80,000 | 81,636 | Mr. Atif Bajwa | |
| Bank Alfalah Ltd. TFC IV | 6 K+2.50% | Half Yearly | 2-Dec-17 | 32,600 | 5,000 | 163,000 | 164,105 | Mr. Atif Bajwa | |
| Bank Al Habib Ltd. TFC II | Fixed 15.00 % | Half Yearly | 30-Jun-21 | 29,600 | 5,000 | 148,000 | 151,378 | Mr. Abbas D Habib | |
| Standard Chartered Bank Pak Ltd. TFC | 6 K+0.75% | Half Yearly | 29-Jun-22 | 3,000 | 5,000 | 15,000 | 14,762 | Mr. Shazad Dada | |
| Fertilizer | | | | | | | | | |
| Pak American Fertilizer Ltd TFC III * | 3 K+3.25% | Quarterly | 1-Dec-17 | 9,000 | 5,000 | 45,000 | 46,604 | Mr. Muhammad Khalid Mir | |
| Pak American Fertilizer Ltd TFC III * | 6 K+1.75% | Half Yearly | 29-Nov-17 | 1,000 | 5,000 | 5,000 | 2,831 | Mr. Muhammad Khalid Mir | |
| Pak American Fertilizer Ltd TFC IV * | 0% Coupon | Half Yearly | 2-Jan-15 | - | 5,000 | - | 8,360 | Mr. Muhammad Khalid Mir | |
| Engro Fertilizer Ltd TFC PRP I | 6 K+2.1% | Half Yearly | 18-Mar-18 | 90,050 | 5,000 | 450,250 | 442,408 | Mr. Ruhail Muhammad | |
| Engro Fertilizer Ltd TFC PRP II | 6 K+1.65% | Half Yearly | 18-Mar-18 | 53,000 | 5,000 | 265,000 | 264,975 | Mr. Ruhail Muhammad | |
| Personal goods (textiles) | | | | | | | | | |
| Azgard Nine Limited - PPTFC * | 0% Coupon | Quarterly | 28-Jun-17 | 5,496 | 5,000 | 27,480 | 27,480 | Mr. Ahmed H. Sheikh | |
| Azgard Nine Limited - TFC IV * | 3 K+1.25% | Quarterly | 18-Nov-15 | - | 5,000 | - | 7,196 | Mr. Ahmed H. Sheikh | |
| Azgard Nine Limited * | 6 K+1.25% | Half Yearly | 4-Dec-17 | 5,000 | 5,000 | 25,000 | 10,838 | Mr. Ahmed H. Sheikh | |
| | | | | | | | 1,462,840 | | |
| Unlisted sukuks | | | | | | | | | |
| Cement | | | | | | | | | |
| Maple Leaf Cement Factory | 3 K+1.70% | Quarterly | 3-Dec-16 | 45,200 | 5,000 | 226,000 | 75,784 | Mr. Sayeed Tariq Saigol | |
| Consumer electronics | | | | | | | | | |
| New Allied Electronics (Private) Limited * | 3 K+2.20% | Quarterly | 3-Dec-12 | - | 5,000 | - | 105,500 | Mr. Mian Pervez Akhtar | |
| Pak Elektron Limited | 3 K+1.0% | Quarterly | 31-Mar-19 | 40,000 | 5,000 | 200,000 | 162,500 | Mr. M Naseem Saigol | |
| Real estate developers | | | | | | | | | |
| Eden Housing (Private) Limited * | 3 K+3.00% | Quarterly | 29-Jun-14 | - | 5,000 | - | 43,640 | Dr. Mohammad Amjad | |
| Media and communication | | | | | | | | | |
| Independent Media Corporation (Private) Limited | 3 K+3.00% | Quarterly | 5-Aug-18 | 50,000 | 5,000 | 250,000 | 137,500 | Mr. Mir Ibrahim Rahman | |
| Manufacturing | | | | | | | | | |
| Amreli Steels Limited | 3 K+2.50% | Quarterly | 9-Dec-16 | 50,000 | 5,000 | 250,000 | 95,000 | Mr. Abbas Akberali | |
| | | | | | | | 619,924 | | |
| Carrying value (before revaluation and provision) of TFCs and Sukuks - 'available-for-sale' | | | | | | | 2,461,249 | | |
| Provision for diminution in value of investments | | | | | | | (198,788) | | |
| Deficit on revaluation of securities - net | | | | | | | (506) | | |
| Market value | | | | | | | 2,261,955 | | |

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

December 31 December 31
Note 2015 2014
(Rupees in '000)

8. ADVANCES

| | | | |
|---|-----|------------|-----------|
| Loans, cash credits, running finances, etc. | | | |
| In Pakistan | 8.1 | 8,088,942 | 5,059,839 |
| LTFF scheme under State Bank of Pakistan | | | |
| - Long-Term Finance Facility (LTFF) Scheme | | 951,045 | 1,248,827 |
| - Power Plants Using Renewable Energy (PPRE) Scheme | | 172,582 | 45,000 |
| - Financing for Storage of Agriculture Produce (FFSAP) Scheme | | 17,672 | - |
| Net investment in finance lease | | | |
| In Pakistan | 8.3 | 1,169,812 | 1,042,480 |
| Advances - gross | 8.2 | 10,400,053 | 7,396,146 |
| Provision for non-performing advances - specific | 8.4 | (155,854) | (2,537) |
| Provision for non-performing advances - general | | (519) | (327) |
| | 8.5 | (156,373) | (2,864) |
| Advances - net of provision | | 10,243,680 | 7,393,282 |

8.1 Included herein is Rs.107.226 million (Rs.9.13 million) representing advances against lease which carry mark-up at the rates ranges from 8.24% to 9.40% per annum (2014: 6 months' KIBOR + 4.25%).

December 31 December 31
2015 2014
(Rupees in '000)

8.2 Particulars of advances - gross

| | | |
|--------------------------------------|------------|-----------|
| 8.2.1 In local currency | 10,400,053 | 7,396,146 |
| In foreign currencies | - | - |
| | 10,400,053 | 7,396,146 |
| 8.2.2 Short-term (for upto one year) | 4,916,686 | 3,480,555 |
| Long-term (for over one year) | 5,483,367 | 3,915,591 |
| | 10,400,053 | 7,396,146 |

8.3 Net Investment in Finance Lease

(Rupees in '000)

| | 2015 | | | | 2014 | | | |
|---|-------------------------|--|-----------------------|-----------|-------------------------|--|-----------------------|-----------|
| | Not later than one year | Later than one year and less than five years | Later than five years | Total | Not later than one year | Later than one year and less than five years | Later than five years | Total |
| Lease rentals receivable | 465,010 | 544,670 | 50,235 | 1,059,915 | 389,224 | 626,571 | - | 1,015,795 |
| Residual value | 57,604 | 215,810 | 2 | 273,416 | 29,730 | 188,093 | - | 217,823 |
| Minimum lease payments | 522,614 | 760,480 | 50,237 | 1,333,331 | 418,954 | 814,664 | - | 1,233,618 |
| Financial charges for future periods | (85,389) | (75,080) | (3,050) | (163,519) | (94,754) | (96,384) | - | (191,138) |
| Present value of minimum lease payments | 437,225 | 685,400 | 47,187 | 1,169,812 | 324,200 | 718,280 | - | 1,042,480 |

8.3.1 These leases are executed for a term of 1 to 7 years. Security deposit has been obtained within a range of 0% to 31.81% of the cost of investment at the time of disbursement and has been recorded in other liabilities. The rate of return ranges from 8.63% to 24.00% per annum (2014: 11.90% to 26.01% per annum). Lease rentals are receivable in monthly / quarterly instalments. The assets are insured in favour of the Holding Company.

8.4 Advances include Rs.311.707 million (2014: Rs.2.537 million) which have been placed under non-performing status as detailed below:

| Category of classification | (Rupees in '000) | | | | | | | | |
|-----------------------------------|------------------|----------|---------|----------|----------|---------|----------|----------|---------|
| | 2015 | | | 2014 | | | 2013 | | |
| | Domestic | Overseas | Total | Domestic | Overseas | Total | Domestic | Overseas | Total |
| Other assets especially mentioned | - | - | - | - | - | - | - | - | - |
| Substandard | - | - | - | - | - | - | - | - | - |
| Doubtful | 311,707 | - | 311,707 | 155,854 | - | 155,854 | 155,854 | - | 155,854 |
| Loss | - | - | - | - | - | - | - | - | - |
| | 311,707 | - | 311,707 | 155,854 | - | 155,854 | 155,854 | - | 155,854 |

| Category of classification | (Rupees in '000) | | | | | | | | |
|-----------------------------------|------------------|----------|-------|----------|----------|-------|----------|----------|-------|
| | 2014 | | | 2013 | | | 2012 | | |
| | Domestic | Overseas | Total | Domestic | Overseas | Total | Domestic | Overseas | Total |
| Other assets especially mentioned | - | - | - | - | - | - | - | - | - |
| Substandard | - | - | - | - | - | - | - | - | - |
| Doubtful | - | - | - | - | - | - | - | - | - |
| Loss | 2,537 | - | 2,537 | 2,537 | - | 2,537 | 2,537 | - | 2,537 |
| | 2,537 | - | 2,537 | 2,537 | - | 2,537 | 2,537 | - | 2,537 |

8.5 Particulars of provision against non-performing advances

| | (Rupees in '000) | | | | | |
|--------------------------|------------------|---------|---------|----------|---------|-------|
| | 2015 | | | 2014 | | |
| | Specific | General | Total | Specific | General | Total |
| As at January 01 | 2,537 | 327 | 2,864 | 2,537 | 331 | 2,868 |
| Charge during the year | 155,854 | 192 | 156,046 | - | - | - |
| Reversal during the year | (2,537) | - | (2,537) | - | (4) | (4) |
| | 155,854 | 519 | 156,373 | 2,537 | 327 | 2,864 |

8.5.1 Particulars of provision against non-performing advances

| | (Rupees in '000) | | | | | |
|-----------------------|------------------|---------|---------|----------|---------|-------|
| | 2015 | | | 2014 | | |
| | Specific | General | Total | Specific | General | Total |
| In local currency | 155,854 | 519 | 156,373 | 2,537 | 327 | 2,864 |
| In foreign currencies | - | - | - | - | - | - |
| | 155,854 | 519 | 156,373 | 2,537 | 327 | 2,864 |

December 31 2015 December 31 2014

Note 2015 2014

(Rupees in '000)

8.6 Particulars of loans and advances to 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: | | |
| As at January 01 | 87,100 | 65,730 |
| Loans granted during the year | 50,147 | 36,204 |
| Repayments during the year | (22,950) | (14,834) |
| | 114,297 | 87,100 |

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

The aforesaid details are given in Annexure-I which forms an integral part of these financial statements.

9. OPERATING FIXED ASSETS

| | | | |
|--------------------------|-----|--------|--------|
| Capital work-in-progress | | 319 | - |
| Property and equipment | 9.1 | 47,640 | 34,883 |
| Intangible assets | 9.2 | 1,625 | 2,321 |
| | | 49,584 | 37,204 |

9.1 Property and equipment

| | (Rupees in '000) | | | | | | | | | |
|------------------------|-------------------|-----------|-------------------------|------------------------|---------------------|-----------|-------------------------|------------------------------------|----------------------|--------|
| | December 31, 2015 | | | | | | | | | |
| | Cost | | | Depreciation | | | | Book value as at December 31, 2015 | Rate of depreciation | |
| As at January 01, 2015 | Additions | Disposals | As at December 31, 2015 | As at January 01, 2015 | Charge for the year | Disposals | As at December 31, 2015 | | | |
| Owned | | | | | | | | | | |
| Leasehold improvement | 42,464 | 9,688 | - | 52,152 | 23,616 | 9,303 | - | 32,919 | 19,233 | 20% |
| Furniture and fixture | 16,320 | 3,050 | - | 19,370 | 12,022 | 2,107 | - | 14,129 | 5,241 | 20% |
| Office equipment | 5,205 | 3,801 | (901) | 8,105 | 3,713 | 847 | (901) | 3,659 | 4,446 | 20% |
| Computers | 15,727 | 3,676 | - | 19,403 | 13,184 | 2,055 | - | 15,239 | 4,164 | 33.33% |
| Vehicles | 17,341 | 14,020 | (10,396) | 20,965 | 9,832 | 3,958 | (7,187) | 6,603 | 14,362 | 25% |
| Mobile sets | 502 | 179 | (135) | 546 | 309 | 153 | (110) | 352 | 194 | 50% |
| | 97,559 | 34,414 | (11,432) | 120,541 | 62,676 | 18,423 | (8,198) | 72,901 | 47,640 | |

| | (Rupees in '000) | | | | | | | | | |
|------------------------|-------------------|-----------|-------------------------|------------------------|---------------------|-----------|-------------------------|------------------------------------|----------------------|--------|
| | December 31, 2014 | | | | | | | | | |
| | Cost | | | Depreciation | | | | Book value as at December 31, 2014 | Rate of depreciation | |
| As at January 01, 2014 | Additions | Disposals | As at December 31, 2014 | As at January 01, 2014 | Charge for the year | Disposals | As at December 31, 2014 | | | |
| Owned | | | | | | | | | | |
| Leasehold improvement | 42,321 | 143 | - | 42,464 | 15,137 | 8,479 | - | 23,616 | 18,848 | 20% |
| Furniture and fixture | 15,778 | 542 | - | 16,320 | 10,057 | 1,965 | - | 12,022 | 4,298 | 20% |
| Office equipment | 4,658 | 547 | - | 5,205 | 3,196 | 517 | - | 3,713 | 1,492 | 20% |
| Computers | 14,613 | 1,114 | - | 15,727 | 11,144 | 2,040 | - | 13,184 | 2,543 | 33.33% |
| Vehicles | 15,783 | 1,558 | - | 17,341 | 6,392 | 3,440 | - | 9,832 | 7,509 | 25% |
| Mobile sets | 300 | 232 | (30) | 502 | 221 | 107 | (19) | 309 | 193 | 50% |
| | 93,453 | 4,136 | (30) | 97,559 | 46,147 | 16,548 | (19) | 62,676 | 34,883 | |

9.1.1 Property and equipment having cost of Rs.25.59 million (2014: Rs.24.72 million) are fully depreciated.

9.1.2 Details of disposal of fixed assets

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 |
|-----------------------|--------------|----------------|---------------|------------|------------------|-----------------------------------|
| Vehicle | | | | | | |
| Mercedes | 7,875 | 1,734 | 1,734 | – | Company policy | Ms. Ayesha Aziz, MD related party |
| Motor cycle | 41 | 4 | 19 | 15 | Balloting | Mr. Farhan - related party |
| Office equipment | 901 | – | 90 | 90 | Quotation | Ghosi Airconditioning |
| Mobile phones | 105 | – | 1 | 1 | As per policy | Company employees |
| 2015 | 8,922 | 1,738 | 1,844 | 106 | | |
| 2014 | 30 | 11 | 18 | 7 | | |

9.2 Intangible assets

(Rupees in '000)

| | December 31, 2015 | | | | | | | |
|----------|------------------------|-----------|-------------------------|------------------------|---------------------|-------------------------|------------------------------------|----------------------|
| | COST | | | AMORTIZATION | | | Book value as at December 31, 2015 | Rate of Amortization |
| | As at January 01, 2015 | Additions | As at December 31, 2015 | As at January 01, 2015 | Charge for the year | As at December 31, 2015 | | |
| Software | 16,910 | 1,024 | 17,934 | 14,589 | 1,720 | 16,309 | 1,625 | 33.33% |

(Rupees in '000)

| | December 31, 2014 | | | | | | | |
|----------|------------------------|-----------|-------------------------|------------------------|---------------------|-------------------------|------------------------------------|----------------------|
| | COST | | | AMORTIZATION | | | Book value as at December 31, 2014 | Rate of Amortization |
| | As at January 01, 2014 | Additions | As at December 31, 2014 | As at January 01, 2014 | Charge for the year | As at December 31, 2014 | | |
| Software | 16,661 | 249 | 16,910 | 11,843 | 2,746 | 14,589 | 2,321 | 33.33% |

December 31 December 31

Note 2015 2014

(Rupees in '000)

10. OTHER ASSETS

| | | | |
|---|------|-----------|-----------|
| Income / mark-up accrued in local currency | | 427,245 | 514,286 |
| Advances, deposits and other prepayments | | 106,583 | 121,787 |
| Advance tax (payment less provision) | | 193,812 | 280,372 |
| Receivable against sale of assets | | 7,484 | 180,680 |
| Unrealised gain on forward contracts | | 7,915 | – |
| Pre IPO Investment in Awwal Modaraba - related party | 10.1 | 750,000 | – |
| Receivable from associates | 10.2 | 51,779 | 31,701 |
| Dividend receivable | | 1,125 | 250 |
| Others | | – | 209 |
| | | 1,545,943 | 1,129,285 |
| Less: Provision held against advances, deposits and other prepayments | 10.3 | (50,000) | (50,000) |
| Other assets (net of provisions) | | 1,495,943 | 1,079,285 |

- 10.1 This represents Pre- IPO investment made by the Group in Awwal Modaraba (a related party) which was launched on January 04, 2016. The Group is entitled to receive 75,000,000 certificates having a par value of Rs.10 each.
- 10.2 Included herein is Rs.10.55 million representing expenses paid on behalf of AMML's Modaraba being its incorporation expenses.
- 10.3 This represents Rs.50 million (2014: Rs.50 million) advance against Pre-IPO placement of Term Finance Certificate of Dewan Cement Limited.

December 31 December 31

Note 2015 2014

(Rupees in '000)

11. BORROWINGS

| | | |
|------------------|------------|------------|
| In Pakistan | 14,543,592 | 18,089,905 |
| Outside Pakistan | – | – |
| | 14,543,592 | 18,089,905 |

11.1 Particulars of borrowings with respect to currencies

| | | |
|-----------------------|------------|------------|
| In local currency | 14,543,592 | 18,089,905 |
| In foreign currencies | – | – |
| | 14,543,592 | 18,089,905 |

11.2 Details of borrowings secured / unsecured

| Secured | | | |
|--|------|------------|------------|
| Borrowing from SBP under LTFF Scheme | 11.3 | 1,100,745 | 1,293,827 |
| Repurchase agreement borrowings (Repo) | 11.4 | 5,162,632 | 13,944,322 |
| Borrowing from Banks | 11.5 | 2,250,000 | 750,000 |
| | | 8,513,377 | 15,988,149 |
| Unsecured | | | |
| Letters of placement | 11.6 | 6,030,215 | 2,101,756 |
| | | 14,543,592 | 18,089,905 |

- 11.3 The Holding 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 Holding Company at the due date by directly debiting the current account maintained by the Holding Company with SBP. The rate of return ranges from 2.00% to 8.60% per annum (2014: 6.00% to 9.70% per annum). This is repayable within 5 years (2014: 5 years).

- 11.4 These represent borrowings from various financial institutions at mark-up rate ranging from 6.00% to 6.50% per annum (2014: 9.50% to 10.00% per annum), maturing within 1 month. Market Treasury Bills and Pakistan Investment Bonds amounting to Rs.5,289 million (2014: Rs.13,839 million) have been given as collateral against these borrowings (see note 7).

- 11.5 These represent borrowings secured against hypothecation of receivables and floating charge over term finance certificates. These carry mark-up at rate ranges from 6.90% to 7.09% per annum (2014: 10.61% per annum) and are repayable within 3 years (2014: 2 years).

- 11.6 These carry mark-up at rate ranging from 6.25% to 7.25% per annum (2014: 9.50% to 10.50% per annum) and are repayable within 3 months (2014: 3 months).

December 31 December 31

Note **2015** **2014**

(Rupees in '000)

12. DEPOSITS AND OTHER ACCOUNTS

Customers

| | | | |
|--|------|-----------|-----------|
| Certificates of investment- remunerative | 12.1 | 4,218,289 | 5,164,230 |
|--|------|-----------|-----------|

12.1 These carry mark-up at rates ranging from 6.00% to 7.40% per annum (2014: 7.25% to 10.25% per annum) and are repayable within 1 month to 10 months (2014: 1 month to 10 months).

12.2 Particulars of deposits

| | | |
|-----------------------|-----------|-----------|
| In local currency | 4,218,289 | 5,164,230 |
| In foreign currencies | – | – |
| | 4,218,289 | 5,164,230 |

13. DEFERRED TAX ASSETS - NET

Taxable temporary differences

| | | |
|---|--------|--------|
| Surplus on revaluation of securities - net | 12,881 | 81,016 |
| Amortisation of discount on investments | 16,401 | 71,362 |
| Net investment in finance lease | 38,930 | 64,004 |
| Difference between accounting book value of fixed assets and tax base | 894 | – |
| Investment in associates | 7,032 | 7,122 |

Deductible temporary differences

| | | |
|---|----------|----------|
| Provision for diminution in the value of investments | (55,132) | (54,524) |
| Alternate corporate tax | (6,579) | – |
| Business loss | (1,643) | – |
| Provision against other assets | (16,000) | (16,500) |
| Provision for compensated absences | (11,672) | (9,900) |
| Provision against non-performing loans and advances | (50,039) | (945) |
| Difference between accounting book value of fixed assets and tax base | (220) | (965) |
| Remeasurements of defined benefit plan | (1,208) | (673) |
| Pre-incorporation expenses | (174) | (341) |
| | 66,529 | 139,656 |

13.1 Movement in temporary differences during the year

| (Rupees in '000) | | | | | | | |
|---|--------------------------------|---------------------------------------|---|---------------------------------|---------------------------------------|---|---------------------------------|
| | Balance as at January 01, 2014 | Recognised in profit and loss account | Recognised in OCI or surplus/(deficit) in revaluation of assets | Balance as at December 31, 2014 | Recognised in profit and loss account | Recognised in OCI or surplus/(deficit) in revaluation of assets | Balance as at December 31, 2015 |
| Taxable temporary differences | | | | | | | |
| Surplus on revaluation of securities - net | – | – | 81,016 | 81,016 | – | (68,135) | 12,881 |
| Amortisation of discount on investments | 40,531 | 30,831 | – | 71,362 | (54,961) | – | 16,401 |
| Net investment in finance lease | 66,516 | (2,512) | – | 64,004 | (25,074) | – | 38,930 |
| Difference between accounting book value of fixed assets and tax base | 4,755 | (4,755) | – | – | 894 | – | 894 |
| Investment in associates | – | 7,122 | – | 7,122 | (90) | – | 7,032 |
| Deductible temporary differences | | | | | | | |
| Provision for diminution in the value of investments | (60,939) | 6,415 | – | (54,524) | (608) | – | (55,132) |
| Alternate Corporate tax | – | – | – | – | (6,579) | – | (6,579) |
| Business loss | – | – | – | – | (1,643) | – | (1,643) |
| Provision against other assets | (17,000) | 500 | – | (16,500) | 500 | – | (16,000) |
| Provision for compensated absences and bonus | (10,200) | 300 | – | (9,900) | (1,772) | – | (11,672) |
| Provision against non-performing loans and advances | (975) | 30 | – | (945) | (49,094) | – | (50,039) |
| Difference between accounting book value of fixed assets and tax base | – | (965) | – | (965) | 745 | – | (220) |
| Remeasurements of defined benefit plan | – | – | (673) | (673) | – | (535) | (1,208) |
| Pre-incorporation expenses | (195) | (146) | – | (341) | 167 | – | (174) |
| | 22,493 | 36,820 | 80,343 | 139,656 | (137,515) | (68,670) | (66,529) |

December 31 December 31

Note **2015** **2014**

(Rupees in '000)

14. OTHER LIABILITIES

| | | | |
|---|------|---------|---------|
| Mark-up / return / interest payable in local currency | | 106,368 | 125,886 |
| Accrued expenses | | 46,373 | 42,831 |
| Brokerage commission payable | | 2,341 | 2,540 |
| Unearned commission | | 11,814 | 9,924 |
| Security deposit against advances | | 500,580 | 196,198 |
| Payable to tax authorities | | 3,338 | 1,510 |
| Federal excise duty payable on management fee | 14.1 | 26,465 | 15,677 |
| Payable to defined benefit plan | 27.1 | 1,673 | 2,039 |
| Others | | 9,350 | 5,137 |
| | | 708,302 | 401,742 |

14.1 The Finance Act, 2013 has extended the scope of the Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. During the year ended December 31, 2013, demand notices were received by certain asset management companies for the collection of FED. The Mutual Fund Association of Pakistan (MUFAP) has taken up the matter collectively and filed a petition with the Honorable Sindh High Court (SHC) and has been granted stay in this regard.

In 2013, PIML received a notice under section 14 of the Federal Excise Act, 2005 demanding payment of FED on management remuneration. As the asset management services rendered to the collective investment schemes (CISs) are already subject to the provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the CISs, PIML is of the view that further levy of FED may result in double taxation, which does not appear to be the spirit of the law. Therefore, PIML has also filed a petition against the demand notice in the SHC and has been granted stay on the basis of the pending constitutional petition from MUFAP in the SHC as referred to above.

During the year, Deputy Commissioner Inland Revenue (DCIR) passed an order contending that Federal Excise Duty (FED) is to be paid on services rendered by PIML and calculated FED payable of Rs.12,633,364 and imposed penalty amounting to Rs.633,168.

An appeal alongwith stay application against the above order have been filed before Commissioner Inland Revenue Appeals (CIRA) that are yet to be heard. Further, stay against demand on account of order has also been obtained from the Sindh High Court. The tax advisor of PIML is of the view that the matter is likely to be decided by the court ultimately in the favour of PIML.

In view of the pending decisions, as a matter of abundant caution, the management fee charged to the CISs during the period includes the imposed FED.

15. SHARE CAPITAL

15.1 Authorised capital

| 2015 | | 2014 | |
|-------------------------------|-------------|------------------|-----------|
| Number of shares | | (Rupees in '000) | |
| 600,000,000 | 600,000,000 | 6,000,000 | 6,000,000 |
| Ordinary shares of Rs.10 each | | | |

15.2 Issued, subscribed and paid-up

| | | | |
|------------------------------------|-------------|-----------|-----------|
| 600,000,000 | 600,000,000 | 6,000,000 | 6,000,000 |
| Ordinary shares fully paid in cash | | | |

15.3 The Ministry of Finance and Secretary Economic Affairs Division, Government of Pakistan, holds 299,995,999 and 4,001 shares (2014: 299,995,999 and 4,001 shares) respectively on behalf of the Government of Pakistan and remaining 300,000,000 shares (2014: 300,000,000 shares) are held by the Brunei Investment Agency.

December 31 December 31

2015 2014

(Rupees in '000)

16. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF TAX

| 16.1 Surplus / (deficit) on revaluation of available-for-sale securities - net of tax | 2015 | 2014 |
|---|-----------|----------|
| Market treasury bills | 1,868 | 8,876 |
| Pakistan Investment Bonds | 98,442 | 253,852 |
| Listed securities | | |
| - Term finance certificates | (506) | (4,585) |
| - Units of open-ended mutual funds | 199 | 122 |
| - Units of closed-end mutual funds | - | 6,920 |
| - Ordinary shares of listed companies | (127,243) | (33,490) |
| | (27,240) | 231,695 |
| Deferred tax liability / asset recognised | (12,881) | (81,016) |
| | (40,121) | 150,679 |

17. CONTINGENCIES AND COMMITMENTS

17.1 Transaction related contingent liability

| | | |
|-------------------|---------|---------|
| Letters of credit | 849,964 | 745,642 |
|-------------------|---------|---------|

17.2 In the year 2009, Burj Bank Limited (formerly Dawood Islamic Bank Limited) filed a legal suit amounting to Rs.200 million for damages against the Group for alleged non performance of underwriting commitment to issue shares at a premium. Legal advisors of the Group are of the opinion that the possibility of the Group being subject to any liability in relation to the suit is negligible.

17.3 As fully disclosed in the annual audited financial statements of PIML - Daily Reserve Fund (formerly Primus Daily Reserve Fund) (the Fund), the Board of Directors of PIML, in the larger interest of the unit holders of the Fund, passed a resolution on April 25, 2013 resolving that the liability of Workers' Welfare Fund (WWF) for the first six months of the Fund's operations ending June 30, 2013, shall be paid by PIML in the event that the constitutional petition pending adjudication with the Honorable High Court of Sindh pertaining to WWF, filed by certain collective investment schemes, is not decided in their favor. The accumulated amount of unrecognised WWF in respect of the Fund as at the year end amounted to Rs.1.2 million.

17.4 In 2014, PIML received show cause notice from Punjab Revenue Authority (PRA) for assessment of tax under section 24 read with section 2(33) of Punjab Sales Tax on Services Act, 2012 for the tax period July 2013 to March 2014 under which PIML was required to register with PRA and deposit Punjab sales tax amounting to Rs.1.86 million on management fee charged to Funds in which residents of Punjab have invested.

This industry issue has been examined by experts and tax advisors who are of the view that since the services 'commence' and 'terminate' in Sindh there is no nexus of taxability in Punjab. Hence, PIML is not liable to get registration / enrolment with PRA under Punjab Sales tax on Services Act, 2012.

Further, various asset management companies had filed a petition in Sindh High Court (SHC) against the notices issued by PRA and on 10 July 2014, the SHC has issued a stay order against the impugned notice.

17.5 Tax contingencies have been discussed in note 23.2 to these consolidated financial statements.

| | December 31 | December 31 |
|--|------------------|-------------|
| | 2015 | 2014 |
| | (Rupees in '000) | |
| 17.6 Commitments in respect of purchase of government securities | – | 1,106,995 |
| 17.7 Commitments to extend credit | 3,468,396 | 2,350,945 |
| 17.8 Commitments in respect of sale of government securities | 5,183,360 | 13,952,913 |
| sale of shares | 169,891 | – |
| purchase of Modaraba certificates | 250,000 | – |

18. MARK-UP / RETURN / INTEREST EARNED

| On loans and advances to: | | |
|---|-----------|-----------|
| Customers | 707,406 | 793,779 |
| Financial institutions | 1,662 | 11,908 |
| On investments in: | | |
| Available-for-sale securities | 1,085,222 | 1,670,296 |
| Held-to-maturity securities | – | – |
| Held-for-trading securities | 13,190 | 1,156 |
| On deposits with financial institutions | 11,358 | 6,881 |
| On securities purchased under resale agreements | 11,140 | 7,877 |
| Finance income on deferred sale of assets acquired on satisfaction of claims - non-banking assets | 8,693 | 15,534 |
| | 1,838,671 | 2,507,431 |

19. MARK-UP / RETURN / INTEREST EXPENSED

| Securities sold under repurchase agreements | 397,527 | 1,026,676 |
|---|-----------|-----------|
| Short-term borrowings | 173,340 | 411,218 |
| Deposits | 482,779 | 376,287 |
| Long-term borrowings | 224,969 | 221,591 |
| | 1,278,615 | 2,035,772 |

20. GAIN ON SALE OF SECURITIES - NET

| Federal Government Securities | | |
|-------------------------------------|---------|---------|
| – Market Treasury Bills | 43,899 | 17,392 |
| – Pakistan Investment Bonds | 513,903 | 116,874 |
| | 557,802 | 134,266 |
| Units of mutual funds- others | 7,209 | 32,319 |
| Ordinary shares of listed companies | 127,447 | 122,470 |
| Preference shares | 5,900 | – |
| Term finance certificates | 2,132 | 3,948 |
| | 700,490 | 293,003 |

December 31 December 31

Note 2015 2014

(Rupees in '000)

21. OTHER INCOME

| | | |
|--|-------|--------|
| Income on forward contracts | 7,915 | 13,840 |
| Rent income | – | 2,312 |
| Profit on sale of property and equipment | 106 | 7 |
| Other income | 36 | – |
| | 8,057 | 16,159 |

22. ADMINISTRATIVE EXPENSES

| | | | |
|--|------|---------|---------|
| Salaries and allowances | | 206,823 | 174,979 |
| Charge for defined benefit plan | 27.1 | 5,026 | 24,887 |
| Contribution to defined contribution plan | 27.2 | 8,053 | 7,054 |
| Non-executive directors' fees, allowances and other expenses | | 4,582 | 2,962 |
| Rent, taxes, insurance, electricity, etc. | | 32,468 | 24,212 |
| Legal and professional charges | | 12,313 | 9,010 |
| Travelling and accommodation | | 10,536 | 5,942 |
| Communications | | 4,109 | 3,765 |
| Repairs and maintenance | | 8,442 | 9,273 |
| Brokerage commission | | 24,137 | 13,557 |
| Stationery and printing | | 1,818 | 3,385 |
| Advertisement and publicity | | 2,126 | 3,254 |
| Donation | | – | 1,000 |
| Auditors' remuneration | 22.1 | 2,964 | 2,117 |
| Depreciation | 9.1 | 18,439 | 16,548 |
| Amortisation | 9.2 | 1,720 | 2,746 |
| Vehicle maintenance and fuel expense | | 24,936 | 25,088 |
| Medical expense | | 3,052 | 2,517 |
| Fee and subscription | | 3,039 | 2,340 |
| Bank charges | | 774 | 855 |
| Others | | 8,738 | 5,170 |
| | | 384,095 | 340,661 |

22.1 Auditors' remuneration

| | | |
|---|-------|-------|
| Audit fee | 1,170 | 915 |
| Half yearly review fee | 360 | 260 |
| Special certifications and other services | 1,141 | 738 |
| Out-of-pocket expenses | 293 | 204 |
| | 2,964 | 2,117 |

23. TAXATION

| | | |
|-------------|-----------|----------|
| Current | 478,710 | 190,833 |
| Prior years | 27,457 | (15,098) |
| Deferred | (137,515) | 36,820 |
| | 368,652 | 212,555 |

December 31 December 31

2015 **2014**

(Rupees in '000)

23.1 Relationship between tax expense and accounting profit

| | | |
|--|----------------|----------------|
| Accounting profit before tax | 1,298,481 | 1,206,488 |
| Tax rate | 32% | 33% |
| Tax on accounting profit | 415,514 | 398,141 |
| Tax effect of: | | |
| Income chargeable to tax at special rate | (44,188) | (242,615) |
| Income exempt from tax | (5,312) | – |
| Permanent differences | (17,259) | 74,554 |
| Adjustment of prior year business loss | – | – |
| Prior year charge | 24,003 | (15,098) |
| Others | (4,106) | (2,427) |
| | 368,652 | 212,555 |

23.2 Commencing from the tax year 2008 up to tax year 2013, the assessment orders filed by the Holding Company have been revised and tax demands have been raised to the tune of Rs.319.633 million against which an aggregate amount of Rs.93.871 million has been paid. 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 Honorable Sindh High Court.

December 31 December 31

2015 **2014**

24. EARNINGS PER SHARE - BASIC AND DILUTED

| | | | |
|--|-----------------|---------|---------|
| Profit for the year | Rupees in '000 | 929,829 | 993,933 |
| Weighted average number of ordinary shares | Numbers in '000 | 600,000 | 600,000 |
| Basic earnings per share | Rupees | 1.55 | 1.66 |

24.1 There were no convertible dilutive potential ordinary shares outstanding as on December 31, 2015 and 2014.

December 31 December 31

2015 **2014**

(Rupees in '000)

25. CASH AND CASH EQUIVALENTS

| | | |
|---------------------------------------|----------------|----------------|
| Cash and balances with treasury banks | 102,304 | 123,153 |
| Balances with other banks | 487,887 | 173,645 |
| | 590,191 | 296,798 |

26. STAFF STRENGTH

(Numbers)

| | | |
|----------------------------------|------------|------------|
| Permanent | 76 | 77 |
| Temporary / on contractual basis | 46 | 30 |
| Total staff strength | 122 | 107 |

December 31 December 31

Note **2015** **2014**

(Rupees in '000)

27. STAFF RETIREMENT BENEFITS

27.1 Defined benefit plan

27.1.1 Net defined benefit plan's liability

| | | |
|--|--------------|----------------|
| Present value of defined benefit obligations | 37,879 | 26,938 |
| Fair value of plan assets | (36,206) | (24,899) |
| | 1,673 | (2,039) |

27.1.2 Movement in defined benefit plan's liability

| | | |
|--|--------------|--------------|
| As at January 01 | 2,039 | – |
| <i>Charge recognised in profit and loss account</i> | | |
| Present value of defined benefit plan at the inception of fund | – | 22,688 |
| Current service cost | 5,198 | 2,199 |
| | 22 | 5,198 |
| <i>Remeasurements recognised in other comprehensive income</i> | | |
| Return on plan assets excluding net interest income | – | 1,631 |
| Actuarial loss / (gain) arising from changes in | | |
| - demographic assumptions | – | (1,748) |
| - experience assumptions | 1,673 | 2,156 |
| | 1,673 | 2,039 |
| Contributions by the Holding Company | (7,237) | (24,887) |
| | 1,673 | 2,039 |

27.1.3 Movement in present value of defined benefit obligations

| | | |
|--|---------------|---------------|
| As at January 01 | 26,938 | – |
| Present value of defined benefit plan at the inception of fund | – | 22,688 |
| Current service cost | 4,980 | 2,199 |
| Interest cost | 3,226 | 1,643 |
| Actuarial loss / (gain) arising from changes in | | |
| - demographic assumptions | – | (1,748) |
| - experience assumptions | 2,735 | 2,156 |
| | 37,879 | 26,938 |

27.1.4 Movement in fair value of plan assets

| | | |
|--|---------------|---------------|
| As at January 01 | 24,899 | – |
| Contributions by the Holding Company | 7,237 | 24,887 |
| Interest income | 3,008 | 12 |
| Re-measurement: Actuarial gain / (loss) on plan assets | 1,062 | – |
| | 36,206 | 24,899 |

27.1.5 Break-up of plan assets

| | | |
|----------------------------|---------------|---------------|
| Cash and bank balances | 57 | 24,899 |
| Investment in Mutual funds | 9,070 | – |
| Pakistan Investment Bonds | 27,079 | – |
| | 36,206 | 24,899 |

| | December 31 2015 | December 31 2014 |
|--|---------------------|---------------------|
| | (Rupees in '000) | |

27.1.6 Significant actuarial assumptions

| Financial assumptions | | |
|--|---|---|
| Discount rate | 10.00% | 11.25% |
| Long-term salary increase rate | 10.00% | 10.25% |
| Demographic assumptions | | |
| Mortality rates (for death in service) | SLIC (2001-2005) rated down 1 year | SLIC (2001-2005) rated down 1 year |
| Rates of employee turnover | Moderate | Moderate |

27.1.7 Sensitivity analysis on significant financial assumptions

A sensitivity analysis for each significant financial assumption as of the balance sheet date, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date, is as follows:

| | December 31, 2015 | | December 31, 2014 | |
|--------------------------------|-------------------|----------|-------------------|----------|
| | + 1% | - 1% | + 1% | - 1% |
| Discount rate | (33,976) | 42,453 | (24,116) | 30,247 |
| Long-term salary increase rate | 42,601 | (33,789) | 30,247 | (24,068) |

| | December 31 2015 | December 31 2014 |
|--|---------------------|---------------------|
| | (Rupees in '000) | |

27.1.8 Maturity profile of the defined benefit obligation

| | | |
|---|-------|-------|
| Weighted average duration (number of years) | 11.12 | 11.38 |
| The retirement will at most continue (year) | 2,034 | 2,034 |

27.1.9 The Company expects to contribute Rs.6.4 million (2014: Rs.5.2 million) to the defined benefit plan for the next year.

27.1.10 Description of risks

The defined benefit plans expose the Holding Company to the following risks:

Withdrawal risks - 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.

Mortality risks - The risk that the actual mortality experience is different. Similar to the withdrawal risk, the effect depends on the beneficiaries' service / age distribution and the benefit.

Investment risks - The risk of the investment underperformance and being not sufficient to meet the liabilities.

Final salary risks - The risk that the final salary at the time of cessation of service is greater than what was assumed.

27.2 Defined Contribution Plan

The Company operates a provident fund scheme for all its permanent employees. Equal monthly contribution at the rate of 10.00% per annum (2014: 10.00% per annum) is made both by the Group (employer) and employees. Contributions made to the provident fund during the year are as follows:

| | December 31 2015 | December 31 2014 |
|--------------------------------|---------------------|---------------------|
| | (Rupees in '000) | |
| Contribution made by the Group | 8,053 | 7,054 |
| Contribution made by employees | 8,053 | 7,054 |
| | 16,106 | 14,108 |

27.2.1 Information related to the provident fund

| | | |
|--------------------------------|--------|--------|
| Size of the fund | 79,180 | 62,706 |
| Cost of investments made | 74,400 | 60,535 |
| Percentage of investments made | 95.83% | 98.83% |
| Fair value of investments | 75,876 | 61,972 |

27.2.2 Break-up of investments at fair value

| | December 31, 2015 | | December 31, 2014 | |
|--------------------------|-----------------------------|------------------------------|-----------------------------|------------------------------|
| | Fair value (Rs. in '000) | % of the size of the fund | Fair value (Rs. in '000) | % of the size of the fund |
| Government Securities | 58,935 | 74.43% | 49,151 | 78.38% |
| Quoted shares | 5,473 | 6.91% | 5,736 | 9.15% |
| Term Finance Certificate | 7,383 | 9.32% | 4,620 | 7.37% |
| Mutual Funds | 1,192 | 1.51% | 2,465 | 3.93% |
| Commercial Paper | 2,893 | 3.65% | — | 0.00% |
| | 75,876 | 95.83% | 61,972 | 98.83% |

The financial year end of provident fund is June 30 and, accordingly, the above information is based on the unaudited financial statement of the provident fund.

Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

28. COMPENSATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVE

| | (Rupees in '000) | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | Chief Executive | | Directors | | Executives | |
| | December 31, 2015 | December 31, 2014 | December 31, 2015 | December 31, 2014 | December 31, 2015 | December 31, 2014 |
| Managerial remuneration | 37,652 | 34,762 | — | — | 148,159 | 112,041 |
| Contribution to defined contribution plan | 1,732 | 1,681 | — | — | 6,058 | 5,174 |
| Charge for defined benefit plan | 1,102 | 6,357 | — | — | 3,880 | 16,064 |
| Utilities | 427 | 437 | — | — | 6,730 | 7,886 |
| Medical | 397 | 533 | — | — | 2,620 | 2,641 |
| Travelling allowance | 357 | 431 | — | — | 511 | 512 |
| Fee for attending Board meetings | — | — | 3,831 | 2,962 | — | — |
| Other benefits | 296 | 490 | — | — | 341 | — |
| | 41,963 | 44,691 | 3,831 | 2,962 | 168,299 | 144,318 |
| Number of persons | 4 | 3 | 12 | 3 | 64 | 52 |

28.1 The Chief executives are provided with Group maintained cars. Executive means employees other than the managing director and directors, whose basic salary exceeds five hundred thousand rupees in a financial year.

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

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

All quoted investments have been stated at their market values as disclosed in note 7. All un-quoted investments have been stated at lower of cost or break up value, being their estimated fair values.

Fair value of loans and advances, other assets (excluding properties acquired in satisfaction of claims as disclosed in note 10.1) 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 4.22.2.

The maturity and re-pricing profile and effective rates are stated in notes 34.3.1 and 34.2.4 respectively.

Fair value of these assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of deposits, they 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, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices 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.

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

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

| (Rupees in '000) | | | | |
|--------------------------------------|---------|-----------|---------|------------|
| December 31, 2015 | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Asset measured at fair value | | | | |
| Held-for-trading | | | | |
| Pakistan Investment Bonds | - | 5,995 | - | 5,995 |
| Ordinary shares of listed companies | 160,881 | - | - | 160,881 |
| | 160,881 | 5,995 | - | 166,876 |
| Available-for-sale securities | | | | |
| Market Treasury Bills | - | 1,219,870 | - | 1,219,870 |
| Pakistan Investment Bonds | - | 5,785,044 | - | 5,785,044 |
| Ordinary shares of listed companies | 692,306 | - | - | 692,306 |
| Units of mutual funds | - | 1,200 | - | 1,200 |
| Term Finance Certificates and Sukuks | - | 2,261,955 | - | 2,261,955 |
| | 692,306 | 9,268,069 | - | 9,960,375 |
| | 853,187 | 9,274,064 | - | 10,127,251 |

(Rupees in '000)

| December 31, 2014 | | | | |
|--------------------------------------|---------|------------|---------|------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Asset measured at fair value | | | | |
| Held-for-trading | | | | |
| Pakistan Investment Bonds | - | 31,658 | - | 31,658 |
| Available-for-sale securities | | | | |
| Market Treasury Bills | - | 9,369,947 | - | 9,369,947 |
| Pakistan Investment Bonds | - | 6,273,365 | - | 6,273,365 |
| Ordinary shares of listed companies | 569,501 | - | - | 569,501 |
| Units of mutual funds | - | 29,668 | - | 29,668 |
| Term Finance Certificates and Sukuks | - | 2,584,197 | - | 2,584,197 |
| | 569,501 | 18,257,177 | - | 18,826,678 |
| | 569,501 | 18,288,835 | - | 18,858,336 |

30. 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 |
| 2015 | | | |
| Total income | 86,738 | 2,415,188 | 673,259 |
| Total expenses | 56,569 | 1,283,741 | 501,590 |
| Net income | 30,169 | 1,131,447 | 171,669 |
| Segment assets (gross) | - | 19,414,917 | 10,538,352 |
| Segment non performing loans | - | 311,707 | - |
| Investment provided for | - | 337,888 | - |
| Segment provision required * | - | 258,762 | 155,854 |
| Segment liabilities | - | 12,565,037 | 6,934,494 |
| Segment return on assets (ROA) (%) | - | 4.43% | 1.97% |
| Segment return on net assets (ROA) (%) | - | 11.20% | 4.98% |
| Segment cost of funds (%) | - | 7.96% | 7.96% |
| 2014 | | | |
| Total income | 53,088 | 2,744,235 | 707,190 |
| Total expenses | 35,926 | 1,851,204 | 478,581 |
| Net income | 17,162 | 893,031 | 228,609 |
| Segment assets (gross) | - | 26,676,643 | 6,868,445 |
| Segment non performing loans | - | 2,537 | - |
| Investment provided for | - | 331,485 | - |
| Segment provision required * | - | 242,841 | - |
| Segment liabilities | - | 18,860,236 | 4,923,871 |
| Segment return on assets (ROA) (%) | - | 3.35% | 3.34% |
| Segment return on net assets (ROA) (%) | - | 11.43% | 13.04% |
| Segment cost of funds (%) | - | 9.61% | 9.61% |

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

31. TRUST ACTIVITIES

The Holding Company has assumed the role of Trustee to certain issues of Term Finance Certificates (TFCs) / Sukuk and is holding the trust properties in fiduciary capacity on behalf of the relevant beneficiaries. In this behalf, the Holding Company is fulfilling all its obligations and duties in accordance with the provisions of 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.

The Holding Company is acting as trustee to various Debt Instruments (Term Finance Certificates and Sukuk) issued by Agritech Limited, Al-Baraka Bank (Pakistan) Limited, Askari Bank Limited, Azgard Nine Limited, Bank Alfalah Limited, Bank Al-Habib Limited, Engro Fertilizer Limited, Faysal Bank Limited, Hascol Petroleum Limited, Independent Media Corporation (Private) Limited, Jahangir Siddiqui & Co. Limited, K-Electric Limited (formerly Karachi Electric Supply Company), Maple Leaf Cement Factory Limited, NIB Bank Limited, Pak Water & Power Development Authority (WAPDA) and WAPDA Third Sukuk Company Limited. The combined value of the debt securities as at December 31, 2015 amounted to Rs.140,946 million (2014: Rs.72,077 million).

32. RELATED PARTY TRANSACTIONS

The Group has related party relationship with:

- associates (collective investment schemes managed by Primus Investment Management Limited);
- its employee defined benefit plan and defined contribution plan;
- its key management personnel; and
- other related parties include Maple Leaf Cement Factory Limited, Omer Jibran Engineering Industries Ltd., Nimir Industrial Chemicals Limited and Haq Bahu Sugar Mills (Pvt) Limited due to common directorship.

Details of loans and advances to the executives are given in note 8.6 to these consolidated financial statements. There are no transactions with key management personnel other than under their terms of employment. Contribution to approved defined contribution plan are disclosed in note 27.2 to these consolidated financial statements. Remuneration to the executives is disclosed in note 28 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 that are as per terms of employment. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these consolidated financial statements, are as follows:

| | 2015 | | | | 2014 | | | |
|------------------------------------|--------------------------|---------------------------|-----------------------|----------------|--------------------------|---------------------------|-----------------------|----------------|
| | Key management personnel | State controlled entities | Other related parties | Associates | Key management personnel | State controlled entities | Other related parties | Associates |
| Advances | | | | | | | | |
| As at January 01 | 49,513 | 160,825 | 566,259 | - | 36,726 | 127,852 | 415,723 | - |
| Addition during the year | 24,102 | 9,514 | 105,981 | - | 18,119 | 66,982 | 184,545 | - |
| Deleted during the year | 6,991 | - | (6,991) | - | - | - | - | - |
| Repaid during the year | (12,623) | (116,873) | (125,017) | - | (5,332) | (34,009) | (34,009) | - |
| | 67,983 | 53,466 | 540,232 | - | 49,513 | 160,825 | 566,259 | - |
| Borrowings | | | | | | | | |
| As at January 01 | - | 15,880,124 | - | 690,000 | - | 13,263,851 | - | 575,000 |
| Received during the year | - | 207,469,362 | - | 2,645,000 | - | 460,721,602 | - | 7,430,000 |
| Repaid during the year | - | (216,743,668) | - | (2,705,000) | - | (458,105,329) | - | (7,315,000) |
| | - | 6,605,818 | - | 630,000 | - | 15,880,124 | - | 690,000 |
| Placements | | | | | | | | |
| As at January 01 | - | - | - | - | - | - | - | - |
| Placements made during the year | - | 19,307,119 | - | - | - | 2,613,974 | - | - |
| Placements matured during the year | - | (19,307,119) | - | - | - | (2,613,974) | - | - |
| | - | - | - | - | - | - | - | - |

(Rupees in '000)

| Note | 2015 | | | | 2014 | | | |
|--|--------------------------|---------------------------|-----------------------|------------------|--------------------------|---------------------------|-----------------------|------------------|
| | Key management personnel | State controlled entities | Other related parties | Associates | Key management personnel | State controlled entities | Other related parties | Associates |
| Investments | | | | | | | | |
| As at January 01 | - | 15,508,620 | 338,989 | 4,952,497 | - | 29,676 | 334,984 | 5,823,211 |
| Investments / additions made during the year | - | 44,042,066 | 734,186 | 27,692,032 | - | 74,493,435 | 483,044 | 13,287,642 |
| Redemption during the year | - | (52,487,121) | (885,866) | (25,772,187) | - | (59,014,491) | (479,039) | (14,158,356) |
| | - | 7,063,565 | 187,309 | 6,872,342 | - | 15,508,620 | 338,989 | 4,952,497 |
| Mark-up / return / interest earned | 2,444 | 812,379 | 52,339 | - | 1,351 | 1,860,215 | 120,518 | - |
| Mark-up / return / interest expensed | - | 286,395 | - | 37,184 | - | 586,785 | - | 60,986 |
| Gain on sale of securities - net | - | 546,724 | 35,097 | 400,466 | - | 136,436 | 26,269 | - |
| Dividend income | - | 11,229 | 1,999 | 87,543 | - | 12,403 | - | - |
| Salaries and other benefits | 133,346 | - | - | - | 102,106 | - | - | - |
| Processing fee | - | - | (16,179) | - | - | - | 10,432 | - |
| Fee Income | - | - | - | 67,426 | - | - | - | 66,026 |
| Reimbursement of expenses | 4,956 | - | - | - | 4,946 | - | - | - |
| Formation cost paid by the Group | - | - | - | 1,075 | - | - | - | 2,041 |
| Formation cost reimbursed by the Group | - | - | - | 440 | - | - | - | 6,933 |
| Sales tax on fee income | - | - | - | 11,336 | - | - | - | 200 |
| FED on fee income | - | - | - | 10,788 | - | - | - | 11,875 |
| Others | - | - | - | 246 | - | - | - | 158 |

33. CAPITAL ASSESSMENT AND ADEQUACY

33.1 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 Holding Company's Asset and Liability Committee (ALCO). Further, capital adequacy and management is overseen by the Board approved Risk Management Committee (RMC).

The Group'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 unappropriated 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 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 Company 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 maintains sufficient cushion of capital over required regulatory capital. The capital buffer is sufficient to cater current and future business needs of the Group. Maintained capital comprise of Tier I capital only with small amount of Tier II capital in form of unrealized gains on AFS securities and general reserves.

33.2 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 Group has two fully owned subsidiaries namely Primus Investment Management Limited and Awwal Modaraba Management Limited. Both subsidiaries are consolidated as per International Financial Reporting Standards (IFRS).

Detail of the Group's eligible capital (on consolidated basis) is as follows:

| | December 31 | December 31 |
|---|--------------------|-------------|
| Note | 2015 | 2014 |
| (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 | 1,065,388 | 878,000 |
| Gain / (losses) on derivatives held as cash flow hedge | - | - |
| Unappropriated / unremitted profits / (losses) | 2,716,198 | 2,179,978 |
| Minority Interests arising from CET1 capital instruments consolidated Company subsidiaries (amount allowed in CET1 capital of the consolidation group) | - | - |
| CET 1 before regulatory adjustments | 9,781,586 | 9,057,978 |
| Total regulatory adjustments applied to CET1 | 33.2.1 (2,288,919) | (1,966,460) |
| Common Equity Tier 1 | a 7,492,667 | 7,091,518 |
| 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 | 33.2.2 (2,235,745) | - |
| Additional Tier 1 capital recognized for capital adequacy | b - | - |
| Tier 1 Capital (CET1 + admissible AT1) | (c=a+b) 7,492,667 | 7,091,518 |
| 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 | 519 | 327 |
| Revaluation reserves | - | - |
| of which: Revaluation reserves on property | - | - |
| of which: Unrealised gains / losses on AFS | - | 84,380 |
| Foreign exchange translation reserves | - | - |
| Undisclosed / other reserves (if any) | - | - |
| T2 before regulatory adjustments | 519 | 84,707 |
| Total regulatory adjustment applied to T2 capital | 33.2.3 (90,391) | (84,707) |
| Tier 2 capital (T2) after regulatory adjustments | - | - |

| | December 31 | December 31 |
|---|----------------------------|-------------|
| Note | 2015 | 2014 |
| (Rupees in '000) | | |
| 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) 7,492,667 | 7,091,518 |
| Total Risk Weighted Assets (RWA) | f 33.2.4 & 33.5 27,502,066 | 20,452,495 |
| Capital ratios and buffers (in percentage of risk weighted assets) | | |
| CET1 to total RWA | (a/f) 27.24% | 34.67% |
| Tier-1 capital to total RWA | (c/f) 27.24% | 34.67% |
| Total capital to RWA | (e/f) 27.24% | 34.67% |
| 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 | 2.50% | 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) | 17.24% | 24.67% |
| National minimum capital requirements prescribed by SBP | | |
| CET1 minimum ratio | 5.50% | 5.50% |
| Tier 1 minimum ratio | 7.00% | 7.00% |
| Total capital minimum ratio | 10.00% | 10.00% |

33.2.1 Common Equity Tier 1 capital: Regulatory adjustments

| | December 31, | Amounts subject to | December 31, |
|---|--------------|-------------------------|--------------|
| | 2015 | Pre-Basel III treatment | 2014 |
| (Rupees in '000) | | | |
| Goodwill (net of related deferred tax liability) | - | - | - |
| All other intangibles (net of any associated deferred tax liability) | 1,625 | - | 2,321 |
| 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 | 40,121 | - | - |
| 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) | 11,428 | - | 6,674 |
| 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 | 2,235,745 | - | 1,957,464 |
| Total regulatory adjustments applied to CET1 | 2,288,919 | - | 1,966,459 |

33.2.2 Additional Tier 1 Capital: regulatory adjustments

| (Rupees in '000) | | | |
|---|-------------------|--|-------------------|
| | December 31, 2015 | Amounts subject to Pre-BaseI III treatment | December 31, 2014 |
| Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment) | 2,145,873 | - | 1,968,669 |
| 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) | - | - | - |
| 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-BaseI 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 | 89,872 | - | (11,204) |
| Total of Regulatory Adjustment applied to AT1 capital | 2,235,745 | - | 1,957,465 |

33.2.3 Tier 2 Capital: regulatory adjustments

| | December 31, 2015 | December 31, 2014 |
|---|-------------------|-------------------|
| Portion of deduction applied 50:50 to core capital and supplementary capital based on Pre-BaseI 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) | 90,391 | 73,503 |
| 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 | 90,391 | 73,503 |

| | December 31, 2015 | December 31, 2014 |
|--|-------------------|-------------------|
| | | |

33.2.4 Additional information

| | December 31, 2015 | December 31, 2014 |
|--|-------------------|-------------------|
| Total Risk Weighted Assets subject to pre-BaseI III treatment | | |
| Risk weighted assets in respect of amounts subject to Pre-BaseI III Treatment | 152,728 | 320,707 |
| 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 | 152,728 | 320,707 |
| 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 | - | - |
| Amounts below the thresholds for deduction (before risk weighting) | | |
| Non-significant investments in the capital of other financial entities | 1,228,531 | 1,306,450 |
| Significant investments in the common stock of financial entities | - | - |
| Deferred tax assets arising from temporary differences (net of related tax liability) | - | - |

December 31 December 31

2015 2014

(Rupees in '000)

Applicable caps on the inclusion of provisions in Tier 2

| | December 31, 2015 | December 31, 2014 |
|--|-------------------|-------------------|
| 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 | - | - |

33.3 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, 2015 is 22.37% (2014: 22.69%). Eligible capital amounts to Rs. 7.493 million and the total exposure for leverage amounts to Rs. 33.499 million.

33.4 Capital Structure Reconciliation

33.4.1 Step 1

December 31, 2015

| | Balance sheet as in published financial statements | Under regulatory scope of consolidation |
|--|--|---|
| | | |

(Rupees in '000)

Assets

| | | |
|---------------------------------------|-------------------|-------------------|
| Cash and balances with treasury banks | 102,301 | 102,301 |
| Balances with other banks | 487,887 | 487,887 |
| Lendings to financial institutions | - | - |
| Investments | 16,765,721 | 16,765,721 |
| Advances | 10,243,680 | 10,243,680 |
| Operating fixed assets | 49,584 | 49,584 |
| Deferred tax assets | 66,529 | 66,529 |
| Other assets | 1,495,943 | 1,495,943 |
| Total assets | 29,211,648 | 29,211,648 |

Liabilities and equity

| | | |
|---|-------------------|-------------------|
| Bills payable | - | - |
| Borrowings | 14,543,592 | 14,543,592 |
| Deposits and other accounts | 4,218,289 | 4,218,289 |
| Sub-ordinated loans | - | - |
| Liabilities against assets subject to finance lease | - | - |
| Deferred tax liabilities | - | - |
| Other liabilities | 708,302 | 708,302 |
| Total liabilities | 19,470,183 | 19,470,183 |

Common Equity Tier 1 capital (CET1): Instruments and reserves

| | | |
|--|------------------|------------------|
| Fully paid-up capital / capital deposited with SBP | 6,000,000 | 6,000,000 |
| Reserves | 1,065,388 | 1,065,388 |
| Unappropriated / unremitted profit / (losses) | 2,716,198 | 2,716,198 |
| Minority interest | - | - |
| Surplus on revaluation of assets | (40,121) | (40,121) |
| Total liabilities and equity | 9,741,465 | 9,741,465 |

33.4.2 Step 2

December 31, 2015

| References | Balance sheet as in published financial statements | Under regulatory scope of consolidation |
|--|--|---|
| (Rupees in '000) | | |
| Assets | | |
| Cash and balances with treasury banks | 102,304 | 102,304 |
| Balance with other banks | 487,887 | 487,887 |
| Lending to financial institutions | – | – |
| Investments | 16,765,721 | 16,765,721 |
| of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold | a 1,228,878 | 1,228,878 |
| of which: significant capital investments in financial sector entities exceeding regulatory threshold | b – | – |
| of which: Mutual Funds exceeding regulatory threshold | c 2,145,873 | 2,145,873 |
| of which: Reciprocal cross holdings in CET1 | d – | – |
| of which: Reciprocal cross holdings in Tier2 | d – | – |
| of which: others | e – | – |
| Advances | f 10,243,680 | 10,243,680 |
| shortfall in provisions / excess of total EL amount over eligible provisions under IRB | | |
| general provisions reflected in Tier 2 capital | g 519 | 519 |
| Fixed Assets | h 49,584 | 49,584 |
| of which: Intangibles | i 1,625 | 1,625 |
| Deferred tax assets | 66,529 | 66,529 |
| of which: DTAs excluding those arising from temporary differences | j – | – |
| of which: DTAs arising from temporary differences exceeding regulatory threshold | k – | – |
| Other assets | l 1,495,943 | 1,495,943 |
| of which: Goodwill | m – | – |
| of which: Intangibles | m – | – |
| of which: Defined-benefit pension fund net assets | – | – |
| Total assets | 29,211,648 | 29,211,648 |
| Liabilities and equity | | |
| Bills payable | – | – |
| Borrowings | 14,543,592 | 14,543,592 |
| Deposits and other accounts | 4,218,289 | 4,218,289 |
| 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 | 708,302 | 708,302 |
| Total liabilities | 19,470,183 | 19,470,183 |

December 31, 2015

| References | 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 | 1,065,388 | 1,065,388 |
| of which: portion eligible for inclusion in CET1: Share premium | v 1,065,388 | 1,065,388 |
| 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 2,716,198 | 2,716,198 |
| 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 | aa – | – |
| Surplus on revaluation of assets | ab (40,121) | (40,121) |
| of which: Revaluation reserves on fixed assets | ac – | – |
| of which: Unrealised gains / losses on AFS | ac – | – |
| In case of deficit on revaluation (deduction from CET1) | ad (40,121) | (40,121) |
| Total liabilities and equity | 29,211,648 | 29,211,648 |

33.4.3 Step 3

| | Source based on reference number from step 2 | Component of regulatory capital reported by Group |
|---|--|---|
| (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) | 1,065,388 |
| Gain / (losses) on derivatives held as cash flow hedge | | – |
| Unappropriated/unremitted profits / (losses) | (y) | 2,716,198 |
| 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 | | 9,781,586 |

| | Source based on reference number from step 2 | Component of regulatory capital reported by Group |
|---|--|---|
| (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) | 1,625 |
| 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) | 40,121 |
| 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) | 11,428 |
| 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 | | 2,235,745 |
| Total regulatory adjustments applied to CET1 (sum of 9 to 25) | | 2,288,919 |
| Common Equity Tier 1 | | 7,492,667 |

| | Source based on reference number from step 2 | Component of regulatory capital reported by Group |
|---|--|---|
| (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) | 2,145,873 |
| 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 | | – |
| Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions | | 89,872 |
| Total of regulatory adjustment applied to AT1 capital | | 2,235,745 |
| Additional Tier 1 capital | | – |
| Additional Tier 1 capital recognised for capital adequacy | | – |

| | Source based on reference number from step 2 | Component of regulatory capital reported by Group |
|---|--|---|
| (Rupees in '000) | | |
| Tier 1 capital (CET1 + admissible AT1) | | 7,492,667 |
| 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) | 519 |
| 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 | | 519 |
| 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) | 90,391 |
| 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 | | 90,391 |
| 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) | | 7,492,667 |

33.5 Main Features of Regulatory Capital Instruments

| Sr. No. | Main Features | Common Shares | Instrument-2 | Explanation |
|-----------------------------|---|---------------|--------------|---|
| 1 | Issuer | 6,000,000 | | Pak Brunei. 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.) | | | NA |
| 3 | Governing law(s) of the instrument | | | Companies Ordinance, 1984, Government of Pakistan |
| Regulatory treatment | | | | |
| 4 | Transitional Basel III rules | | | NA |
| 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) | | | 9,781,586 |
| 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 | | | NA |
| 14 | Issuer call subject to prior supervisory approval | | | No |
| 15 | Optional call date, contingent call dates and redemption amount | | | NA |
| 16 | Subsequent call dates, if applicable Coupons / dividends | | | NA |
| 17 | Fixed or floating dividend / coupon | | | NA |
| 18 | Coupon rate and any related index/ benchmark | | | NA |
| 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) | | | NA |
| 25 | If convertible, fully or partially | | | NA |
| 26 | If convertible, conversion rate | | | NA |
| 27 | If convertible, mandatory or optional conversion | | | NA |
| 28 | If convertible, specify instrument type convertible into | | | NA |
| 29 | If convertible, specify issuer of instrument it converts into | | | NA |
| 30 | Write-down feature | | | No |
| 31 | If write-down, write-down trigger(s) | | | NA |
| 32 | If write-down, full or partial | | | NA |
| 33 | If write-down, permanent or temporary | | | NA |
| 34 | If temporary write-down, description of write-up mechanism | | | NA |
| 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 |

33.6 Risk Weighted Exposures

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

(Rupees in '000)

| | Capital Requirements | | Risk Weighted Assets | |
|--|----------------------|-------------------|----------------------|-------------------|
| | December 31, 2015 | December 31, 2014 | December 31, 2015 | December 31, 2014 |
| Credit risk | | | | |
| Portfolios subject to standardised approach (Simple or Comprehensive) | | | | |
| Cash and cash equivalents | – | – | – | – |
| Sovereign | – | – | – | – |
| Public sector entities | 2,668 | 4,999 | 26,681 | 49,985 |
| Banks | 9,758 | 4,578 | 97,577 | 45,786 |
| Corporate | 932,537 | 693,599 | 9,325,367 | 6,935,994 |
| Retail | 2,357 | 2,295 | 23,565 | 22,945 |
| Residential mortgages | 2,903 | 1,978 | 29,026 | 19,777 |
| Past due loans | 18,167 | 3,461 | 181,669 | 34,608 |
| Operating fixed assets | 4,796 | 3,563 | 47,959 | 35,630 |
| Other assets | 109,594 | 59,837 | 1,095,935 | 598,365 |
| | 1,082,779 | 774,310 | 10,827,779 | 7,743,090 |
| Portfolios subject to Internal Rating Based (IRB) approach | | | | |
| Off - balance sheet | | | | |
| Non-market related | 370,121 | 252,406 | 3,701,214 | 2,524,058 |
| Market related exposures | – | 293 | – | 2,915 |
| Equity exposure risk in the banking book | | | | |
| Under simple risk weight method | 134,705 | 119,913 | 1,347,046 | 1,199,132 |
| Under Internal models approach | – | – | – | – |
| | 504,827 | 372,612 | 5,048,260 | 3,726,105 |
| Market risk | | | | |
| Capital requirement for portfolios subject to standardised approach | | | | |
| Interest rate risk | 167,654 | 181,561 | 1,676,538 | 2,269,513 |
| Equity position risk | 865,546 | 413,253 | 8,655,463 | 5,165,663 |
| Foreign Exchange risk | 1 | – | 5 | – |
| | 1,033,200 | 594,813 | 10,332,005 | 7,435,176 |
| Capital requirement for portfolios subject to internal models approach | – | – | – | – |
| Operational risk | | | | |
| Capital requirement for operational risks | 129,402 | 123,850 | 1,294,022 | 1,548,125 |
| Total | 2,750,207 | 1,865,584 | 27,502,066 | 20,452,495 |

(Rupees in '000)

| | December 31, 2015 | | December 31, 2014 | |
|-----------------------------|-------------------|--------|-------------------|--------|
| | Required | Actual | Required | Actual |
| CET1 to total RWA | 5.50% | 27.24% | 5.50% | 34.67% |
| Tier-1 capital to total RWA | 7.00% | 27.24% | 7.00% | 34.67% |
| Total capital to total RWA | 10.00% | 27.24% | 10.00% | 34.67% |

33.7 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 Risk Management Committee (RMC).

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 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 Group stands at Rs.9.782 billion and 27.18% of its risk weighted exposure as at December 31, 2015.

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

34. RISK MANAGEMENT

The Risk Management Framework (the Framework) 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. Effective management of these risks is the decisive factor in our profitability. In addition, the Group is subject to certain consequential risks that are common to all business undertakings. These risks are grouped under two headings: Operational and Reputational Risk. 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 | The risk of loss generated by adverse changes in the price of assets or contracts currently held by the Group (this risk is also known as price risk). |
| Liquidity risk | The risk that the Group is unable to meet its payment obligations or fund increases in assets when they 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 | Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. The definition includes legal risk. |
| Reputational risk | 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 approval of all risk policies and ensuring that these are properly implemented. Further, the Board appoints the senior management personnel who are capable of managing the risk activities conducted by the Group.

A separate unit has been setup for credit risk management. Risk Management comprises of two areas; Credit Risk Management (CRM) and Middle Office and Operational Risk (MOOR). CRM oversees credit risk taken by the Group while MOOR function overviews market, interest rate, liquidity and operational risks of the Group. The functions of both of these units are subject to the policies and manuals approved by the Board, Prudential Regulations and additional regulatory directives issued from time to time. These units are independent of business generation and risk taking. CRM monitors the credit portfolio of the Group on a regular basis to ensure prudent lending. Moreover, this department will also set 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 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 provides guidance to management on risk controls, limits, risk measurement tools and a reporting framework.

34.1 Credit risk

Credit risk, 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 corporates 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 Group manages 3 principal sources of credit risk:

- i) Sovereign credit risk on its public sector advances.
- ii) Non-sovereign credit risk on its private sector advances.
- iii) Counterparty credit risk on interbank limits.

Sovereign credit risk

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.

Non-sovereign credit risk

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 stand alone basis. The Group has designed an internal rating model to rate corporate and commercial customers.

Counter party credit risk on interbank limits

In the normal course of its business, the Group's Treasury utilises products such as Reverse Repo and call lending to meet the needs of the borrowers and manage 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 to 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 Group 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 semi-annual basis through assigning shocks to distressed / non performing assets of the Group 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.

34.1.1 Segmental Information

34.1.1.1 Segments by class of business

| | December 31, 2015 | | | | | |
|---------------------------------------|-------------------|---------|----------------|---------|-------------------------------|---------|
| | Advances (Gross) | | Deposits | | Contingencies and commitments | |
| | Rupees in '000 | Percent | Rupees in '000 | Percent | Rupees in '000 | Percent |
| Cement | - | - | - | - | - | - |
| Textile | 1,448,760 | 13.93 | - | - | 1,375,775 | 13.23 |
| Sugar | 1,493,920 | 14.36 | - | - | 9,190 | 0.09 |
| Chemicals and pharmaceuticals | 452,140 | 4.35 | 500,000 | 11.85 | 280,125 | 2.69 |
| Production and transmission of energy | 2,666,464 | 25.64 | - | - | 1,652,703 | 15.89 |
| Auto and allied | 42,932 | 0.41 | - | - | - | - |
| Financial | - | - | 3,715,000 | 88.07 | 5,603,251 | 53.88 |
| Individuals | 114,351 | 1.10 | - | - | - | - |
| Health and pharma | 86,548 | 0.83 | - | - | - | - |
| Telecommunication | 64,901 | 0.62 | - | - | - | - |
| Paper and board | 60,000 | 0.58 | - | - | - | - |
| Food and confectionary | 743,739 | 7.15 | - | - | 710,735 | 6.83 |
| Entertainment | 114,195 | 1.10 | - | - | - | - |
| Printing | 374,935 | 3.61 | - | - | 70,000 | 0.67 |
| Public sector | - | - | - | - | - | - |
| Transportation | - | - | - | - | 400,000 | 3.85 |
| Packaging | - | - | - | - | - | - |
| Services | 1,268 | 0.01 | - | - | 16,400 | 0.16 |
| Electronics and electrical appliances | 530,000 | 5.10 | - | - | - | - |
| Engineering | 1,572,505 | 15.12 | - | - | 101,321 | 0.97 |
| Construction | 240,980 | 2.32 | - | - | 160,001 | 1.54 |
| Poultry | 281,250 | 2.70 | - | - | - | - |
| Agricultural and dairy | 91,068 | 0.88 | - | - | - | - |
| Others | 20,097 | 0.19 | 3,289 | 0.08 | 19,500 | 0.19 |
| | 10,400,053 | 100.00 | 4,218,289 | 100.00 | 10,399,001 | 100.00 |

| | December 31, 2014 | | | | | |
|---------------------------------------|-------------------|---------|----------------|---------|-------------------------------|---------|
| | Advances (Gross) | | Deposits | | Contingencies and commitments | |
| | Rupees in '000 | Percent | Rupees in '000 | Percent | Rupees in '000 | Percent |
| Cement | 254,810 | 3.45 | - | - | - | - |
| Textile | 1,603,754 | 21.71 | - | - | 801,538 | 4.41 |
| Sugar | 1,525,886 | 20.65 | 200 | 0.00 | 23,820 | 0.13 |
| Chemicals and pharmaceuticals | 363,001 | 4.91 | 3,030 | 0.06 | 278,000 | 1.53 |
| Production and transmission of energy | 1,255,687 | 17.00 | - | - | 1,153,019 | 6.35 |
| Auto and allied | 4,356 | 0.06 | - | - | - | - |
| Financial | 52,537 | 0.71 | 4,730,000 | 91.59 | 15,059,908 | 82.95 |
| Individuals | 87,100 | 1.08 | - | - | - | - |
| Health and pharma | 97,500 | 1.32 | - | - | - | - |
| Telecommunication | 65,019 | 0.88 | - | - | - | - |
| Paper and board | 88,889 | 1.20 | - | - | - | - |
| Food and confectionary | 519,906 | 7.04 | - | - | 149,952 | 0.83 |
| Entertainment | 128,830 | 1.74 | - | - | 7,000 | 0.04 |
| Printing | 9,130 | 0.12 | - | - | 1,871 | 0.01 |
| Public sector | - | - | 400,000 | 7.75 | - | - |
| Transportation | 113,083 | 1.53 | - | - | 400,000 | 2.20 |
| Packaging | 193,365 | 2.62 | - | - | 210,000 | 1.16 |
| Services | 6,925 | 0.09 | - | - | 70,056 | 0.39 |
| Electronics and electrical appliances | 480,000 | 6.50 | - | - | - | - |
| Engineering | 46,829 | 0.63 | - | - | 1,321 | 0.01 |
| Construction | 83,688 | 1.13 | - | - | - | - |
| Poultry | 286,458 | 3.88 | - | - | - | - |
| Others | 129,393 | 1.75 | 31,000 | 0.60 | 10 | 0.00 |
| | 7,396,146 | 100 | 5,164,230 | 100 | 18,156,495 | 100 |

34.1.1.2 Segment by sector

| | (Rupees in '000) | | | | | |
|---------------------|-------------------|---------|----------------|---------|-------------------------------|---------|
| | December 31, 2015 | | | | | |
| | Advances (Gross) | | Deposits | | Contingencies and commitments | |
| | Rupees in '000 | Percent | Rupees in '000 | Percent | Rupees in '000 | Percent |
| Public / Government | 53,362 | 1 | 400,000 | 9 | 3,877,752 | 37 |
| Private | 10,346,691 | 99 | 3,818,289 | 91 | 6,521,249 | 63 |
| | 10,400,053 | 100 | 4,218,289 | 100 | 10,399,001 | 100 |

| | December 31, 2014 | | | | | |
|---------------------|-------------------|---------|----------------|---------|-------------------------------|---------|
| | Advances (Gross) | | Deposits | | Contingencies and commitments | |
| | Rupees in '000 | Percent | Rupees in '000 | Percent | Rupees in '000 | Percent |
| Public / Government | 160,824 | 2 | 400,000 | 8 | 12,166,316 | 67 |
| Private | 7,235,322 | 98 | 4,764,230 | 92 | 5,990,179 | 33 |
| | 7,396,146 | 100 | 5,164,230 | 100 | 18,156,495 | 100 |

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

| | (Rupees in '000) | | | |
|-----------|---------------------|--------------------------|---------------------|--------------------------|
| | 2015 | | 2014 | |
| | Classified Advances | Specific Provisions Held | Classified Advances | Specific Provisions Held |
| Poultry | 281,250 | 140,625 | - | - |
| Textile | 30,457 | 15,229 | - | - |
| Financial | - | - | 2,537 | 2,537 |
| | 311,707 | 155,854 | 2,537 | 2,537 |

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

| | (Rupees in '000) | | | |
|---------------------|---------------------|--------------------------|---------------------|--------------------------|
| | 2015 | | 2014 | |
| | Classified Advances | Specific Provisions Held | Classified Advances | Specific Provisions Held |
| Public / Government | - | - | - | - |
| Private | 311,707 | 155,854 | 2,537 | 2,537 |
| | 311,707 | 155,854 | 2,537 | 2,537 |

34.1.1.5 Geographical segment analysis

| | (Rupees in '000) | | | |
|----------|------------------------|-----------------------|---------------------|-------------------------------|
| | December 31, 2015 | | | |
| | Profit before taxation | Total assets employed | Net assets employed | Contingencies and commitments |
| Pakistan | 1,298,481 | 29,211,648 | 9,741,465 | 10,399,001 |

| | December 31, 2014 | | | |
|--|------------------------|-----------------------|---------------------|-------------------------------|
| | Profit before taxation | Total assets employed | Net assets employed | Contingencies and commitments |
| | Pakistan | 1,198,902 | 32,999,107 | 9,203,574 |

34.2 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 SBP. 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 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 '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 etc. The results are communicated to ALCO and Risk Management Committee on 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 policy of investment mentioned in note 4.4 to these financial statements. Further, composition of equity investments is available in note 7 of these financial statements.

34.2.1 Interest rate risk

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 investments are subject to interest rate risk classified under 'Held-for-trading' as well as 'Available-for-sale' category if they meet the SBP criteria. 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 investments are marked to market to assess changes in the market value of investments due to interest rate movements.

34.2.2 Foreign exchange risk

Foreign Exchange Risk is the risk of loss arising from fluctuations of exchange rates. The Group is not exposed to any significant funded or non-funded foreign exchange exposure.

(Rupees in '000)

| | December 31, 2015 | | | |
|----------------------|-------------------|-------------|-------------------------|-------------------------------|
| | Assets | Liabilities | Off-balance sheet items | Net foreign currency exposure |
| Pakistani Rupee | 29,211,644 | 19,470,183 | – | 9,741,461 |
| United States Dollar | 4 | – | – | 4 |
| | 29,211,648 | 19,470,183 | – | 9,741,465 |

| | December 31, 2014 | | | |
|----------------------|-------------------|-------------|-------------------------|-------------------------------|
| | Assets | Liabilities | Off-balance sheet items | Net foreign currency exposure |
| Pakistani Rupee | 32,996,600 | 23,787,947 | – | 9,208,653 |
| United States Dollar | 4 | – | – | 4 |
| | 32,996,604 | 23,787,947 | – | 9,208,657 |

34.2.3 Equity position risk

The Group is exposed to equity position risk on its investments in equity capital markets. The Board with the recommendations of ALCO approves exposure limits applicable to investments in trading book.

Equity investments in 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.

34.2.4 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 | December 31, 2015 | | | | | | | | | | Non-interest Bearing Financial Instruments |
|---|-------------------------------|-------------------|--------------------|--------------------|-------------------------|--------------------------------|-------------------|--------------------|--------------------|------------------|-------------------|--|
| | | Total | Upto 1 month | Over 1 to 3 months | Over 3 to 6 months | Exposed to yield/interest risk | | | | | Above 10 years | |
| | | | | | 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 | | | |
| On-balance sheet financial instruments | | | | | | | | | | | | |
| Assets | | | | | | | | | | | | |
| Cash and balances with treasury banks | - | 102,301 | - | - | - | - | - | - | - | - | - | 102,301 |
| Balances with other banks | 9.42% | 487,887 | 131,702 | 356,185 | - | - | - | - | - | - | - | - |
| Investments | 12.22% | 16,743,567 | 186,406 | 1,676,955 | 829,486 | 4,392,038 | 42,541 | 1,714 | 324,779 | 709,981 | 1,212,104 | 7,367,563 |
| Advances | 12.20% | 10,243,680 | 3,923,535 | 2,695,917 | 2,234,730 | 177,897 | 376,817 | 298,846 | 383,595 | 94,638 | 32,627 | 25,078 |
| Other assets | - | 680,320 | - | - | - | - | - | - | - | - | - | 680,320 |
| | | 28,257,755 | 4,241,643 | 4,729,057 | 3,064,216 | 4,569,935 | 419,358 | 300,560 | 708,374 | 804,619 | 1,244,731 | 8,175,262 |
| Liabilities | | | | | | | | | | | | |
| Borrowings | 9.86% | 14,543,592 | 8,040,364 | 3,463,161 | 50,956 | 74,206 | 235,103 | 2,197,587 | 471,057 | 11,158 | - | - |
| Deposits and other accounts | 10.32% | 4,218,289 | - | 3,315,000 | 500,000 | 403,289 | - | - | - | - | - | - |
| Other liabilities | - | 667,476 | - | - | - | - | - | - | - | - | - | 667,476 |
| | | 19,429,357 | 8,040,364 | 6,778,161 | 550,956 | 477,495 | 235,103 | 2,197,587 | 471,057 | 11,158 | - | 667,476 |
| On-balance sheet gap | | 8,828,398 | (3,798,721) | (2,049,104) | 2,513,260 | 4,092,440 | 184,255 | (1,897,027) | 237,317 | 793,461 | 1,244,731 | 7,507,786 |
| Off-balance sheet financial instruments | | | | | | | | | | | | |
| Forward purchase of Government Securities | | | | | | | | | | | | |
| Forward purchase of Government Securities | - | - | - | - | - | - | - | - | - | - | - | - |
| Forward Sale of Government Securities | | | | | | | | | | | | |
| Forward Sale of Government Securities | 5,183,360 | 5,183,360 | - | - | - | - | - | - | - | - | - | - |
| Interest Rate Derivatives - Short position | | | | | | | | | | | | |
| Interest Rate Derivatives - Short position | - | - | - | - | - | - | - | - | - | - | - | - |
| Interest Rate Derivatives - Long position | | | | | | | | | | | | |
| Interest Rate Derivatives - Long position | - | - | - | - | - | - | - | - | - | - | - | - |
| Off-balance sheet gap | | 5,183,360 | 5,183,360 | - | - | - | - | - | - | - | - | - |
| Total Yield / Interest Risk sensitivity gap | | 14,011,758 | 1,384,639 | (2,049,104) | 2,513,260 | 4,092,440 | 184,255 | (1,897,027) | 237,317 | 793,461 | 1,244,731 | 7,507,786 |
| Cumulative Yield / Interest Risk sensitivity gap | | 1,384,639 | (664,465) | 1,848,795 | 5,941,235 | 6,125,490 | 4,228,463 | 4,465,780 | 5,259,241 | 6,503,972 | 14,011,758 | |

(Rupees in '000)

| | Effective yield/interest rate | December 31, 2014 | | | | | | | | | | Non-interest Bearing Financial Instruments |
|---|-------------------------------|-------------------|---------------------|--------------------|-------------------------|--------------------------------|-------------------|-------------------|--------------------|-------------------|-------------------|--|
| | | Total | Upto 1 month | Over 1 to 3 months | Over 3 to 6 months | Exposed to yield/interest risk | | | | | Above 10 years | |
| | | | | | 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 | | | |
| On-balance sheet financial instruments | | | | | | | | | | | | |
| Assets | | | | | | | | | | | | |
| Cash and balances with treasury banks | - | 123,151 | - | - | - | - | - | - | - | - | - | 123,151 |
| Balances with other banks | 9.42% | 173,645 | 173,645 | - | - | - | - | - | - | - | - | - |
| Investments | 12.22% | 24,132,118 | 1,841,835 | 2,283,424 | 3,371,929 | 4,210,276 | 4,052,253 | 498,547 | 483,785 | 1,517,116 | - | 5,872,953 |
| Advances | 12.20% | 7,393,282 | 2,088,824 | 2,438,978 | 940,174 | 367,576 | 404,606 | 395,649 | 552,228 | 108,745 | - | 96,502 |
| Other assets | - | 732,370 | - | - | - | - | - | - | - | - | - | 732,370 |
| | | 32,554,568 | 4,104,304 | 4,722,402 | 4,312,103 | 4,577,852 | 4,456,859 | 894,196 | 1,036,013 | 1,625,861 | - | 6,824,978 |
| Liabilities | | | | | | | | | | | | |
| Borrowings | 9.86% | 18,089,905 | 15,812,119 | 1,017,654 | 34,833 | 134,143 | 300,612 | 282,165 | 426,410 | 81,969 | - | - |
| Deposits and other accounts | 10.32% | 5,164,230 | 500,000 | 2,061,200 | 2,200,000 | 403,030 | - | - | - | - | - | - |
| Other liabilities | - | 384,617 | - | - | - | - | - | - | - | - | - | 384,617 |
| | | 23,638,752 | 16,312,119 | 3,078,854 | 2,234,833 | 537,173 | 300,612 | 282,165 | 426,410 | 81,969 | - | 384,617 |
| On-balance sheet gap | | 8,915,816 | (12,207,815) | 1,643,548 | 2,077,270 | 4,040,679 | 4,156,247 | 612,031 | 609,603 | 1,543,892 | - | 6,440,361 |
| Off-balance sheet financial instruments | | | | | | | | | | | | |
| Forward purchase of Government Securities | | | | | | | | | | | | |
| Forward purchase of Government Securities | - | - | - | - | - | - | - | - | - | - | - | - |
| Forward Sale of Government Securities | | | | | | | | | | | | |
| Forward Sale of Government Securities | 13,952,913 | 13,952,913 | - | - | - | - | - | - | - | - | - | - |
| Interest Rate Derivatives - Short position | | | | | | | | | | | | |
| Interest Rate Derivatives - Short position | - | - | - | - | - | - | - | - | - | - | - | - |
| Interest Rate Derivatives - Long position | | | | | | | | | | | | |
| Interest Rate Derivatives - Long position | - | - | - | - | - | - | - | - | - | - | - | - |
| Off-balance sheet gap | | 13,952,913 | 13,952,913 | - | - | - | - | - | - | - | - | - |
| Total Yield / Interest Risk sensitivity gap | | 22,868,729 | 1,745,098 | 1,643,548 | 2,077,270 | 4,040,679 | 4,156,247 | 612,031 | 609,603 | 1,543,892 | - | 6,440,361 |
| Cumulative Yield / Interest Risk sensitivity gap | | 1,745,098 | 3,388,646 | 5,465,916 | 9,506,595 | 13,662,842 | 14,274,873 | 14,884,476 | 16,428,368 | 16,428,368 | 22,868,729 | |

34.3 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. Change in the Government monetary policy 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. Group's MIS provides information on expected cash inflows / out flows which allow the Group to take timely decisions based on the future requirements. Group monitors all the possible sources from which liquidity risk can emanate including market reputation, borrowing terms, deterioration in quality of credit portfolio etc. Other sources are also identified for which early warning indicators have been created and being monitored for early intervention of management sensing a potential liquidity crunch.

Gap analysis and stress testing is done on 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.

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

(Rupees in '000)

| | December 31, 2015 | | | | | | | | | |
|---|-------------------|--------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|----------------|
| | 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 | 102,301 | 25,575 | 76,726 | - | - | - | - | - | - | - |
| Balances with other banks | 487,887 | 118,728 | 369,159 | - | - | - | - | - | - | - |
| Investments | 16,765,721 | 1,034,768 | 1,920,820 | 2,295,293 | 7,237,757 | 261,976 | 756,368 | 316,646 | 1,234,539 | 1,707,554 |
| Advances | 10,243,680 | 1,980,198 | 1,211,557 | 650,312 | 1,587,956 | 2,312,549 | 1,093,278 | 1,143,166 | 219,220 | 45,444 |
| Operating fixed assets | 49,584 | 2,473 | 4,285 | 5,517 | 7,115 | 6,877 | 4,174 | 19,143 | - | - |
| Deferred tax asset | 66,529 | (21,345) | 15,682 | (539) | 9,019 | 42,192 | (16,228) | 50,200 | (14,316) | 1,864 |
| Other assets | 1,495,943 | 1,130,976 | 103,774 | 15,667 | 217,598 | 22,934 | 1,946 | 150 | - | 2,898 |
| | 29,211,648 | 4,271,376 | 3,702,003 | 2,966,250 | 9,059,445 | 2,646,528 | 1,839,538 | 1,529,305 | 1,439,443 | 1,757,760 |
| Liabilities | | | | | | | | | | |
| Borrowings | 14,543,592 | 8,286,931 | 3,205,239 | 316,398 | 1,129,729 | 1,012,856 | 242,409 | 330,843 | 19,187 | - |
| Deposits and other accounts | 4,218,289 | - | 3,315,000 | 500,000 | 403,289 | - | - | - | - | - |
| Other liabilities | 708,302 | 95,607 | 65,129 | 34,238 | 30,174 | 389,705 | 64,981 | 28,468 | - | - |
| | 19,470,183 | 8,382,538 | 6,585,368 | 850,636 | 1,563,192 | 1,402,561 | 307,390 | 359,311 | 19,187 | - |
| Net assets | 9,741,465 | (4,111,162) | (2,883,365) | 2,115,614 | 7,496,253 | 1,243,967 | 1,532,148 | 1,169,994 | 1,420,256 | 1,757,760 |
| Share capital | 6,000,000 | | | | | | | | | |
| Reserves | 1,065,388 | | | | | | | | | |
| Unappropriated profit | 2,716,198 | | | | | | | | | |
| Surplus on revaluation of assets - net of tax | (40,121) | | | | | | | | | |
| | 9,741,465 | | | | | | | | | |

(Rupees in '000)

| | December 31, 2014 | | | | | | | | | |
|---|-------------------|--------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|----------------|
| | 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 | 123,153 | 30,788 | 92,365 | - | - | - | - | - | - | - |
| Balances with other banks | 173,645 | 19,190 | 154,455 | - | - | - | - | - | - | - |
| Investments | 24,192,538 | 3,448,637 | 808,376 | 6,358,999 | 4,764,046 | 4,063,406 | 1,234,602 | 1,381,932 | 1,777,540 | 355,000 |
| Advances | 7,393,282 | 1,237,100 | 462,567 | 459,719 | 1,321,169 | 1,328,103 | 1,146,661 | 1,112,618 | 302,345 | 23,000 |
| Operating fixed assets | 37,204 | 1,986 | 3,972 | 5,024 | 7,667 | 16,691 | 1,864 | - | - | - |
| Other assets | 1,079,285 | 490,072 | 158,298 | 82,675 | 340,975 | 4,200 | 3,065 | - | - | - |
| | 32,999,107 | 5,227,773 | 1,680,033 | 6,906,417 | 6,433,857 | 5,412,400 | 2,386,192 | 2,494,550 | 2,079,885 | 378,000 |
| Liabilities | | | | | | | | | | |
| Borrowings | 18,089,905 | 15,799,110 | 509,251 | 57,003 | 384,765 | 550,111 | 280,799 | 427,078 | 81,788 | - |
| Deposits and other accounts | 5,164,230 | 500,000 | 2,061,200 | 2,200,000 | 403,030 | - | - | - | - | - |
| Deferred tax liabilities | 139,656 | 76,894 | (2,710) | 9,134 | 8,051 | 26,229 | 21,534 | (14,687) | 15,211 | - |
| Other liabilities | 401,742 | 93,476 | 71,605 | 10,850 | 56,344 | 39,030 | 97,685 | 30,713 | - | 2,039 |
| | 23,795,533 | 16,469,480 | 2,639,346 | 2,276,987 | 852,190 | 615,370 | 400,018 | 443,104 | 96,999 | 2,039 |
| Net assets | 9,203,574 | (11,241,707) | (959,313) | 4,629,430 | 5,581,667 | 4,797,030 | 1,986,174 | 2,051,446 | 1,982,886 | 375,961 |
| Share capital | 6,000,000 | | | | | | | | | |
| Reserves | 878,000 | | | | | | | | | |
| Unappropriated profit | 2,174,895 | | | | | | | | | |
| Surplus on revaluation of assets - net of tax | 150,679 | | | | | | | | | |
| | 9,203,574 | | | | | | | | | |

34.3.2 Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the Group

(Rupees in '000)

| | December 31, 2015 | | | | | | | | | |
|---|-------------------|--------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|----------------|
| | 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 | 102,301 | 25,578 | 76,726 | - | - | - | - | - | - | - |
| Balances with other banks | 487,887 | 118,728 | 369,159 | - | - | - | - | - | - | - |
| Investments | 16,765,721 | 1,034,768 | 1,920,820 | 2,295,293 | 7,237,757 | 261,976 | 756,368 | 316,646 | 1,234,539 | 1,707,554 |
| Advances | 10,243,680 | 1,980,198 | 1,211,557 | 650,312 | 1,587,956 | 2,312,549 | 1,093,278 | 1,143,166 | 219,220 | 45,444 |
| Operating fixed assets | 49,584 | 2,473 | 4,285 | 5,517 | 7,115 | 6,877 | 4,174 | 19,143 | - | - |
| Deferred tax asset | 66,529 | (21,345) | 15,682 | (539) | 9,019 | 42,192 | (16,228) | 50,200 | (14,316) | 1,864 |
| Other assets | 1,495,943 | 1,130,976 | 103,774 | 15,667 | 217,598 | 22,934 | 1,946 | 150 | - | 2,898 |
| | 29,211,648 | 4,271,376 | 3,702,003 | 2,966,250 | 9,059,445 | 2,646,528 | 1,839,538 | 1,529,305 | 1,439,443 | 1,757,760 |
| Liabilities | | | | | | | | | | |
| Borrowings | 14,543,592 | 8,286,931 | 3,205,239 | 316,398 | 1,129,729 | 1,012,856 | 242,409 | 330,843 | 19,187 | - |
| Deposits and other accounts | 4,218,289 | - | 3,315,000 | 500,000 | 403,289 | - | - | - | - | - |
| Other liabilities | 708,302 | 95,607 | 65,129 | 34,238 | 30,174 | 389,705 | 64,981 | 28,468 | - | - |
| | 19,470,183 | 8,382,538 | 6,585,368 | 850,636 | 1,563,192 | 1,402,561 | 307,390 | 359,311 | 19,187 | - |
| Net assets | 9,741,465 | (4,111,162) | (2,883,365) | 2,115,614 | 7,496,253 | 1,243,967 | 1,532,148 | 1,169,994 | 1,420,256 | 1,757,760 |
| Share capital | 6,000,000 | | | | | | | | | |
| Reserves | 1,065,388 | | | | | | | | | |
| Unappropriated profit | 2,716,198 | | | | | | | | | |
| Surplus on revaluation of assets - net of tax | (40,121) | | | | | | | | | |
| | 9,741,465 | | | | | | | | | |

(Rupees in '000)

| | December 31, 2014 | | | | | | | | | |
|---|-------------------|--------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|----------------|
| | 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 | 123,153 | 30,788 | 92,365 | - | - | - | - | - | - | - |
| Balances with other banks | 173,645 | 19,190 | 154,455 | - | - | - | - | - | - | - |
| Investments | 24,192,538 | 3,448,637 | 808,376 | 6,358,999 | 4,764,046 | 4,063,406 | 1,234,602 | 1,381,932 | 1,777,540 | 355,000 |
| Advances | 7,393,282 | 1,237,100 | 462,567 | 459,719 | 1,321,169 | 1,328,103 | 1,146,661 | 1,112,618 | 302,345 | 23,000 |
| Operating fixed assets | 37,204 | 1,986 | 3,972 | 5,024 | 7,667 | 16,691 | 1,864 | - | - | - |
| Other assets | 1,079,285 | 490,072 | 158,298 | 82,675 | 340,975 | 4,200 | 3,065 | - | - | - |
| | 32,999,107 | 5,227,773 | 1,680,033 | 6,906,417 | 6,433,857 | 5,412,400 | 2,386,192 | 2,494,550 | 2,079,885 | 378,000 |
| Liabilities | | | | | | | | | | |
| Borrowings | 18,089,905 | 15,799,110 | 509,251 | 57,003 | 384,765 | 550,111 | 280,799 | 427,078 | 81,788 | - |
| Deposits and other accounts | 5,164,230 | 500,000 | 2,061,200 | 2,200,000 | 403,030 | - | - | - | - | - |
| Deferred tax liabilities | 139,656 | 76,894 | (2,710) | 9,134 | 8,051 | 26,229 | 21,534 | (14,687) | 15,211 | - |
| Other liabilities | 401,742 | 93,476 | 71,605 | 10,850 | 56,344 | 39,030 | 97,685 | 30,713 | - | 2,039 |
| | 23,795,533 | 16,469,480 | 2,639,346 | 2,276,987 | 852,190 | 615,370 | 400,018 | 443,104 | 96,999 | 2,039 |
| Net assets | 9,203,574 | (11,241,707) | (959,313) | 4,629,430 | 5,581,667 | 4,797,030 | 1,986,174 | 2,051,446 | 1,982,886 | 375,961 |
| Share capital | 6,000,000 | | | | | | | | | |
| Reserves | 878,000 | | | | | | | | | |
| Unappropriated profit | 2,174,895 | | | | | | | | | |
| Surplus on revaluation of assets - net of tax | 150,679 | | | | | | | | | |
| | 9,203,574 | | | | | | | | | |

34.4 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 best practice. 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.

35. NON ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors have proposed a final dividend for the year ended December 31, 2015 of Rs. **0.33** per share (2014: Re.0.33 per share), amounting to Rs. **200** million (2014: Rs.200 million) at their meeting held on **February 29, 2016**, for approval of the members at the annual general meeting to be held on **March 28, 2016**. The unconsolidated financial statements for the year ended December 31, 2015 do not include the effect of these appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2016.

36. GENERAL

36.1 Credit rating

The Pakistan Credit Rating Agency Limited (PACRA) has assigned a long-term entity rating of 'AA+' (Double A plus) and short-term rating of 'A1+' (Single A One Plus) to the Holding Company in June 2015. 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.

36.2 Figures have been rounded off to the nearest thousand rupees.

37. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on **February 29, 2016** by the Board of Directors of the Holding Company.

Chief Executive

Director

Director

Chairman

Annexure - I

As referred in note 8.7 of the consolidated financial statements

Statement showing written-off loans on any other financial relief of Rs. 500,000 or above provided during the year ended December 31, 2015.

| S. No. | Name and address of the borrowers | Name of individual/partner/director and CNIC No. | Father's /Husband's name | Outstanding Liabilities at the beginning of the year | | | | Amount written-off | | | |
|--------|-----------------------------------|--|--------------------------|--|---------|--------|-------|--------------------|---------|--------|-------|
| | | | | Principal | Mark-up | Others | Total | Principal | Mark-up | Others | Total |
| | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |

