pakbrunei
INVESTMENT COMPANY

2016

Road to Success

Annual Report

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INVESTMENT COMPANY

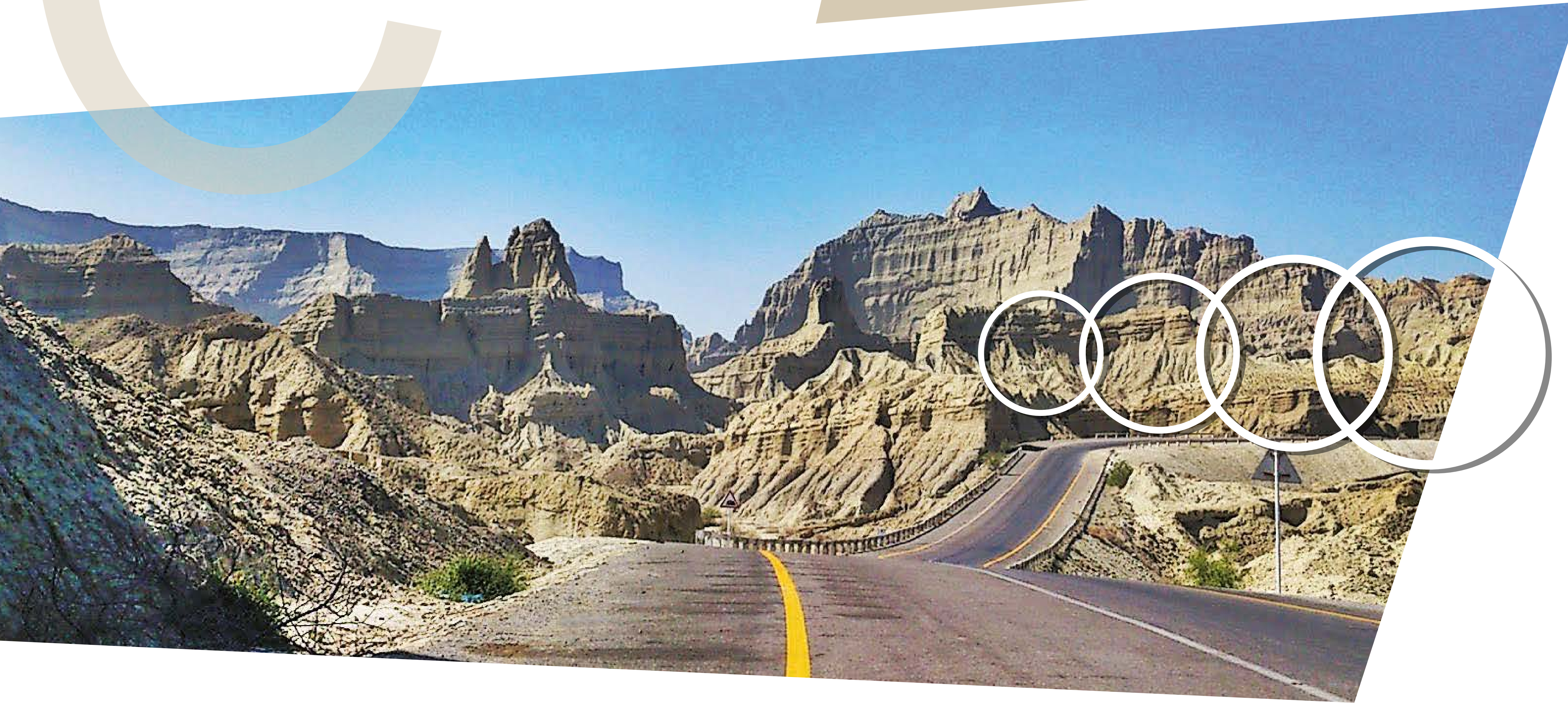
This is not just another connection between neighbors. China-Pakistan Economic Corridor is the culmination of an age-old bond between two friends, a resurrection of the ancient Silk Road that encompasses the changing dynamics and challenges of modern times, with the power to transform the socio-economic landscape of Pakistan.

Road to Friendship

The USD 46 billion inflow under CPEC will not only develop Pakistan's infrastructure, but also strengthen human ties across both sides of the border. Along the CPEC route, new industrial zones should open up opportunities for investment, particularly for small to medium sized ancillary businesses. Joint ventures between Pakistani and Chinese businessmen should promote strategic co-operation and mutual assistance. Training opportunities in China will foster people to people contact and enhance a cultural handshake and regional integration.

Road to Connectivity

This is a new Silk Road to bring China and Pakistan thousands of kilometers closer. While over USD 10 billion is allocated for road infrastructure in the initial phase, heavy investment is also planned for Railway infrastructure and Air transportation as well as installation of a cross-border optical fiber cable. These initiatives will enhance Pakistan's connectivity with China and beyond providing unprecedented outreach across markets. A well-connected, integrated region that shares common interests and inclusive economic development is a win-win for all stakeholders.



Road to Energy

Shortage of Energy has remained one of the biggest hurdles facing Pakistan's economy. With USD 34 billion injection in the form of loans and investments, CPEC makes Energy its highest-priority. 18 new energy projects in the pipeline include new coal-fired power plants, wind farms, hydroelectric projects as well as a solar park. These should add 16,600 megawatts to the national grid, more than offsetting the electricity shortage even with a projected annual growth rate of 7 percent in energy consumption by 2018.

Road to Technology

China is growing rapidly in terms of technological advancement and business collaborations between Chinese and local investors should bring this know-how to our doorstep.

The expected transfer of technology can provide the much needed boost to the development of SME sector particularly as modernization across virtually all areas is critically required.

Road to Human Development

CPEC has the prospect to transform people's lives. Improved connectivity, transfer of technology and joint business collaborations will develop Pakistan's skilled labor force. Owners of small and medium sized businesses will have a chance to acquire hands-on experience from their Chinese counterparts. Thousands of Pakistani students have been awarded university scholarships from Chinese universities in 2016, other than training programs announced for the next five years. The resulting human capital will continue to fuel the engines of growth for a long time to come.

Road to Prosperity

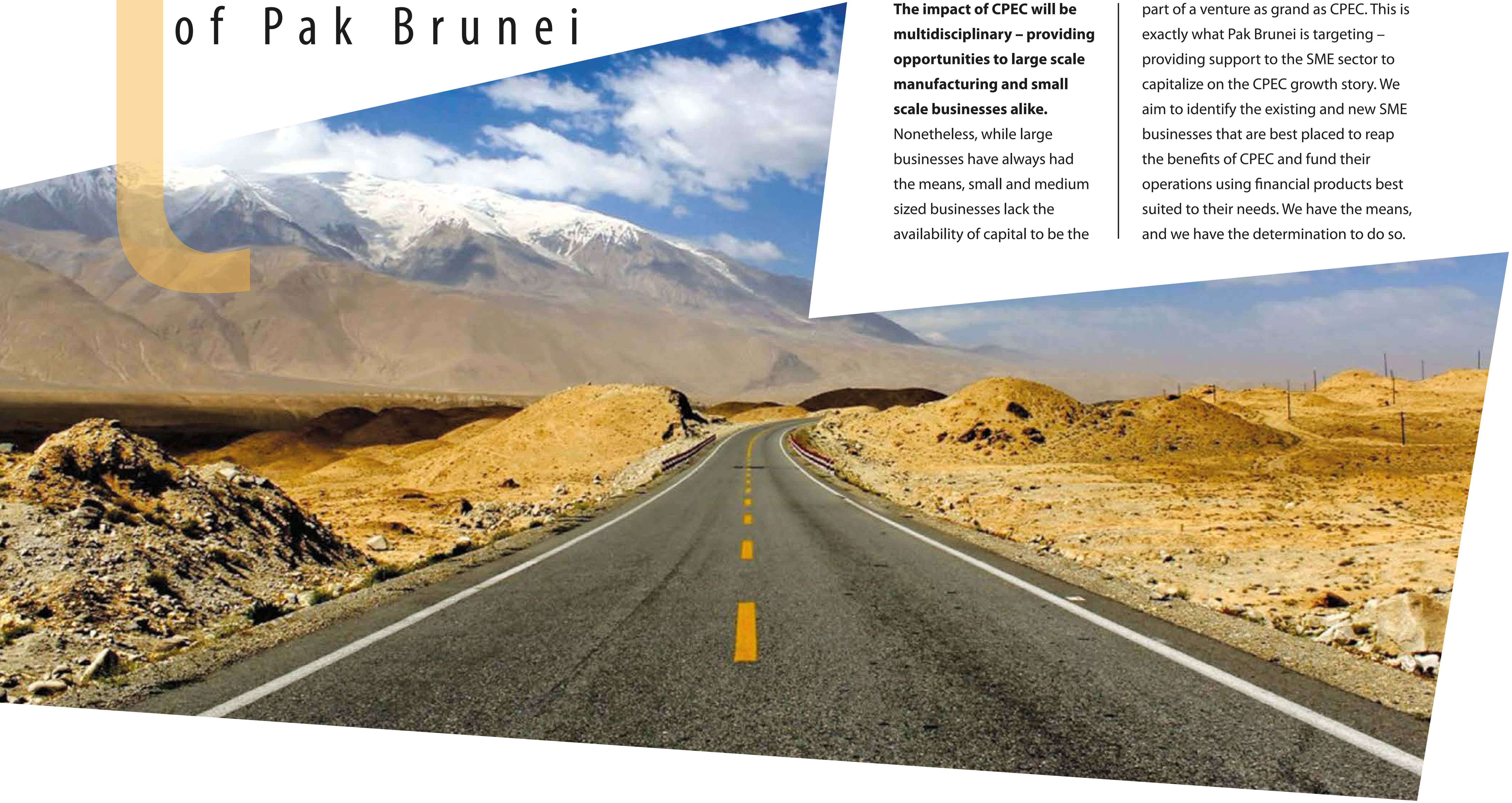
CPEC passes through some of the most deprived regions in the country. Social infrastructure in these regions will witness marked improvement once economic activity starts on these routes. This also means new peripheral economic hubs, helping small & medium sized business to grow within these regions. This should help in lifting these regions out of deprivation, reducing income inequality across the country.

Road to Destination

CPEC is not just a short term push to economic growth. Its impact is far reaching and will continue to trickle down in the future. The development of infrastructure, energy and communications network will provide much needed impetus to the formation of growth capital. This will help the economy come out of its dependence on consumption-based growth transforming it into an investment-led growth economy.

The *CPEC Vision* of Pak Brunei

The impact of CPEC will be multidisciplinary – providing opportunities to large scale manufacturing and small scale businesses alike. Nonetheless, while large businesses have always had the means, small and medium sized businesses lack the availability of capital to be the part of a venture as grand as CPEC. This is exactly what Pak Brunei is targeting – providing support to the SME sector to capitalize on the CPEC growth story. We aim to identify the existing and new SME businesses that are best placed to reap the benefits of CPEC and fund their operations using financial products best suited to their needs. We have the means, and we have the determination to do so.



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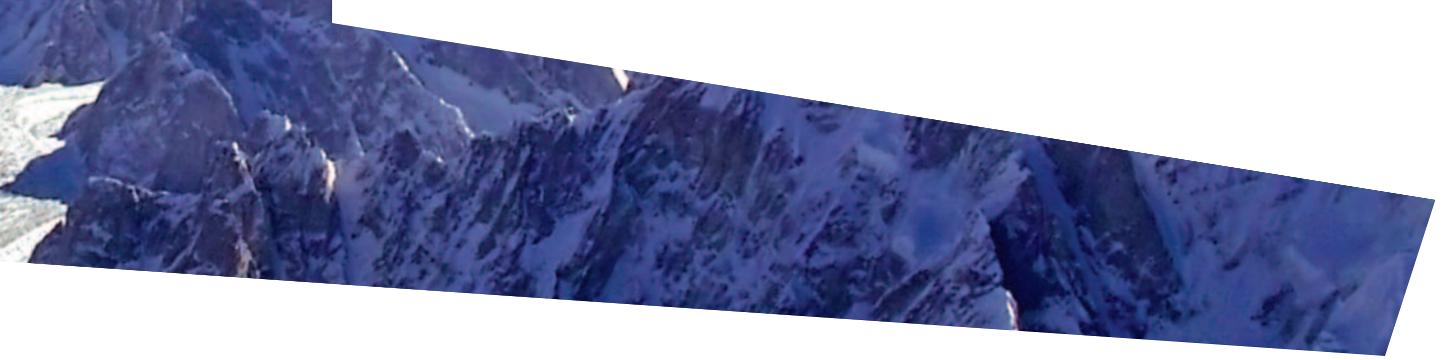
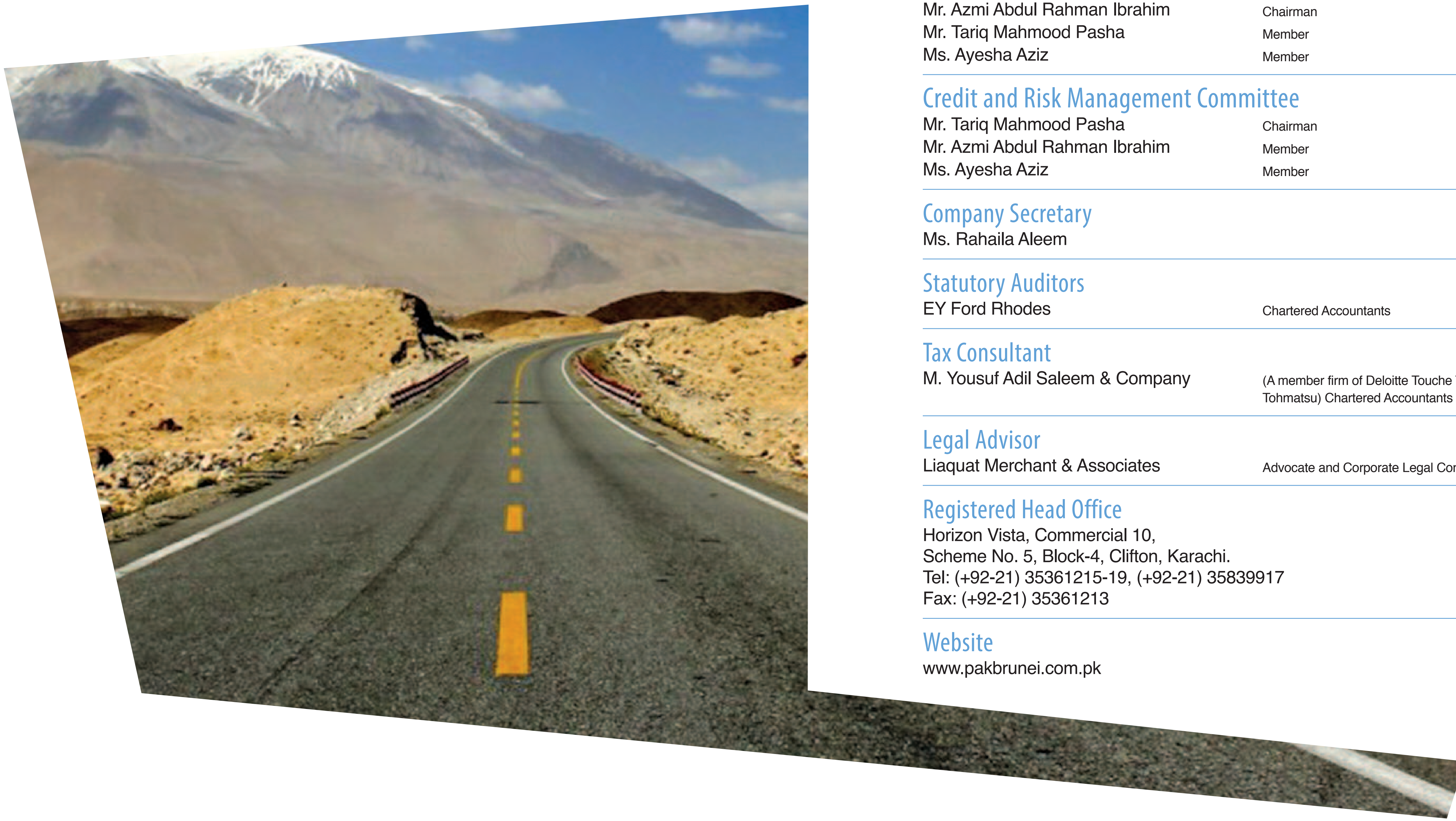


Corporate Information



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

Credit and Risk Management Committee

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

Company Secretary

Ms. Rahaila Aleem

Statutory Auditors

EY Ford Rhodes	Chartered Accountants

Tax Consultant

M. Yousuf Adil Saleem & Company	(A member firm of Deloitte Touche Tohmatsu) Tohmatsu) 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, Revenue, Economic Affairs, Statistics and Privatization, Government of Pakistan, as Secretary Economic Affairs Division / Special Assistant to Finance Minister. Prior to that, he served as Secretary (Incharge) of Statistics Division. He began his government service in 1984 in the Income Tax Department/Inland Revenue Service. He has been Secretary of International Taxes at the Federal Board of Revenue (FBR) in Islamabad followed by a role as Special Assistant to Chairman, FBR.

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

Azmi Abdul Rahman

Azmi Abdul Rahman serves in the Brunei Investment Agency (BIA) as Head of Real Estate Division 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 Private Equity. 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 and scale of operations as well as quality of assets. She has also overseen establishment of subsidiaries in Asset Management and Modaraba Management 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 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, Pakistan Mercantile Exchange and Punjab Board of Investment and Trade.

Our Cultural Framework

Management Team Pak Brunei

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

Corporate Social Responsibility

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

Education

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

Health

Internship Program for The Recovery House

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

Chairman's Review

I am pleased to announce the results of Pak Brunei Investment Company Limited for the year ended December 31, 2016. The results reflect the Company's sustained efforts in achieving new heights of profitability by keenly managing risks and maintaining balance sheet strength, while continuing to align itself with the country's transforming economy.

Pakistan's economy has made significant progress under the last IMF program, leading to improved macroeconomic stability with real GDP growth rising to 4.7% and budget deficit declining to 4.6% of GDP. Unnecessary tax exemptions and concessions are being removed and tax-to-GDP ratio has improved. In parallel, Pakistan has made important strides in growth-supporting policies particularly in the energy sector and as a result, disruptive power outages and the circular debt have also reduced substantially. Headline inflation has come down to an average of 2.9% and the monetary policy framework has improved significantly. Moreover, year-on-year private sector credit grew by 11.1% in FY16 and foreign exchange reserves have tripled to cover 4.2 months of imports.

The year 2016 turned out to be fruitful for the Capital Market as the benchmark 100 index posted a dollar-based return of 46% to close at above 47,800 points. There have been multiple factors behind the ebullience in the market including the announcement of Pakistan's inclusion in MSCI Emerging Market Index from May 2017, progress on projects under China Pakistan Economic Corridor, improved corporate profitability and better liquidity in the market. Moreover, a successful divestment of stake in Pakistan Stock Exchange to a Chinese consortium is expected to lead to higher capital flows, improved investor confidence, introduction of new products and technological enhancement in the local bourse.

Pakistan is making significant progress under the China Pakistan Economic Corridor (CPEC) initiative. With reportedly USD 46 billion inflow for energy and infrastructure related projects, CPEC has the power to transform the country's entire socioeconomic landscape. Notwithstanding the benefits CPEC offers to conventional large scale manufacturing and services sectors, we believe that this Corridor will be a game changer for the SME sector as well. Realizing this, Pak Brunei is in the process of setting up a SME-focused leasing subsidiary, which will directly benefit a sector that employs roughly 80% of non-agricultural labour force and contributes 40% to the GDP.

Although the economy has come a long way, there are some warning posts that deserve attention. For instance, public debt remains high at close to 65% of GDP, making mark-up payments larger than the federal development budget. Import cover has yet to reach comfortable levels, while a continuous decline in exports is also of concern.

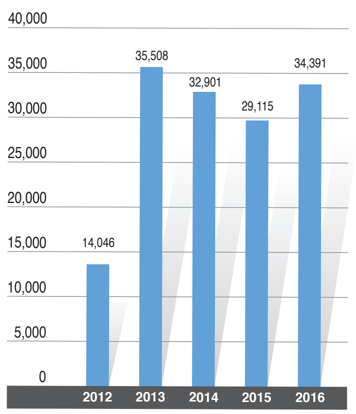
Pak Brunei continues to strategically diversify its business in order to establish a strong foothold outside conventional financing markets. With vigilant risk monitoring, and a team that is passionate about innovation and excellence, the Company continues to grow in a judicious manner and is well poised to exploit prospects that fulfil its long-term aspirations.

Mr. Sofian Mohammad Jani
Chairman

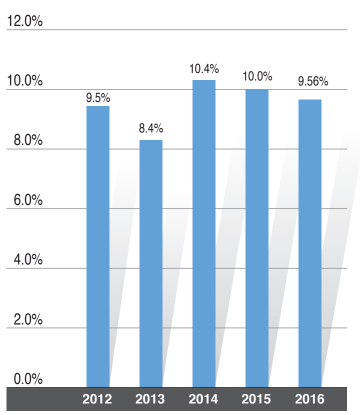
Directors' Report

On behalf of the Board of Directors, I am pleased to present the audited financial results of Pak Brunei Investment Company Limited for the year ended December 31, 2016. The results are a reflection of our efforts to constantly improve profitability while maintaining a strong balance sheet that can withstand exogenous shocks. With improved macroeconomic indicators and with the guidance of our Board of Directors, this has led to Pak Brunei recording the highest after-tax profit this year since start of operations in 2007.

Asset Base
PKR million



Return on Equity
Percentage



Selected Financial Indicators

Figures in PKR million unless stated otherwise

	2011	2012	2013	2014	2015	2016
Total Assets	32,544	14,046	35,508	32,901	29,115	34,391
Net Assets	7,928	8,581	8,246	9,139	9,684	10,429
Loans/Advances	4,647	5,776	6,800	7,386	10,237	13,996
Investments	25,741	7,121	27,431	24,247	16,850	16,658
Gross Mark-up Income	2,395	2,912	1,407	2,503	1,832	1,591
Net Mark-up Income	925	867	438	468	553	507
Non Mark-up Income	284	406	706	907	1,230	1,237
Profit before Tax	920	1,076	917	1,106	1,300	1,333
Profit after Tax	604	784	706	905	937	962
Earnings per Share (PKR)	1.01	1.31	1.18	1.51	1.56	1.6
Dividend Payout (%)	3.33%	16.67%	3.33%	3.33%	3.33%	5.00%
Return on Assets (%)	2.60%	3.40%	2.90%	2.65%	3.00%	3.03%
Return on Equity (%)	7.91%	9.50%	8.40%	10.41%	10.00%	9.56%
Cumulative Disbursement	8,276	11,642	16,063	24,804	36,932	49,935

Our Strategic Focus

We believe that development financing is a specialized area that requires strong conviction of objectives, clear strategic direction and meticulous attention on implementation. Since inception of the Company, we have adhered to a strategy leading to three distinct areas that form the basic components of our financing activities:

Rehabilitation of Distressed Companies: Pak Brunei is possibly the only financial institution playing an active role in this area. We select projects that have potential for value-addition, but are unable to perform at capacity. Our financing offered to a target project consists of debt and/or equity as part of a broader package that often includes tighter controls and governance standards, appointment of external auditors and Management participation. We have an independent Project Monitoring Department that ensures close monitoring of the project and covenants to be proactive in identifying problems/leakages.

Financing Green/Brown-field Projects: Pak Brunei regularly takes debt exposures through both standalone financing and as part of syndicates in long term infrastructure and industrial projects. Besides return, our selection criteria entails that the project should support value addition for the market and the broader economy. Depending on the level of risk and the scope of financial structuring, both the **Advisory and Strategic Investments Group** and the **Corporate Banking Group** are active in this arena, each working on very different customer profiles. A clear emphasis has been on financing smaller sized projects that are often not on the radar of larger institutions and that require greater level of hand holding on an on-going basis.

Supporting Small & Medium Enterprises: The importance of a vibrant SME sector in a developing economy cannot be overemphasized. Pak Brunei realizes this fact and set up a **SME Group** in 2012 that supports small and medium sized businesses in the form of loans and lease financing. The Group has gained valuable experience in both conventional and unconventional sectors and has established best practices backed by strong systems and understanding of SME market dynamics.

Growth with Sustainability

Maintaining growth and stability is not possible if these intrinsically high-risk activities are taken without managing liquidity proactively and preserving a considerable part of our portfolio in counterbalancing risk-free assets. This is the forte of our **Treasury Group,** which plays a pivotal role in safeguarding the Company's balance sheet through managing liquidity and interest rate risk. Treasury Group maintains a sizeable portfolio of low risk tradable debt securities, which keeps the Company liquid at all times, provides a consistent stream of income, and short-term trading opportunities following market interest rate fluctuations. We also house a **Fixed Income Structuring Unit** within Treasury Group, to capture the market for advisory and structuring of tradable fixed income securities. The Unit has been making a name in the revival of Commercial Papers' market – a tradable debt instrument for working capital financing.

2016 was marked by a number of market-friendly developments including the announcement of PSX reclassification in MSCI Emerging Market Index from March 2017, Pakistan's long-term partnership with China under CPEC, and more recently, the selling off of 40% stake in PSX to a Chinese consortium. These developments, backed by improved economic indicators, have resulted in a buoyant market with opportunities that our **Capital Markets Group** was geared to exploit. Since aggressively playing the market is not part of our strategy, we keep our equity market investment activity within a precisely defined risk framework.

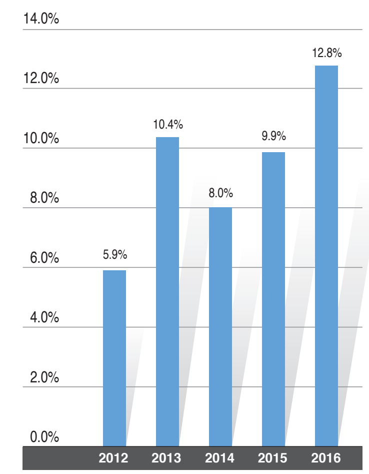
In order to manage the over-all risk of the portfolio, considering the nature of exposures under revival/project financing, our **Corporate Banking Group** also maintains a credit portfolio of blue-chip clients across different sectors. The Group makes regular use of State Bank of Pakistan financing schemes for export oriented projects, pioneering projects, alternate energy projects and other priority sectors that are eligible for long term concessional finance. Our portfolio of LTFF schemes under SBP witnessed a remarkable growth in 2016, increasing almost three times from PKR 1.1 billion in 2015 to PKR 3.2 billion in 2016.

Pak Brunei has the distinction of having an active and highly reputed **Trustee and Agency Services Department.** At present, the portfolio under Trustee & Agency Services management is over PKR 250 billion comprising of debt instruments (conventional and Islamic) and syndicated finance facilities.

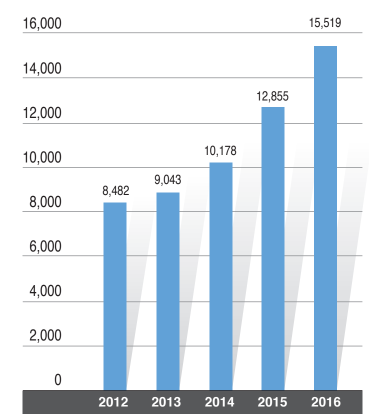
Expansion through Carve-Outs

In order to promote focused and effective decision-making, deploy resources more efficiently and encourage a spirit of entrepreneurship, we believe that carve outs are the most viable option for an institution like Pak Brunei to expand.

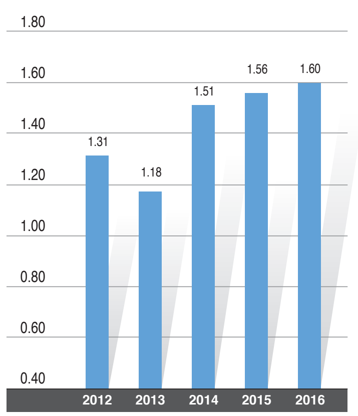
Intermediation Efficiency
(Operating Cost to Income Ratio)



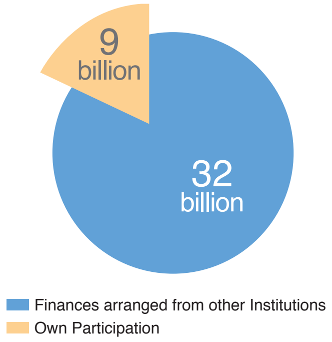
Growth in Corporate Debt Exposures
(PKR million)



Earnings per Share
(PKR)



ASIG Transactions
since inception (PKR 36.7 billion)



Primus Investment Management Limited
In 2012, Pak Brunei established its first subsidiary **Primus Investment Management Limited** in order to explore the opportunities in the mutual fund industry. Within a short period of time, Primus was managing a number of funds ranging from conventional money market fund to Shariah-compliant equity fund. Primus also enhanced our ability to offer financial services through a larger distribution network. In 2016, owing to the changing dynamics of the mutual fund industry, Pak Brunei agreed to enter into a partnership with the Army Welfare Trust through divestment of majority stake that we feel can accelerate growth prospects of the Company.

Awwal Modaraba Management Limited
In 2014, we set up our second subsidiary **Awwal Modaraba Management Limited.** Our foray in the Modaraba industry is part of the strategy of establishing an identity and strength outside conventional financing products. Most importantly, we feel that Modaraba industry offers us a better opportunity to pursue our strategic focus on Revival Financing since Modarabas are efficiently capitalized vehicles capable of raising funds from multiple markets and thus transaction risk can be shared with other likeminded investors. The Modaraba Management Company carried out a successful Initial Public Offering of **Awwal Modaraba** in early 2016. Future plans include launching new modarabas to finance infrastructure projects.

A SME-focused Leasing Company
After managing a portfolio of SME exposures successfully for over three years, Pak Brunei has acquired a good understanding of market dynamics of the SME sector and the financial products best suited to this segment. Moreover, we realize that scale and success in SME financing require a culture and systems that can be best nurtured in an independent entity. Therefore, Pak Brunei is in the process of launching its third subsidiary that will focus on financing of **Small and Medium Enterprises.** While Pak Brunei will also continue to book new SME assets, the deal flow will increasingly originate from its leasing subsidiary, better equipped to assess, price, and monitor SME customers on an on-going basis. In this connection, the launch of China Pakistan Economic Corridor especially offers immense opportunities for small and medium sized businesses in certain sectors. There will be high degree of transfer of technology from China which should help boost the growth of SMEs through modernization of existing SMEs, especially in the fields of logistics, trucking, warehousing, food processing, construction, dairy and livestock, light engineering, apparel and supply chain business, etc. At Pak Brunei, we aim to be fully positioned to play our role in capitalizing on available opportunities that promote growth and development in the country.

Risk Management

Pak Brunei Investment Company Limited registered an impressive credit growth in 2016 in all business segments, while at the same time continuing to improve its recoveries of NPLs. Cognizant of the risks in the economy, we continued to bolster our risk management framework with a focus on risk-reward optimisation. Advances' growth was backed by further strengthening of credit analysis and improved turnaround time to facilitate clients. Computation of risk weighted assets was partially automated on the same platform for the quarterly credit-risk related Basel III submissions. The market and liquidity risk function continued its active vigilance of the investment portfolio. The Operational risk unit remained committed to proactively highlight risks arising out of operations and strived to fine-tune its oversight framework in line with business strategy.

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 2016. 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

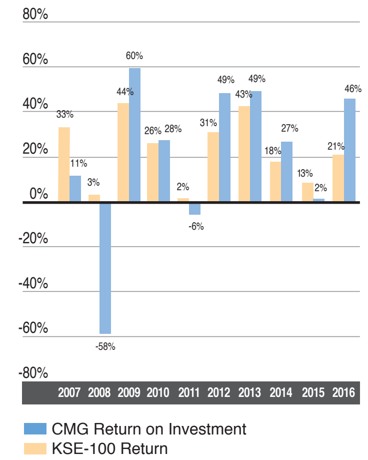
The directors declare that:

- 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
- Outstanding statutory payments on account of taxes, duties, levies, and charges, if any have been fully disclosed in the financial statements

Board Performance Evaluation

The Board has approved a formal process for its performance evaluation to be carried out on an annual basis. In this regard, an in-house approach has been adopted and quantitative techniques are implemented wherein scored questionnaires are used for Board evaluation. A well-founded scoring scale has been established in accordance with SBP guidelines to rate the Board's performance. Furthermore, an annual performance evaluation of

Market versus CMG returns



overall Board, its committees and individual directors shall also be undertaken (facilitated) by an external independent evaluator at least every three years.

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

Internal Control over Financial Reporting (ICFR)

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

The Board of Directors of the Company held four meetings during the year end December 31, 2016.

The following directors attended the meetings:

Name	Meetings Attended
Mr. Sofian Mohammad Jani	3
Mr. Tariq Mahmood Pasha	4
Mr. Azmi Abdul Rahman Ibrahim	4
Ms. Ayesha Aziz, CFA	4
Mr. Junaidi Bin Haji Masri, Alternate Director	1

The Audit Committee of Board held four meetings during the year end December 31, 2016.

The following members attended the meetings:

Name	Meetings Attended
Mr. Tariq Mahmood Pasha	4
Mr. Sofian Mohammad Jani	3
Mr. Azmi Abdul Rahman Ibrahim	4
Mr. Junaidi Bin Haji Masri, Alternate Director	1

The HR Committee of Board held one meeting during the year end December 31, 2016.

The following members attended the meeting:

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

Change in Directors

There have been no changes in the Board of Directors of the Company during the year end December 31, 2016. However, Mr. Junaidi Bin Haji Masri was appointed as alternate director in place of Mr. Sofian Muhammad Jani for the period from August 26, 2016 to November 15, 2016.

Statement of Investment of Provident Fund

Investments of provident fund as of June 30, 2016 according to audited financial statements amounted to PKR 85.376 million (2015: PKR 70.894 million).

Appointment of Auditors

The terms of existing auditors, M/s EY Ford Rhodes, Chartered Accountants expired in December 31, 2016. The Board on the proposal of the Audit Committee recommends the appointment of M/s. A.F. Ferguson & Co., Chartered Accountants as statutory auditors for 2017.

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.

Ayesha Aziz
Managing Director

March 23, 2017

کے لیے اسکور کے حامل سوالنامہ استعمال کیا جاتا ہے۔ بورڈ کی کارکردگی کی ریٹنگ کا SBP کی گائیڈ لائنز کے مطابق تعین کے لیے ایک بہترین اسکورنگ اسکیل کا قیام عمل میں لایا گیا ہے۔ مزید برآں، مکمل بورڈ، اس کی کمیٹیوں اور انفرادی ڈائریکٹرز کی سالانہ کارکردگی کی تشخیص کم از کم ہر تین سال پر بیرونی انفرادی تشخیص کار کے ذریعے بھی انجام دی جائے گی۔

بورڈ کی تشخیص مکمل بورڈ، انفرادی ڈائریکٹرز، بورڈ کی کمیٹیوں، چیئرمین اور مینیجنگ ڈائریکٹر کا احاطہ کرے گی۔ سالانہ تشخیص کے حتمی نتائج کو یکجا کیا جائے گا اور اسے بورڈ آف ڈائریکٹرز کو پیش کیا جائے گا، جس پر وہ بمطابق نظر ثانی کرتے ہوئے مسائل، کمی اور چیلنجز کی نشاندہی کرے گا اور ساتھ ہی ان کے موزوں حل کو بھی زیر بحث لائے گا۔ عمل درآمد کے لیے بورڈ رضامند سے ایکشن پلان کی بنیاد پر تشخیصی مشق سے اجازت حاصل کی جائے گی۔ تشخیص کے دوران مشاہدہ شدہ کسی بھی حوالے سے بہتری کے لیے موزوں اقدامات کو نوٹ کیا جاتا ہے۔

مالیاتی رپورٹنگ پر اندرونی کنٹرول (ICFR)

بذریعہ ہذا بورڈ آف ڈائریکٹرز، ICFR اور کلی طور پر اندرونی کنٹرول سے متعلق انتظامیہ کی تشخیص کی توثیق کرتا ہے۔ کمپنی کے بورڈ آف ڈائریکٹرز نے سال مختتمہ 31 دسمبر، 2016 کے دوران چار اجلاس منعقد کئے۔

مندرجہ ذیل ڈائریکٹرز نے اجلاسوں میں شرکت کی:

نام	اجلاسوں میں شرکت
مسٹر سفیان محمد جانی	۳
مسٹر طارق محمود پاشا	۴
مسٹر عظمی عبدالرحمان ابراہیم	۴
مس عائشہ عزیز، سی ایف اے	۴
مسٹر جنیدی بن حاجی مصری	۱

آڈٹ کمیٹی آف بورڈ نے سال مختتمہ 31 دسمبر، 2016 کے دوران چار اجلاس منعقد کئے۔
مندرجہ ذیل ممبرز نے اجلاسوں میں شرکت کی:

نام	اجلاسوں میں شرکت
مسٹر طارق محمود پاشا	۴
مسٹر سفیان محمد جانی	۳
مسٹر عظمی عبدالرحمان ابراہیم	۴
مسٹر جنیدی بن حاجی مصری	۱

ایچ آر کمیٹی آف بورڈ نے سال مختتمہ 31 دسمبر، 2016 کے دوران ایک اجلاس منعقد کیا۔

مندرجہ ذیل ممبرز نے اجلاس میں شرکت کی:

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

بورڈ آف ڈائریکٹرز کی تبدیلی

31 دسمبر 2016 کو ختم ہونے والے مالی سال کے دوران کمپنی کے بورڈ آف ڈائریکٹرز میں کسی بھی قسم کی تبدیلی نہیں کی گئی۔ البتہ، جناب جنیدی بن حاجی مصری کو 26 اگست 2016 سے 15 نومبر 2016 تک کے عرصے کے لیے سفیان محمد جانی کی جگہ متبادل ڈائریکٹر مقرر کیا گیا۔

پراویڈنٹ فنڈ کی سرمایہ کاری کی اسٹیٹمنٹ

آڈٹڈ فنانشل اسٹیٹمنٹ کے مطابق 30 جون 2016 تک پراویڈنٹ فنڈ کی سرمایہ کی قیمت 85,376 پاکستانی روپے تھی (2015: 70,894 پاکستانی روپے تھی)۔

آڈیٹرز کی مقرری

موجودہ آڈیٹر کے ساتھ شرائط وضوابط کے مطابق 31 دسمبر 2016 کو M/s EY Ford Rhodes، چارٹرڈ اکاؤنٹنٹس سے معاہدہ ختم ہوگیا ہے۔ بورڈ آف آڈٹ کمپنی کے پروپوزل اوران کی حمایت کے مطابق (چارٹرڈ اکاؤنٹنٹس) M/s. A.F. Ferguson & Co. کو سال 2017 کے لیے قانونی طور پر آڈیٹر مقرر کیا ہے۔

شیئر ہولڈنگ کی طرز

شیئر ہولڈر	شیئر ہولڈنگ (فیصد)
منسٹری آف فنانس۔ گورنمنٹ آف پاکستان	49.99933فیصد
برنائی انویسٹمنٹ ایجنسی	5000000فیصد
سیکرٹری، اکنامکس افیئرز ڈویژن۔ گورنمنٹ آف پاکستان	0,00067فیصد

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

عائشہ عزیز
مینیجنگ ڈائریکٹر

مارچ 23, 2017

نقصان کے خدشات کا بندوبست

پاک برونائی نے سال 2016 میں تمام کاروباری شعبہ جات میں ایک متاثر کن اور غیر مطلع شدہ گریڈٹ گروتھ ادارے کے طور جانا گیا اور اسی درانیہ میں اپنی NPLs کی ریکوریز کو بہتر بنانے کے عمل کو جاری رکھا۔ اقتصادیات کو درپیش نقصان کے خطرات سے آگاہی رکھتے ہوئے، ہم نے رسک ریوارڈ کی اصلاح پر توجہ کے ساتھ اپنے رسک مینجمنٹ فریم ورک کو سہارا دینے کا عمل جاری رکھا۔ ایڈوانسز کی بڑھوتری کو کریڈٹ اینالیسس اور صارفین کو ہمہ وقت بہتر سہولیات کی فراہمی کے استحکام سے مزید تقویت ملی۔ Basel III کے اجماع سے متعلق سہ ماہی بنیادوں پر کریڈٹ رسک کے لیے اسی پلیٹ فارم پر نقصان کے خطرات سے مزین اثاثہ جات کا تخمین جزوی طور پر خودکار نظام کے تحت تھا۔ مارکیٹ لیکویڈیٹی کے نقصان کے خطرات (رسک) کے کاموں نے سرمایہ کاری کے پورٹ فولیو کی بھرپور نگرانی جاری رکھی۔ آپریشنل رسک یونٹ نے آپریشنز سے ظاہر ہونے والے خطرات کی نشاندہی کو ظاہر کرنے کا عمل جاری رکھا اور کاروباری حکمت عملی کے مطابق نگرانی کے اس عمل کو مزید بہتر بنانے کے لیے کوشاں رہا۔

ادارتی ریٹنگ

دی پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے جون 2016 میں پاک برونائی انویسٹمنٹ کمپنی لمیٹڈ (PBIC) کو AA+ (ڈبل اے پلس) کی طویل المدت ادارتی ریٹنگ اور A1+ (سنگل اے ون پلس) کی قلیل المدت ریٹنگ تفویض کی ہے۔ ان تفویض شدہ ریٹنگز پر آؤٹ لک مستحکم ہے۔ یہ ریٹنگز کریڈٹ رسک کی بہت کم توقعات کو ظاہر کرتی ہیں اور مالیاتی وعدوں کی بروقت ادائیگی کی قوی انداز میں نشاندہی کرتی ہیں۔

کارپوریٹ اور مالیاتی رپورٹنگ کی بنیادی ساخت

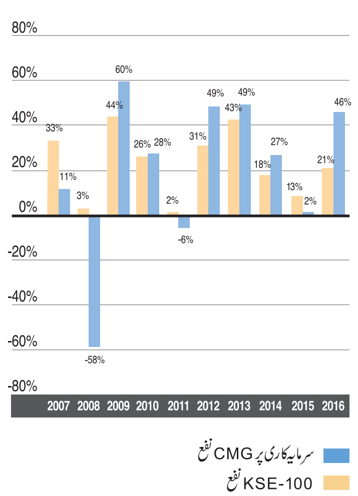
ڈائیریکٹر حضرات یہ اعلان کرتے ہیں کہ:

- انتظامیہ کی جانب سے تیار شدہ مالیاتی گوشوارے اس کے صاف وشفاف معاملات، اس کے آپریشنز کے نتائج، زرنقد کی ترسیل اور ایکویٹی میں تغیرات کے گوشوارے کو ظاہر کرتے ہیں۔
- کھاتوں (اکاؤنٹس) کی کتب (بکس) تیار کی گئی ہیں۔
- مالیاتی گوشواروں کی تیاری میں مخصوص اکاؤنٹنگ پالیسز کا مستقل اطلاق کیا گیا ہے نیز اکاؤنٹنگ کے تخمینہ جات موزوں اور محتاط فیصلوں کی بنیاد پر کئے گئے ہیں۔
- مالیاتی گوشواروں کی تیاری میں پاکستان میں لاگو انٹرنیشنل فنانشل رپورٹنگ اسٹیڈرڈ (IFRS) پر عمل کیا گیا ہے اور اس میں کسی بھی قسم کے روانگی/ترک عمل کو بمطابق وموزوں طریقے سے بتایا گیا اور وضاحت کی گئی ہے۔
- انٹرنل کنٹرول سسٹم کا نظام ڈیزائن کے اعتبار سے مستحکم ہے اور اس کے مؤثر انداز میں اطلاق کے ساتھ ساتھ نگرانی کی جاتی ہے۔
- جاری رہنے کے حوالے سے کمپنی کی صلاحت سے متعلق کسی قسم کے شکوک وشبہات نہیں ہیں۔
- نگرانی کے حوالے سے ضابطۂ اخلاق میں بیان شدہ بہترین تجربات سے استفادہ کے حوالے سے بھی کسی قسم کا انحراف نہیں ہے۔
- مالیاتی گوشواروں میں محصولات کے حوالے سے قانونی بقایا جات کی ادائیگیاں، لگان محصولات، واجبات اور معاوضے (اگر کوئی ہیں)، کلی طور پر ظاہر کئے جا چکے ہیں۔

بورڈ کی کارکردگی کی تشخیص

بورڈ نے اپنی کارکردگی کی تشخیص کے حوالے سے ایک عمومی طریقہ کار کی منظوری دی ہے، جو کہ سالانہ بنیاد پر کیا جائے گا۔ اس حوالے سے اندرونِ خانہ (ان ہاؤس) طریقے پر عمل کرتے ہوئے عددی میکانیت کا اطلاق کیا جاتا ہے، جس میں بورڈ کی تشخیص

مارکیٹ بمقابلہ CMG منافع جات



پاک برونائی کو ایک سرگرم اور انتہائی اچھی ساکھ کے حامل ٹرسٹی اور ایجنسی سروسز ڈیپارٹمنٹ کا حامل ہونے کا امتیاز حاصل ہے۔ اس وقت ٹرسٹی اینڈ ایجنسی سروسز مینجمنٹ کے زیرِ انتظام پورٹ فولیو 250 بلین روپے سے زائد کا ہے، جو قرضہ جات کے انسٹرومنٹس (روایتی اور اسلامی) اور مالیاتی انجمن کے تحت فنانس کی سہولیات پر مشتمل ہے۔

اپنے قوت بازو پر توسیع

مرتکز اور موثر فیصلہ سازی کے فروغ، مزید موثر انداز میں وسائل کا اطلاق اور کاروبار کرنے کے جذبے کی حوصلہ افزائی کے لیے ،ہمارا یہ یقین ہے کہ پاک برونائی جیسے ادارے کی توسیع کے لیے اپنے بل بوتے پر آگے بڑھنا سب سے زیادہ قابل عمل آپشن ہے۔

پرائمس (Primus) انویسٹمنٹ مینجمنٹ لمیٹڈ

سال 2012 میں پاک برونائی نے میوچل فنڈ کی صنعت میں مواقعوں کی تلاش کے لیے پرائمس (Primus) انویسٹمنٹ مینجمنٹ لمیٹڈ کی بنیاد رکھی۔ انتہائی قلیل مدت میں پرائمس (Primus) نے روایتی منی مارکیٹ فنڈز سے شرعی اصولوں پر مبنی ایکویٹی فنڈ تک ،فنڈز کی ایک بڑی تعداد کا انتظام وانصرام سنبھالا۔ پرائمس (Primus) نے ایک وسیع ڈسٹری بیوشن نیٹ ورک کے ذریعے مالیاتی خدمات کو پیش کرنے کے حوالے سے ہماری صلاحیتوں کو بھی وسعت دی۔ سال 2016 میں میوچل فنڈ انڈسٹریز کے اتار چڑھاؤ میں ہونے والے تغیرات کی وجہ سے، پاک برونائی بڑے اسٹیک سے دستبرداری کے ذریعے آرمی ویلفیئر ٹرسٹ کے ساتھ اشتراک کی معاہدہ کرنے پر رضامند ہوگئی اور ہمارے خیال میں یہ عمل کمپنی کی ترقی میں بہتری لانے کا باعث ہوسکتا ہے۔

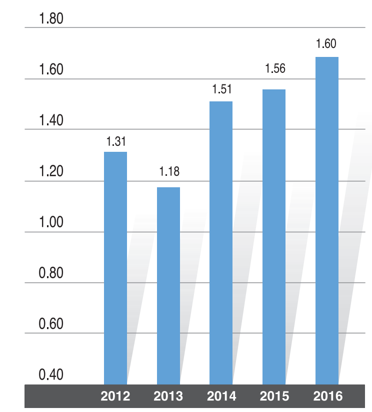
اول مضاربہ مینجمنٹ لمیٹڈ

سال 2014 میں ہم نے اپنے دوسرا ذیلی ادارہ، اول مضاربہ مینجمنٹ لمیٹڈ کی بنیاد رکھی۔ ہماری جانب سے مضاربہ کی صنعت میں پیش قدمی ہماری اس حکمت عملی کا حصہ ہے، جو روایتی فنانسنگ پراڈکٹ سے ہٹ کر ہماری شناخت اور استحکام کو ظاہر کرتا ہے۔ سب سے زیادہ اہم بات یہ ہے کہ ہم یہ محسوس کرتے ہیں کہ مضاربہ کی صنعت ہمیں بحالی کے حوالے سے فراہم کی جانے والی مالیات (فنانسنگ) پر ضروری توجہ کے تسلسل کو جاری رکھنے کا بہترین موقع فراہم کرتی ہے۔ چونکہ مضاربہ ڈھیکلر کو موثر انداز میں سرمایہ فراہم کرتا ہے، جو اسے مختلف مارکیٹس سے فنڈز حاصل کرنے کے قابل بناتا ہے۔ جس سے لین دین کے نقصان کے خدشات کو انہی جیسے دیگر سرمایہ کاروں کے ساتھ شیئر کیا جاسکتا ہے۔ مضاربہ مینجمنٹ کمپنی نے سال 2016 کے آغاز میں اول مضاربہ کو کامیابی کے ساتھ عوام الناس کے لیے پیش کیا۔ اس کے مستقبل کے منصوبوں میں انفرااسٹرکچر کے پراجیکٹس کے لیے نئے مضاربہ کا آغاز شامل ہے۔

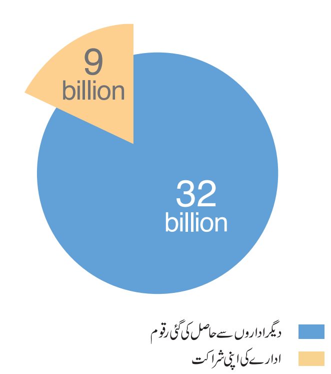
SME کی بنیاد پر لیزنگ کمپنی

تین سال سے زائد عرصے تک SME کا کامیاب مواقعوں کے پورٹ فولیو کے انتظام وانصرام کے بعد، پاک برونائی نے SME کے شعبے اور اس شعبے سے منسلک بہترین مالیاتی پراڈکٹس کے حوالے سے مارکیٹ کے اتار چڑھاؤ کی بہتر سمجھ بوجھ حاصل کرلی ہے۔ مزید یہ کہ SME فنانسنگ کے لئے درکار ماحول اور سسٹم کی سطح اور کامیابی کو ہم بخوبی سمجھتے ہیں جو ایک علیحدہ ادارے میں بہترین انداز میں پرورش پاتی ہے۔ اسی لیے پاک برونائی اپنے تیسرے ذیلی ادارے کو شروع کرنے کے عمل سے گزر رہا ہے، جس کا مرکز محور لیزنگ کمپنی پر ہوگا، جو اسمال اینڈ میڈیم انٹرپرائز کی فنانسنگ پر اپنی توجہ مرکوز رکھے گا۔ پاک برونائی SME کے نئے اثاثہ جات کو بک کرنے کا عمل بھی جاری رکھے گا، جو لیزنگ کے حوالے سے اس کے ذیلی ادارے سے ساتھ ڈیل کی صورت میں ہوگا اور جو حصول کے تعین کے لیے مطلوبہ اشیاء سے بہتر طور پر لیس نرخ اور SME کسٹمر مرکزی نگرانی کرنے کے عمل کے تسلسل کو برقرار رکھنے کی بنیاد پر ہے۔ اس حوالے سے چائنا پاکستان اکنامک کوریڈور مخصوص شعبہ جات میں چھوٹے اور درمیانے درجے کے کاروبار کے لیے کثیر مواقعوں کی خصوصی پیشکش کرتا ہے۔ جس کے تحت چائنا سے اعلیٰ معیار کی ٹیکنالوجی فراہم کی جائے گی، جو دو ممالک کے کاروباری افراد کے درمیان باہمی اشتراک اور موجود SMEs میں جدت طرازی بالخصوص لاجسٹکس ہٹرکنگ، ویئرہاؤسنگ، فوڈ پراسیسنگ، کنسٹرکشن، ڈیری اینڈ لائیو اسٹاک، لائٹ انجینئرنگ، اپیرل سپلائی چین بزنس وغیرہ کے میدان میں SMEs کی ترقی میں معاون ومددگار ہوگی۔ پاک برونائی کے شانہ بشانہ، ہمارا مقصد ملک میں ترقی اور تنوع کے لیے دستیاب مواقعوں پر سرمایہ لگانے کے حوالے سے ہم کلی طور اپنا کردار ادا کریں گے۔

آمدن فی حصص
(پاکستانی روپے)



ASIG لین دین (ٹرانزیکشنز)
آغاز سے (36.7 بلین پاکستانی روپے)



ڈائریکٹرز رپورٹ

مجھے بورڈ آف ڈائریکٹرز کی طرف سے، 31 دسمبر 2016 کو ختم ہونے والے سال کے پاکستان برونائی انویسٹمنٹ کمپنی کے مالیاتی نتائج پیش کرتے ہوئے خوشی محسوس ہو رہی ہے۔ یہ نتائج ہماری انتھک محنت اور کاوشوں کی عکاسی کرتا ہے کہ ہم اپنے منافع کو اور بہتر بنا رہے ہیں اور ایک مضبوط بیلنس شیٹ برقرار رکھ رہے ہیں۔ بہتر کلیاتی معاشیات کی معلومات اور ہمارے بورڈ آف ڈائریکٹر کی رہنمائی کی وجہ سے ہی سالِ رواں میں پاکستان برونائی انویسٹمنٹ کمپنی 2007 میں اپنے آپریشن شروع کرنے کے بعد سے لے کر اب تک ریکارڈ منافع (ٹیکس ادائیگی کے بعد) حاصل کرنے میں کامیاب ہو سکی ہے۔

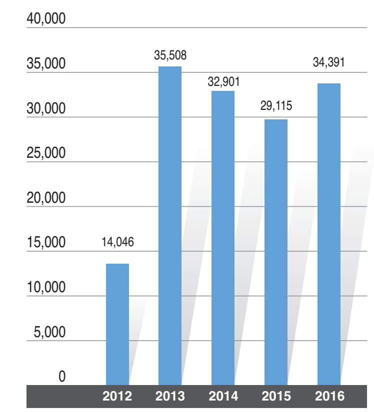
منتخب مالیاتی علامات

رقوم پاکستان روپے میں تا قتیکہ بیان شدہ نہ ہو۔

	2011	2012	2013	2014	2015	2016
مجموعی اثاثے	32,544	14,046	35,508	32,901	29,115	34,391
موجودہ اثاثے	7,928	8,581	8,246	9,139	9,684	10,429
قرض/پیشگی	4,647	5,776	6,800	7,386	10,237	13,996
سرمایہ	25,741	7,121	27,431	24,247	16,850	16,658
مجموعی مارک اپ آمدنی	2,395	2,912	1,407	2,503	1,832	1,591
اصل مارک آمدنی	925	867	438	468	553	507
غیر مارک اپ آمدنی	284	406	706	907	1,230	1,237
قبل از ٹیکس منافع	920	1,076	917	1,106	1,300	1,333
بعد از ٹیکس منافع	604	784	706	905	937	962
آمدنی فی شیئر (پی کے آر)	1.01	1.31	1.18	1.51	1.56	1.6
ڈیوڈنڈ ادائیگیاں (فیصد)	3.33%	16.67%	3.33%	3.33%	3.33%	5.00%
اثاثوں پر منافع (فیصد)	2.60%	3.40%	2.90%	2.65%	3.00%	3.03%
ایکویٹی پر منافع (فیصد)	7.91%	9.50%	8.40%	10.41%	10.00%	9.56%
مجموعی قرضوں کی فراہمی	8,276	11,642	16,063	24,804	36,932	49,935

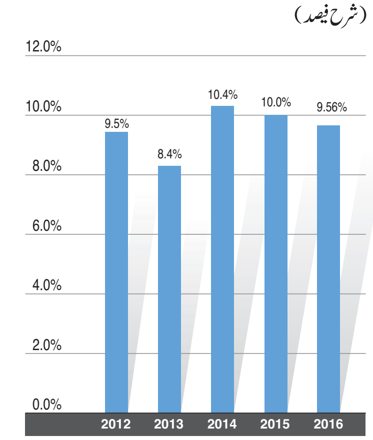
اثاثہ جات کی بنیاد

(روپے ملین میں)



ایکویٹی پر منافع

(شرح فیصد)



حکمت عملی پر ہماری توجہ

ہمارا یہ یقین ہے کہ ترقیاتی سرگرمیوں پر فنانسنگ ایک خصوصی مہارت کا حامل حصہ ہے، جس کے لیے مقاصد اور اہداف پر قوی ارادوں، واضح حکمت علی کے تحت سمت کے تعین اور اس کے اطلاق کے لیے انتہائی محتاط توجہ کی ضرورت ہوتی ہے۔ کمپنی کے آغاز سے ہی ہم ایک ایسی حکمت عملی پر عمل پیرا ہیں کہ جو تین علیحدہ شعبوں کی جانب راہنمائی کرتے ہیں اور جو ہماری مالیاتی سرگرمیوں کے ابتدائی جزئیات کی تشکیل کرتی ہیں۔

ناگفتہ بہ حالات سے دوچار اداروں کی بحالی: پاک برونائی ممکنہ طور پر وہ واحد مالیاتی ادارہ ہے جو اس شعبے میں اہم کردار ادا کر رہا ہے۔ ہم مزید بہتری کے لیے ان پراجیکٹس کا انتخاب کرتے ہیں، جو اہلیت کے حامل ہونے کے باجود اپنی صلاحیت کے مطابق کارکردگی دکھانے کے قابل نہیں ہوتے۔ کسی بھی ہدف شدہ پراجیکٹ کے حوالے سے ہماری جانب سے مالیات کی پیشکش قرض/اور یا ایکویٹی پر مشتمل ہوتی ہے جو ایک وسیع پیکیج کا حصہ ہوتی ہے۔ جو عمومی طور پر سخت کنٹرول، انضباطی معیار، بیرونی آڈیٹرز کے تقرر/اور انتظامیہ کی شرکت پر مشتمل ہوتی ہے۔ ہمارے یہاں پراجیکٹ کی باریک بینی سے نگرانی اور مسائل/خامیوں کی شناخت کے حوالے سے معاہدوں کی فعالیت کو یقینی بنانے کے لیے علیحدہ پراجیکٹ مینجمنٹ ڈپارٹمنٹ موجود ہے۔

گرین/ براؤن فلیڈ پراجیکٹس میں فنانسنگ: پاک برونائی انفرادی طور پر علیحدہ سے نیز طویل المیعاد انفرا اسٹرکچر اور صنعتی پراجیکٹس کی کسی مالیاتی انجمن کے حصے کے طور پر، دونوں طرح سے باقاعدگی سے قرضہ جات کے مواقع کو منکشف کرتا ہے۔ ہماری جانب سے انتخاب کے حوالے سے اہلیت کے لیے منافع کے علاوہ پراجیکٹ کا مارکیٹ اور وسیع تر اقتصادیات کی بڑھوتری میں مددگار رہونا ضروری ہے۔ ایڈوائزی اینڈ اسٹریٹیجک انویسٹمنٹس گروپ اور کارپوریٹ بینکنگ گروپ دونوں اس میدان میں سرگرم عمل ہیں اور ان میں سے ہر ایک کسٹمر پروفائلز پر کام کر رہا ہے تاہم یہ نقصان کے اندیشے اور مالیاتی خدوخال سے مشروط ہے۔ چھوٹی نوعیت کے ان پراجیکٹ کی واضح تاکید کی جاتی ہے، جو اکثر بڑے اداروں کی سطح پر نہیں ہوتے اور جنہیں جاری رہنے کی بنیاد پر بڑے پیمانے کی نگرانی کی ضرورت ہوتی ہے۔

چھوٹی اور درمیانی کاروباری اکائیوں کی معاونت: ترقی پذیر معیشت میں متحرک SME کے شعبے کی اہمیت سے انکار نہیں کیا جا سکتا ہے۔ پاک برونائی نے اس حقیقت کو سمجھتے ہوئے سال 2012 میں ایک SME گروپ تشکیل دیا، جو متوسط درجے کے کاروبار کی قرضہ جات اور لیز کے ذریعے فنانسنگ کی شکل میں معاونت کرتا ہے۔ گروپ نے روایتی اور غیر روایتی دونوں شعبہ جات میں گراں قدر تجربات حاصل کئے اور مستحکم نظام کی پشت پناہی اور SME مارکیٹ کے اتار چڑھاؤ کو سمجھتے ہوئے بہترین طریقۂ کار کی روایت کو داغ بیل ڈالی۔

پائیدار ترقی

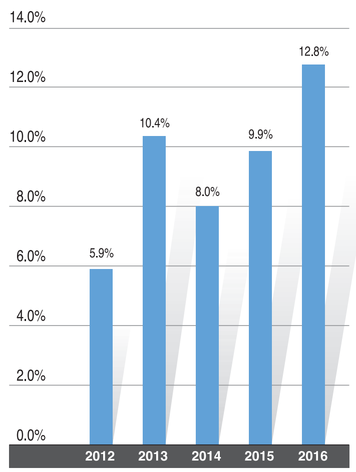
لیکویڈیٹی کو فعال کرنے اور کاؤنٹر بیلنسنگ کے لیے نقصان کے اندیشوں سے پاک اپنے پورٹ فولیو کے ایک قابلِ غور حصے کو محفوظ کرنے کا بندوبست کئے بغیر ان حقیقی بلند نقصان کے خطرات پر مبنی سرگرمیوں کی ترقی کو برقرار اور مستحکم رکھنا ممکن نہیں ہے۔ ہمارے ٹریژری گروپ کا یہی وہ نکتہ ہے، جو لیکویڈیٹی اور شرح سود کے خدشات کے انتظام و انصرام کے ذریعے کمپنی کی بیلنس شیٹ کو تحفظ فراہم کرنے میں اہم کردار ادا کرتا ہے۔ ٹریژری گروپ کم نقصان کے اندیشوں کے ساتھ قابلِ تجارت قرضہ جات کی سیکیورٹیز کے کافی بڑے پورٹ فولیو کو برقرار رکھتا ہے، جو کمپنی کے لیکویڈ کو ہمہ وقت برقرار رکھتے ہوئے آمدن کی روانی کو مستقل بنیاد پر جاری اور مارکیٹ میں شرح سود کے اتار چڑھاؤ کے مطابق شارٹ ٹرم ٹریڈنگ کے مواقع فراہم کرتا ہے۔ ہم نے ٹریژری گروپ میں ایک فکسڈ انکم اسٹرکچرنگ یونٹ بھی قائم کیا ہے تاکہ مشاورت اور قابلِ تجارت فکسڈ انکم سیکیورٹیز کے خدوخال کے لیے مارکیٹ پر غلبہ حاصل کیا جائے۔ یہ یونٹ نے کمرشل پیپر کی مارکیٹ کی بحالی میں اپنا نام بنا رہا ہے، جو کہ قرضہ جات کے حوالے سے ورکنگ کیپٹل فنانسنگ کے لیے ایک قابل تجارت انسٹرومنٹ ہے۔

سال 2016 میں کئی ایک ترقیاتی کام ہوئے جو کہ مارکیٹ کے لیے بہت مفید تھے، جن میں مارچ 2017 سے MSCI کی ابھرتی ہوئی مارکیٹ انڈیکس میں PSX کی دوبارہ درجہ بندی، CPEC کے تحت چائنا کے ساتھ طویل المیعاد شراکت داری اور حالیہ طور پر PSX میں چائینیز کنزورشیئم کو 40% اسٹیک کی فروخت شامل ہیں۔ ان ترقیاتی کاموں کو بہتر اقتصادی عوامل کی پشت پناہی حاصل تھی، جس کے نتیجے میں ایک مواقعوں سے بھرپور ایک ابھرتی ہوئی مارکیٹ وجود میں آئی، جو کہ ہماری کیپٹل مارکیٹ گروپ کا قابلِ ذکر کارنامہ ہے۔ چوں کہ مارکیٹ میں جارحانہ انداز میں کام کرنا ہماری حکمت عملی کا حصہ نہیں ہے، اسی لئے ہم مارکیٹ میں سرمایہ کاری کے حوالے سے اپنی سرگرمیوں کو وضع کردہ رسک فریم ورک تک محدود رکھتے ہیں۔

بحالی/ پراجیکٹ فنانسنگ کے تحت تجربات کی نوعیت کو سامنے رکھتے ہوئے پورٹ فولیو کے تمام تر نقصان کے خدشات کے انتظام وانصرام کے لیے، ہمارا کارپوریٹ بینکنگ گروپ مختلف شعبہ جات میں بلیو چپ کلائنٹس کا ایک کریڈٹ پورٹ فولیو بھی تیار رکھتا ہے۔ یہ گروپ برآمدات سے منسلک پراجیکٹس، اہم و نمایاں پراجیکٹس، متبادل توانائی کے پراجیکٹس اور دیگر ترجیحی ایسے شعبہ جات کے لیے اسٹیٹ بینک آف پاکستان کی فنانسنگ اسکیمز کو باقاعدہ بنیاد پر استعمال کرتا ہے، جو طویل المیعاد مراعاتی مالیاتی سہولت کے اہل ہوں۔ SBP کے زیر انتظام ہمارے LTFF اسکیمز کے پورٹ فولیو نے سال 2016 میں غیر معمولی ترقی حاصل کی اور جو سال 2015 کے 1.1 بلین روپے سے تقریباً تین گنا بڑھ کر سال 2016 میں 3.2 بلین روپے ہو گئی ہے۔

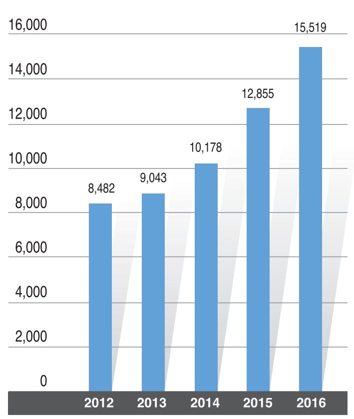
ثالثی کارکردگی

(آمدن کی شرح پر کام کرنے کی لاگت)



اثاثہ جات کی بنیاد

(روپے ملین میں)



10 Years Performance at a Glance

(Rupees in '000)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007*
Balance Sheet										
Investments	16,657,665	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	13,995,942	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	20,492,898	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	2,913,487	4,218,289	5,164,230	567,070	2,824,924	979,018	844,000	395,000	–	–
Total Assets	34,390,806	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	10,428,557	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	6,000,000	5,000,000	5,000,000	3,000,000
Profit & Loss										
Mark up income	1,590,722	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	1,083,660	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	1,236,657	1,230,358	907,133	706,018	406,286	284,325	211,963	254,064	85,608	67,299
Non mark up expense	314,084	304,458	272,127	219,296	201,163	203,103	165,145	132,740	118,675	57,635
Gross income	2,827,379	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	1,429,635	1,478,912	1,102,487	924,764	1,071,823	1,006,453	963,002	885,092	507,386	186,541
Provisions	97,111	179,179	(3,665)	8,021	(4,019)	86,874	81,344	217,918	133,921	–
Profit before tax	1,332,524	1,299,733	1,106,152	916,743	1,075,842	919,579	881,658	667,174	373,465	186,541
Profit after tax	961,658	936,933	904,867	705,709	783,758	604,107	581,090	447,453	222,266	140,743
Dividend paid	300,000	200,000	200,000	200,000	1,000,000	200,000	–	–	–	–
Investors information										
Profit before tax ratio %	47.13%	42.45%	32.43%	43.38%	32.42%	34.32%	46.16%	54.45%	49.28%	76.20%
Gross spread ratio %	31.88%	30.19%	18.68%	31.13%	29.78%	38.65%	54.19%	78.64%	80.39%	99.65%
Return on assets %	3.03%	3.02%	2.65%	2.85%	3.36%	2.58%	4.39%	5.07%	4.49%	3.23%
Return on equity %	9.56%	9.95%	10.41%	8.39%	9.50%	7.91%	8.52%	7.72%	5.28%	4.49%
Earning asset to total asset ratio %	96.21%	94.67%	96.38%	97.06%	94.07%	97.03%	95.27%	97.67%	95.58%	90.34%
EPS (Earning per share) PKR	1.60	1.56	1.51	1.18	1.31	1.01	0.98	0.89	0.52	0.75
Infection Ratio %	3.17%	3.00%	0.03%	0.04%	0.05%	0.06%	0.27%	16.05%	0.00%	0.00%
Capital Adequacy Ratio (CAR) %	25.59%	26.44%	33.80%	35.82%	59.76%	58.47%	84.61%	81.00%	138.00%	114.00%
Dividend payout %	5.00%	3.33%	3.33%	3.33%	16.67%	3.33%	–	–	–	–

*four months of operations

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

We have reviewed the enclosed Statement of Compliance with the best practices of corporate governance 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 2016**. The Code is no longer applicable on DFIs vide BPRD Circular No. 14 dated October 20, 2016. However, the Company has voluntarily adopted the best practices contained in the Code.

The responsibility for voluntary compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the 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 of 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 with the best practices of corporate governance does not appropriately reflect the Company's compliance, in all material respects, with the Code as applicable to the Company for the year ended 31 December 2016.

Further, we highlight below an instance of non-compliance with the Code as reflected in the paragraph references where these are stated in the Statement:

Paragraph Reference	Description
9	Board evaluation is yet to be undertaken.

Chartered Accountants
Date: March 23, 2017
Karachi

Statement of Compliance with the Best Practices of Corporate Governance

For the year ended December 31, 2016

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

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

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

Category	Name/(s)	Particulars
Executive Directors	Ms. Ayesha Aziz	Government of Pakistan
Non-Executive Directors	Mr. Azmi Abdul Rahman Ibrahim	Government of Brunei
	Mr. Tariq Mahmood Pasha	Government of Pakistan
	Mr. Sofian Mohammad Jani	Government of Brunei

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

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

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

4. No casual vacancy occurred on the board during the year.

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

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

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

8. The meetings of the board were presided over by the Chairman and the board met atleast once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Directors are conversant with the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities. The Mechanism of Board evaluation as per the code of Corporate Governance is in place, however, the evaluation of the Board itself is yet to be undertaken.

10. No new appointment of the Chief Financial Officer 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.

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

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

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

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

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

16. Four meetings of the audit committee were held during the year prior to the approval of interim and final results of the Company. The terms of reference of the committee have been formed and advised to the committee for compliance.

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

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

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

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

21. We Confirm that all other material principles enshrined in the CCG have been complied with.

Ayesha Aziz
Managing Director

March 23, 2017

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.

As allowed by SBP under OSED Circular no 1 of 2014 dated February 7,2014, PBIC after completion of ICFR roadmap, applied for exemption from the requirement of statutory auditors' assessment, which was duly accorded by them. An Annual Assessment on internal controls over financial reporting was conducted by the Internal Audit Department of the company, which was then endorsed by Audit Committee of the Board. Annual Assessment endorsed by the Audit Committee was submitted by Company to SBP on 30th March 2017. The observations and weaknesses identified and recommended in the report 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 these exception and elimination of such weakness to the maximum possible level. Management has also given timely and satisfactory response to the recommendations and suggestion in the report.

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

March 23, 2017

EY Ford Rhodes
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ey.com/pk

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 2016** 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 2016 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: March 23, 2017
Karachi

A member firm of Ernst & Young Global Limited

Unconsolidated
Statement of Financial Position

As at December 31, 2016

2016	2015		Note	2016	2015
(US $ in '000)				(Rupees in '000)	
		ASSETS			
3,073	978	Cash and balances with treasury banks	5	**322,004**	102,301
18,483	4,536	Balances with other banks	6	**1,936,970**	474,913
4,753	–	Lendings to financial institutions	7	**498,065**	–
158,947	160,940	Investments	8	**16,657,665**	16,850,466
133,547	97,778	Advances	9	**13,995,942**	10,237,341
240	302	Operating fixed assets	10	**25,160**	31,666
1,034	620	Deferred tax assets	14	**108,371**	64,945
8,079	12,929	Other assets	11	**846,629**	1,353,570
328,156	278,083			**34,390,806**	29,115,202
		LIABILITIES			
–	–	Bills payable		**–**	–
195,543	138,907	Borrowings	12	**20,492,898**	14,543,592
27,800	40,289	Deposits and other accounts	13	**2,913,487**	4,218,289
–	–	Sub-ordinated loans		**–**	–
–	–	Liabilities against assets subject to finance lease		**–**	–
–	–	Deferred tax liabilities	14	**–**	–
5,304	6,390	Other liabilities	15	**555,864**	669,020
228,647	185,586			**23,962,249**	19,430,901
99,509	92,497	**NET ASSETS**		**10,428,557**	9,684,301
		REPRESENTED BY			
57,252	57,307	Share capital	16	**6,000,000**	6,000,000
12,001	10,176	Reserves		**1,257,721**	1,065,388
30,848	25,397	Unappropriated profit		**3,232,896**	2,659,034
100,101	92,880			**10,490,617**	9,724,422
(592)	(383)	Surplus / (deficit) on revaluation of assets - net of tax	17	**(62,060)**	(40,121)
99,509	92,497			**10,428,557**	9,684,301
		CONTINGENCIES AND COMMITMENTS	18		

The annexed notes from 1 to 38 form an integral part of these unconsolidated financial statements.

Chief Executive **Director** **Director** **Chairman**

Unconsolidated
Profit and Loss Account

For the Year ended December 31, 2016

2016	2015		Note	2016	2015
(US $ in '000)				(Rupees in '000)	
15,179	17,494	Mark-up / return / interest earned	19	**1,590,722**	1,831,627
10,340	12,212	Mark-up / return / interest expensed	20	**1,083,660**	1,278,615
4,839	5,282	Net mark-up / interest Income		**507,062**	553,012
761	1,466	Provision / (reversal) against non-performing loans and advances	9.4	**79,717**	153,509
166	245	Provision / (reversal) for diminution in the value of investments	8.3	**17,394**	25,670
–	–	Bad debts written off directly		**–**	–
927	1,711			**97,111**	179,179
3,912	3,571	**Net mark-up / interest income after provisions**		**409,951**	373,833
		NON MARK-UP / INTEREST INCOME			
1,033	184	Fee, commission and brokerage income		**108,218**	19,312
2,958	1,390	Dividend income		**309,964**	145,538
–	–	Income from dealing in foreign currencies		**–**	–
7,836	10,168	Gain on sale of securities - net	21	**821,232**	1,064,637
(7)	(69)	Unrealised loss on revaluation of investments classified as held-for-trading	8.1	**(782)**	(7,186)
(19)	77	Other income	22	**(1,975)**	8,057
11,801	11,750	**Total non mark-up / interest income**		**1,236,657**	1,230,358
15,713	15,321			**1,646,608**	1,604,191
		NON MARK-UP / INTEREST EXPENSES			
3,464	2,908	Administrative expenses	23	**362,999**	304,458
(477)	–	Other provisions / write off		**(50,000)**	–
10	–	Other charges - SBP penalty		**1,085**	–
2,997	2,908	**Total non-mark-up / interest expenses**		**314,084**	304,458
12,716	12,413			**1,332,524**	1,299,733
–	–	Extra ordinary / unusual items		**–**	–
12,716	12,413	**PROFIT BEFORE TAXATION**		**1,332,524**	1,299,733
3,160	4,472	Taxation - Current		**331,191**	468,214
479	227	- Prior years		**50,197**	23,782
(100)	(1,234)	- Deferred		**(10,522)**	(129,196)
3,539	3,465		24	**370,866**	362,800
9,177	8,948	**PROFIT AFTER TAXATION**		**961,658**	936,933
25,372	20,159	Unappropriated profit brought forward		**2,659,034**	2,110,627
34,549	29,107	Profit available for appropriation		**3,620,692**	3,047,560
(US $)				(Rupees)	
0.02	0.01	**Earnings per share - basic and diluted**	25	**1.60**	1.56

The annexed notes from 1 to 38 form an integral part of these unconsolidated financial statements.

Chief Executive **Director** **Director** **Chairman**

Unconsolidated
Statement of comprehensive income

For the Year ended December 31, 2016

2016	2015		2016	2015
(US $ in '000)			(Rupees in '000)	
9,177	8,948	Profit after taxation	**961,658**	936,933
		Other comprehensive income- net		
		Items not to be reclassified to profit or loss in subsequent periods:		
62	(16)	Remeasurement gain / (loss) on defined benefit plan	**6,481**	(1,673)
(19)	5	Related tax effect	**(1,944)**	535
43	(11)		**4,537**	(1,138)
9,220	8,937	**Comprehensive income transferred to equity**	**966,195**	935,795
		Components of comprehensive income not reflected in equity		
(209)	(1,822)	Deficit on revaluation of 'available-for-sale securities' - net of tax*	**(21,939)**	(190,800)
9,011	7,115	**Total comprehensive income**	**944,256**	744,995

* 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 38 form an integral part of these unconsolidated financial statements.

Chief Executive **Director** **Director** **Chairman**

Unconsolidated
Cash Flow Statement

For the Year ended December 31, 2016

2016	2015		Note	2016	2015
(US $ in '000)				(Rupees in '000)	
		CASH FLOWS FROM OPERATING ACTIVITIES			
12,716	12,413	Profit before taxation		**1,332,524**	1,299,733
2,958	1,390	Less: Dividend income		**309,964**	145,538
9,758	11,023			**1,022,560**	1,154,195
		Adjustments for non-cash charges and other items			
160	146	Depreciation	23	**16,799**	15,263
11	10	Amortisation	23	**1,203**	1,030
761	1,466	Provision against non-performing loans and advances	9.4	**79,717**	153,509
166	245	Provision for diminution in the value of investments	8.3	**17,394**	25,670
(10)	(1)	Gain on sale of property and equipment	22	**(1,007)**	(106)
7	69	Unrealised loss on revaluation of investments investments classified as held-for-trading	8.1	**782**	7,186
1,095	1,935			**114,888**	202,552
10,853	12,958			**1,137,448**	1,356,747
		Decrease / (increase) in operating assets			
(2,367)	–	Lendings to financial institutions		**(248,065)**	–
(1,593)	(1,333)	Held-for-trading securities		**(166,974)**	(139,523)
(36,631)	(28,702)	Advances		**(3,838,318)**	(3,005,159)
5,044	(3,841)	Others assets (excluding current taxation)		**528,582**	(402,139)
(35,547)	(33,876)			**(3,724,775)**	(3,546,821)
		(Decrease) / increase in operating liabilities			
56,768	(33,871)	Borrowings		**5,949,306**	(3,546,313)
(12,450)	(9,035)	Deposits and other accounts		**(1,304,802)**	(945,941)
(1,080)	2,814	Other liabilities (excluding current taxation)		**(113,156)**	294,610
43,238	(40,092)			**4,531,348**	(4,197,644)
18,544	(61,010)			**1,944,021**	(6,387,718)
(3,748)	(4,008)	Income tax paid		**(392,796)**	(419,636)
14,796	(65,018)	Net cash generated from / (used) in operating activities		**1,551,225**	(6,807,354)
		CASH FLOWS FROM INVESTING ACTIVITIES			
(7,980)	79,821	Net investment in available-for-sale securities		**(836,254)**	8,357,229
1,811	1,813	Net investment in held to maturity securities		**189,811**	189,811
–	–	Investment in subsidiary		**–**	–
8,886	(12,335)	Net investment in associates		**931,255**	(1,291,510)
2,922	1,382	Dividend income received		**306,212**	144,663
(111)	(166)	Investments in operating fixed assets		**(11,668)**	(17,379)
11	18	Sale proceeds from disposal of property and equipment		**1,179**	1,844
5,539	70,533	Net cash generated from investing activities		**580,535**	7,384,658
		CASH FLOWS FROM FINANCING ACTIVITIES			
(1,908)	(1,910)	Dividend paid		**(200,000)**	(200,000)
(1,908)	(1,910)	Net cash used in financing activities		**(200,000)**	(200,000)
18,427	3,605	**Increase / (decrease) in cash and cash equivalents during the year**		**1,931,760**	377,304
5,514	1,909	Cash and cash equivalents at the beginning of the year		**577,214**	199,910
23,941	5,514	**Cash and cash equivalents at the end of the year**	26	**2,508,974**	577,214

The annexed notes from 1 to 38 form an integral part of these unconsolidated financial statements.

Chief Executive **Director** **Director** **Chairman**

Unconsolidated

Statement of Changes in Equity

For the Year ended December 31, 2016

	Share capital	Statutory reserve	Unappropriated profit	Total
		(Rupees in '000)		
As at January 01, 2015	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
Total comprehensive income for the year				
Profit for the year ended December 31, 2016	–	–	961,658	961,658
Other comprehensive income	–	–	4,537	4,537
Total comprehensive income for the year ended December 31, 2016	–	–	966,195	966,195
Transfers				
Transfer to statutory reserve	–	192,333	(192,333)	–
Transaction with owners, recorded directly in equity				
Final cash dividend paid for the year ended December 31, 2015 @ Rs.0.33 per share	–	–	(200,000)	(200,000)
As at December 31, 2016	**6,000,000**	**1,257,721**	**3,232,896**	**10,490,617**

The annexed notes from 1 to 38 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, 2016

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 8 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.104.80 to US Dollars has been used for both 2016 and 2015, as it was the prevalent rate on December 31, 2016.

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

IFRS10 "Consolidated Financial Statements" was made applicable from period beginning on or after January 01, 2015 vide S.R.O 633(I)/2014 dated July 10, 2014 by SECP. However, SECP has directed that the requirements of consolidation under section 237 of the Companies Ordinance 1984 and IFRS-10 "Consolidated Financial Statements" is not applicable in case of investment by companies in mutual funds established under trust structure, through S.R.O 56(I) /2016 dated January 28, 2016. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements.

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

The following 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 or interpretation:

Standard or interpretation	Effective date (annual periods beginning on or after)
IFRS 2: Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	January 01, 2018
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
IAS 7 Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)	January 01, 2017
IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised losses (Amendments)	January 01, 2017
IFRIC 22 Foreign Currency Transactions and Advance Consideration	January 01, 2018

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 Company'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

The accounting policies and the methods of computation adopted in the preparation of these financial statements are the same as those applied in the preparation of the annual audited financial statements for the year ended December 31, 2016 other than those disclosed in note 4.1 below:

4.1 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 12 – Disclosure of Interests in Other Entities and IAS 27 – Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)

IFRS 11 – Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)

IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)

IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)

IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture - Agriculture: Bearer Plants (Amendment)

IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)

Improvements to Accounting Standards Issued by the IASB

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal

IAS 19 Employee Benefits - Discount rate: regional market issue

IAS 34 Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any material effect on the financial statements except for certain additional disclosures.

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 Pakistan Stock Exchange (PSX).

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.

Non-current assets classified as held for sale
Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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 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, 2016 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, 2016 and 2015.

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.

5. CASH AND BALANCES WITH TREASURY BANKS

	Note	December 31 2016	December 31 2015
		(Rupees in '000)	
With State Bank of Pakistan in local currency current account	5.1	**322,004**	102,301

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.

6. BALANCES WITH OTHER BANKS

	Note	December 31 2016	December 31 2015
		(Rupees in '000)	
In Pakistan			
Deposit accounts	6.1	**1,936,970**	474,913

6.1 These carry mark-up at rates ranging from 3.75% to 7.00% per annum (2015: 4.00% to 6.80% per annum).

7. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	December 31 2016	December 31 2015
		(Rupees in '000)	
Repurchase agreement lendings (Reverse repo)	7.1	**248,065**	–
Term deposit receipts (TDRs)	7.2	**250,000**	–
		498,065	–
PARTICULARS OF LENDINGS			
In local currency		**498,065**	–
In foreign currencies		**–**	–
		498,065	–

7.1 This carries mark-up rate at the rate of 5.70% per annum (2015: Nil) and will mature within 4 days (2015: Nil).

7.2 The profit rates on TDRs is 7.00% per annum (2015: Nil) and will mature within 2 months (2015: Nil).

8. INVESTMENTS

8.1 Investment by types:

(Rupees in '000)

	Note	December 31, 2016 Held by the company	December 31, 2016 Given as collateral	December 31, 2016 Total	December 31, 2015 Held by the company	December 31, 2015 Given as collateral	December 31, 2015 Total
Held-for-trading securities							
Ordinary shares of listed companies	8.5	**327,073**	**–**	**327,073**	168,067	–	168,067
		327,073	**–**	**327,073**	168,067	–	168,067
Available-for-sale securities							
Market Treasury Bills	8.6.1	**843,353**	**5,241,975**	**6,085,328**	737,760	480,243	1,218,003
Pakistan Investment Bonds	8.6.1	**156,822**	**2,760,267**	**2,917,089**	877,849	4,808,752	5,686,601
Ordinary shares of listed companies	8.7	**938,022**	**–**	**938,022**	854,393	–	854,393
Ordinary shares of unlisted companies	8.8	**40,581**	**–**	**40,581**	146,001	–	146,001
Units of mutual funds		**–**	**–**	**–**	1,000	–	1,000
Preference shares	8.9	**3,250**	**–**	**3,250**	67,260	–	67,260
Term Finance Certificates and Sukuks	8.10	**1,287,273**	**–**	**1,287,273**	2,461,249	–	2,461,249
		3,269,301	**8,002,242**	**11,271,543**	5,145,512	5,288,995	10,434,507
Held to maturity							
Commercial paper		**–**	**–**	**–**	189,811	–	189,811
Investment in related parties	8.11	**5,420,018**	**–**	**5,420,018**	6,351,273	–	6,351,273
Investments at cost		**9,016,392**	**8,002,242**	**17,018,634**	11,854,663	5,288,995	17,143,658
Less: Provision for diminution in value of investments	8.3	**(276,160)**	**–**	**(276,160)**	(258,766)	–	(258,766)
Investments (net of provisions)		**8,740,232**	**8,002,242**	**16,742,474**	11,595,897	5,288,995	16,884,892
(Deficit) / surplus on revaluation of held-for-trading securities - net		**(782)**	**–**	**(782)**	(7,186)	–	(7,186)
(Deficit) / surplus on revaluation of available-for-sale securities - net	17.1	**(21,977)**	**(62,050)**	**(84,027)**	(111,088)	83,848	(27,240)
Total investments at market value		**8,717,473**	**7,940,192**	**16,657,665**	11,477,623	5,372,843	16,850,466

8.2 Investments by segments

	Note	December 31 2016	December 31 2015
		(Rupees in '000)	
Federal Government Securities:			
Market Treasury Bills	8.5	**6,085,328**	1,218,003
Pakistan Investment Bonds	8.5	**2,917,089**	5,686,601
Fully paid-up ordinary shares:			
Listed companies	8.6 & 8.7	**1,265,095**	1,022,460
Unlisted companies (including subsidiaries)	8.8 & 8.10	**395,581**	501,001
Term Finance Certificates and Sukuks:			
Listed	8.11	**18,596**	378,484
Unlisted	8.11	**1,268,677**	2,082,765
Units of mutual funds	8.10.2	**4,166,488**	5,997,273
Modaraba certificates	8.10.2	**898,530**	–
Commercial paper		**–**	189,811
Preference shares	8.9	**3,250**	67,260
Total investments at cost		**17,018,634**	17,143,658
Less: Provision for diminution in value of investments	8.3	**(276,160)**	(258,766)
Investments (net of provisions)		**16,742,474**	16,884,892
Deficit on revaluation of held-for-trading securities - net		**(782)**	(7,186)
Deficit on revaluation of available-for-sale securities - net	17.1	**(84,027)**	(27,240)
Total investments at market value		**16,657,665**	16,850,466

	Note	December 31 2016	December 31 2015
		(Rupees in '000)	

8.3 Particulars of provision

As at January 01		258,766	240,304
Charge for the year		21,711	56,881
Reversal during the year		(4,317)	(31,211)
		17,394	25,670
Impairment on equity securities transferred to profit and loss account on disposal		–	(7,208)
	8.3.1	276,160	258,766

8.3.1 Particulars of provision in respect of type and segment

Available-for-sale securities			
Ordinary shares of listed companies	8.7	30,527	34,844
Ordinary shares of unlisted companies		21,331	21,331
Preference shares	8.9	3,250	3,250
Term finance certificates and sukuks	8.11	221,052	199,341
		276,160	258,766

8.4 Quality of securities

(Rupees in '000)

	December 31, 2016		December 31, 2015	
	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	6,006,795	Government	1,058,674	Government
6 months T-bills	73,118	Securities	61,785	Securities
3 months T-bills	–		99,411	
	6,079,913		1,219,870	
Pakistan Investment Bonds (PIBs)				
15 years PIBs	6,551	Government	1,206,553	Government
10 years PIBs	2,831,806	Securities	863,385	Securities
5 years PIBs	21,730		22,390	
3 years PIBs	–		3,692,716	
	2,860,087		5,785,044	
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
Pakistan Petroleum Limited	–	–	12,242	Unrated
Pakistan Refinery Limited	–	–	1,356	A-
Oil & Gas Development Company Limited	–	–	28,279	AAA
Attock Refinery Limited	–	–	530	AA
BYCO Petroleum Pakistan Limited	–	–	5,495	Unrated
National Refinery Limited	–	–	5,579	AA+
Mari Petroleum Company Limited	–	–	6,971	Unrated
Sui Southern Gas Company Limited	36,350	A+	33,596	Unrated
Sui Northern Gas Pipeline Limited	48,942	AA-	50,568	AA-

(Rupees in '000)

	December 31, 2016		December 31, 2015	
	Market value / Carrying value for unlisted investments	Rating	Market value / Carrying value for unlisted investments	Rating
Commercial banks				
National Bank of Pakistan	–	–	27,025	AAA
United Bank Limited	–	–	23,242	AA+
The Bank of Punjab	–	–	368	AA-
Habib Bank Limited	–	–	20,913	AAA
MCB Bank Limited	–	–	27,323	AAA
Faysal Bank Limited	32,670	AA	–	–
Bank Alfalah Limited	18,980	AA	–	–
Trust Investment Bank Limited	–	–	403	Unrated
Communication				
Pakistan Telecommunication Company Limited	–	–	10,809	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
The Hub Power Company Limited	24,696	AA+		
Kot Addu Power Company Limited	31,520	AA+	–	–
Cement				
Maple Leaf Cement Factory Limited (a related party)	–	–	22,449	A
Fauji Cement Company Limited	26,642	Unrated	1,049	Unrated
Dewan Cement Limited	21,472	Unrated	16,550	Unrated
Kohat Cement Company Limited	–		4,818	Unrated
Pioneer Cement Limited	28,418	A	6,132	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
Chemicals				
ICI Pakistan Limited	24,843	Unrated	–	–
Ghani Gases Limited	13,115	A-	–	–
Lotte Chemical Pakistan Limited	16,640	Unrated	–	–
Engro Polymer & Chemicals Limited	1,846	A-	–	–
Akzo Nobel Pakistan Limited	11,701	Unrated	–	–
Berger Paints Pakistan Limited	30,182	Unrated	–	–
Buxly Paints Limited	6,480	Unrated	–	–
Nimir Resins Limited	11,760	Unrated	–	–
Automobile				
Thal Limited	17,799	Unrated	–	–
Pakistan International Airlines Corporation Limited "A"	9,160	Unrated	–	–
Pakistan International Bulk Terminal Limited	–	–	10,489	Unrated
Food producers				
Al Shaheer Corporation Limited	–	–	12,436	Unrated
Pharmaceuticals				
GlaxoSmithKline Pakistan Limited	–	–	4,730	Unrated
The Searle Company Limited	16,345	Unrated	–	–
Paper and board				
Century Paper & Board Mills Limited	11,169	A+	7,678	A+
Packages Limited	–	–	14,553	AA

(Rupees in '000)

	December 31, 2016 Market value / Carrying value for unlisted investments	December 31, 2016 Rating	December 31, 2015 Market value / Carrying value for unlisted investments	December 31, 2015 Rating
Fertilizers				
Fauji Fertilizer Company Limited	**20,404**	**AA**	4,070	Unrated
Fauji Fertilizers Bin Qasim Limited	**73,230**	**Unrated**	14,250	–
Engro Fertilizers Limited	**25,492**	**AA-**	30,076	AA-
Agritech Limited	**–**	**–**	14,735	Unrated
Engro Corporation Limited	**110,631**	**AA**	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
Nishat (Chunian) Limited	**31,215**	**Unrated**	–	–
Kohinoor Textile Mills Limited	**–**	**–**	21,450	A
Treet Corporation Limited	**–**	**–**	12,592	AA-
Pak Elektron Limited	**42,768**	**A+**	68,606	A
Singer Pakistan Limited	**5,294**	**Unrated**	–	–
Sugar				
Abdullah Shah Ghazi Sugar Mills Limited	**–**	**–**	18,598	Unrated
Miscellaneous				
Arif Habib Corporation Limited	**–**	**–**	204	Unrated
Adamjee Insurance Company Limited	**–**	**–**	226	AA
Hum Network Limited	**–**	**–**	7	A+
Crescent Steel & Allied Products Limited	**–**	**–**	6,218	Unrated
Mughal Iron and Steel Industries Limited	**8,816**	**Unrated**	9,061	Unrated
Aisha Steel Mills Limited	**15,730**	**Unrated**	–	–
Dadex Eternit Limited	**1,207**	**Unrated**	–	–
Amreli Steels Limited	**13,318**	**A**	–	–
International Steel Limited	**–**	**–**	12,205	Unrated
International Industries Limited	**–**	**–**	3,075	Unrated
Bannu Woolen Mills Limited	**–**	**–**	12,926	Unrated
Pace Pakistan Limited	**16,920**	**Unrated**	–	–
Tariq Glass Industries Limited	**7,534**	**Unrated**	–	–
Shabbir Tiles & Ceramics Limited	**5,580**	**Unrated**	–	–
Orix Leasing Pakistan Limited	**21,063**	**AA+**	–	–
TPL Trakker Limited	**23,721**	**A-**	3,732	A-
	863,653		853,187	
Ordinary shares of unlisted companies				
Faruki Pulp Mills Limited	**–**	**–**	100,000	Unrated
Omer Jibran Engineering Industries Limited	**19,250**	**Unrated**	24,670	Unrated
	19,250		124,670	
Preference shares				
Omer Jibran Engineering Industries Limited	**–**	**–**	64,010	Unrated
	–	**–**	64,010	
Units of mutual funds				
Meezan Capital Preservation Fund - III	**–**	**–**	1,200	Unrated
	–		1,200	

(Rupees in '000)

	December 31, 2016 Market value / Carrying value for unlisted investments	December 31, 2016 Rating	December 31, 2015 Market value / Carrying value for unlisted investments	December 31, 2015 Rating
Term Finance Certificates (TFCs) and Sukuks				
Listed TFCs				
Commercial banks				
NIB Bank Limited - Perpetual TFC	**–**	**–**	289,896	A+
Summit Bank Limited	**–**	**–**	37,930	A (SO)
Telecommunication				
World Call Telecom Limited	**–**	**–**	19,278	Unrated
Pakistan Mobile Communication Limited	**–**	**–**	30,300	AA
Unlisted TFCs and Sukuks				
Commercial banks				
Bank Alfalah Limited	**162,404**	**AA-**	81,636	AA-
Bank Alfalah Limited - TFC Floater	**–**		164,105	AA-
Bank Al-Habib Limited	**–**		151,378	AA
Askari Bank Limited	**240,127**	**AA-**	240,267	AA-
Standard Chartered Bank (Pakistan) Limited	**14,794**	**AAA**	14,762	AAA
Microfinance banks				
NRSP Microfinance Bank Ltd.	**262,500**	**A**	–	–
Fertilizer				
Agritech Limited - TFC III	**10,706**	**Unrated**	21,657	Unrated
Agritech Limited - TFC I	**–**	**Unrated**	–	Unrated
Engro Fertilizer Limited - TFC Perpetual I	**–**	**AA-**	450,428	AA-
Engro Fertilizer Limited - TFC Perpetual II	**–**	**AA-**	264,975	AA-
Cement				
Maple Leaf Cement Factory Limited	**–**	**A-**	75,784	A-
Personal goods (textile)				
Azgard Nine Limited - TFC V	**9,995**	**Unrated**	15,114	Unrated
Azgard Nine Limited	**–**	**Unrated**	8,996	Unrated
Real estate developers				
Eden Housing Limited	**43,640**	**Unrated**	–	Unrated
Consumer electronics				
Pak Elektron Limited	**248,500**	**A**	162,500	A
Media and communication				
Independent Media Corporation (Private) Limited	**87,500**	**BBB-**	137,500	BBB-
Manufacturing				
Amreli Steels Limited	**–**	**A-**	95,000	A-
	1,080,166		2,261,506	
	10,903,069		10,499,298	

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

Name of investee company	December 31, 2016	December 31, 2015	Cost as at December 31 2016	Cost as at December 31, 2015
	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
Hascol Petroleum Limited	**65,000**	–	**22,094**	–
The Hub Power Company Limited	**2,000**	–	**250**	–
Pakistan Oilfields Limited	**9,500**	–	**5,161**	–
Commercial banks				
Habib Bank Limited	**500**	4,500	**131**	899
The Bank of Punjab	**6,241,500**	40,000	**109,163**	362
Askari Bank Limited	**100,500**	–	**2,487**	–
Bank Alfalah Limited	**14,500**	–	**541**	–
MCB Bank Limited	**1,000**	–	**232**	–
National Bank of Pakistan	**10,000**	–	**739**	–
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	**1,000**	500	**140**	44
Fauji Cement Company Limited	–	28,500	–	1,032
D.G. Khan Cement Limited	**34,500**	2,500	**7,523**	360
Cherat Cement Limited	**9,000**	–	**1,554**	–
Fertilizers				
Fauji Fertilizers Company Limited	**500**	34,500	**52**	3,850
Engro Foods Limited	**2,000**	–	**359**	–
Engro Corporation Limited	–	75,000	–	20,957
Fauji Fertilizer Bin Qasim Limited	**1,000**	20,500	**50**	1,109
Engro Fertilizer Limited	–	132,500	–	11,196
Personal goods				
Nishat Mills Limited	–	4,500	–	426
Pak Elektron Limited	**115,000**	597,000	**7,842**	39,933
Nishat Chunian Mills Limited	**2,500**	–	**153**	–
Miscellaneous				
Adamjee Insurance Company Limited	–	4,000	–	229
Arif Habib Corporation Limited	–	4,000	–	206
Hum Network Limited	–	500	–	6
TRG Pakistan Limited	**2,864,000**	–	**129,024**	–
TPL Trakkers Limited	**1,501,500**	–	**26,160**	–
Amreli Steel Mills Limited	**199,000**	–	**13,418**	–
Carrying value (before revaluation and provision) of listed shares 'held-for-trading'			**327,073**	168,067
Provision for diminution in value of investments			–	–
Deficit on revaluation of securities - net			**(782)**	(7,186)
Market value			**326,291**	160,881

8.5.1 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 Re.1 respectively.

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

	Note	December 31 2016	December 31 2015
		(Rupees in '000)	

8.6 Particulars of investments in Federal Government Securities

8.6.1 Available-for-sale

	Note	2016	2015
Market Treasury Bills		**6,085,328**	1,218,003
Pakistan Investment Bonds		**2,917,089**	5,686,601
Carrying value (before revaluation)	8.6.1.1	**9,002,417**	6,904,604
Surplus on revaluation of securities		**(62,417)**	100,310
Market value		**8,940,000**	7,004,914

8.6.1.1 Market Treasury Bills and Pakistan Investment Bonds are held with SBP and are eligible for rediscounting. Market Treasury Bills embody effective yield ranging from 5.78% to 5.9% (2015: 6.29% to 6.96%) per annum and will mature within 12 months. Pakistan Investment Bonds carry mark-up ranging from 7.84% to 13.07% (2015: 6.52% to 13.07%) per annum on semi-annual basis and will mature within 10 years. Certain government securities are kept with SBP to meet statutory liquidity requirement calculated on the basis of demand and time liabilities.

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

Name of investee company	December 31, 2016	December 31, 2015	Cost as at December 31, 2016	Cost as at December 31, 2015
	No. of shares held		(Rupees in 000)	
Oil and gas marketing / exploration companies				
Pakistan State Oil Company Limited	–	110,000	–	43,918
Pakistan Petroleum Limited	–	100,000	–	15,116
Oil & Gas Development Company Limited	–	210,000	–	34,336
Pakistan Refinery Limited	–	30,000	–	1,722
National Refinery Limited	–	25,000	–	7,058
BYCO Petroleum Pakistan Limited	–	250,000	–	7,326
Sui Southern Gas Pipelines Limited	**1,000,000**	–	**44,018**	–
Sui Northern Gas Pipelines Limited	**600,000**	250,000	**40,897**	8,343
Mari Petroleum Company Limited	–	10,000	–	7,013
Commercial banks				
National Bank of Pakistan	–	500,000	–	33,738
United Bank Limited	–	150,000	–	28,676
Habib Bank Limited	–	100,000	–	20,858
MCB Bank Limited	–	126,000	–	35,773
Faysal Bank Limited	**1,500,000**	–	**34,630**	–
Bank Alfalah Limited	**500,000**	–	**17,385**	–
Trust Investment Bank Limited	**325,000**	325,000	**3,250**	3,250
Communication				
Pakistan Telecommunication Company Limited	–	650,000	–	14,731
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	–	21,911
Kot Addu Power Company	**400,000**	–	**34,957**	–
The Hub Power Company Limited	**200,000**	–	**24,106**	–
Cement				
Maple Leaf Cement Factory Limited	–	300,000	–	22,847
Dewan Cement Limited	**550,000**	1,278,000	**16,982**	22,302
Kohat Cement Company Limited	–	20,000	–	4,365
Fauji Cement Company Limited	**591,000**	–	**24,805**	–
Pioneer Cement Limited	**200,000**	67,000	**27,896**	6,074
PakCem Limited	–	1,200,000	–	25,193
Attock Cement Pakistan Limited	–	100,000	–	21,485
Power Cement Limited	–	1,500,000	–	17,950

Name of investee company	December 31, 2016	December 31, 2015	Cost as at December 31, 2016	Cost as at December 31, 2015
	No. of shares held		(Rupees in 000)	
Chemicals				
ICI Pakistan Limited	**25,000**	–	**23,055**	–
Lotte Chemicals Pakistan Limited	**2,000,000**	–	**18,167**	–
Engro Polymer & Chemicals Limited	**100,000**	–	**1,061**	–
Akzo Nobel Pakistan Limited	**50,000**	–	**12,616**	–
Berger Paints Pakistan Limited	**162,000**	–	**33,663**	–
Ghani Gases Limited	**500,000**	–	**12,003**	–
Buxly Paints Limited	**54,000**	–	**6,276**	–
Nimir Resins Limited	**1,000,000**	–	**13,658**	–
Automobile				
Pakistan International Bulk Terminal	**–**	375,000	**–**	13,611
Thal Limited	**35,000**	–	**16,055**	–
Pakistan International Airlines Corporation Limited "A"	**1,000,000**	–	**9,596**	–
Food producers				
Al Shaheer Corporation Limited	**–**	200,000	**–**	13,520
Paper and board				
Century Paper & Board Mills Limited	**180,000**	150,000	**11,348**	9,780
Packages Limited	**–**	25,000	**–**	14,470
Fertilizers				
Fauji Fertilizers Company Limited	**195,500**	–	**22,738**	–
Engro Corporation Limited	**350,000**	200,000	**118,547**	67,564
Fauji Fertilizer Bin Qasim Limited	**1,430,000**	250,000	**80,988**	16,024
Fatima Fertilizer Company Limited	**–**	200,000	**–**	9,412
Dawood Hercules Corporation Limited	**–**	100,000	**–**	13,699
Engro Fertilizer Limited	**375,000**	225,000	**26,627**	21,440
Agritech Limited	**1,657,214**	1,575,915	**49,507**	46,657
Personal goods				
Nishat Mills Limited	**–**	400,000	**–**	48,124
Kohinoor Textile Mills Limited	**–**	300,000	**–**	23,324
Treet Corporation Limited	**–**	200,000	**–**	12,793
Nishat (Chunian) Limited	**500,000**	–	**29,748**	–
Pak Elektron Limited	**600,000**	500,000	**47,044**	41,443
Pharmaceuticals				
Glaxo SmithKline Pakistan Limited	**–**	21,500	**–**	5,136
Sugar				
Abdullah Shah Ghazi Sugar Mills Limited	**–**	1,859,815	**–**	9,299
Miscellaneous				
Crescent Steel & Allied Products Limited	**–**	50,000	**–**	6,258
TPL Trakker Limited	**1,345,500**	250,000	**21,667**	4,321
Aisha Steel Mills Limited	**1,000,000**	–	**15,184**	–
Mughal Iron and Steel Industries Limited	**100,000**	130,000	**9,704**	10,825
International Steels Limited	**–**	500,000	**–**	13,638
International Industries Limited	**–**	50,000	**–**	3,442
Dadex Eternit Limited	**17,500**	–	**1,402**	–
Bannu Woolen Mills Limited	**–**	255,500	**–**	17,827
Amreli Steels Limited	**200,000**	–	**15,185**	–
Singer Pakistan Limited	**100,000**	–	**4,600**	–
Tariq Glass Industries Limited	**75,000**	–	**7,731**	–
Shabbir Tiles & Ceramics Limited	**500,000**	–	**6,167**	–
Orix Leasing Pakistan Limited	**445,000**	–	**21,707**	–
Pace Pakistan Limited	**1,500,000**	–	**18,748**	–
Searle Company Limited	**25,000**	–	**14,304**	–
Carrying value (before revaluation and provision) of listed shares 'available-for-sale'			**938,022**	854,393
Provision for diminution in value of investments			**(30,527)**	(34,844)
Deficit on revaluation of securities - net			**(21,610)**	(127,243)
Market value			**885,885**	692,306

8.7.1 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.

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

(Rupees in '000)

Name of investee company	Name of Chief Executive	December 31, 2016	December 31, 2015	Cost as at December 31, 2016	Cost as at December 31, 2015
		Number of shares held			
Faruki Pulp Mills Limited Break-up value: Nil (2015: Rs.9.70) Holding: Nil (2015: 1.61%)	Mr. Raheel Masood	**–**	6,666,667	**–**	100,000
Omer Jibran Engineering Industries Limited Break-up value: Rs.17.70 (2015: Rs.21.07) Holding: 5.64% (2015: 7.02%)	Mr. Feroz Khan	**1,925,000**	2,467,000	**19,250**	24,670
Pakistan Mercantile Exchange Limited Break-up value: Rs.(2.05) (2015: Rs.3.84) Holding: 7.74% (2015: 7.74%)	Mr. Ejaz Ali Shah	**2,133,115**	2,133,115	**21,331**	21,331
Carrying value of shares of unlisted companies - 'available-for-sale'				**40,581**	146,001

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

Name of investee company	Note	December 31, 2016	December 31, 2015	Cost as at December 31 2016	Cost as at December 31, 2015
		No. of units held		(Rupees in 000)	
Omer Jibran Engineering Industries Limited		**–**	6,401,000	**–**	64,010
Trust Investment Bank Limited	8.9.1	**325,000**	325,000	**3,250**	3,250
Carrying value (before revaluation and provision) of preference shares 'available-for-sale'				**3,250**	67,260
Provision for diminution in value of investments				**(3,250)**	(3,250)
Market value				**–**	64,010

8.9.1 These are cumulative, convertible, redeemable and non-participatory preference shares, carrying dividend at the rate of 6 month Kibor + 1% per annum, of the face value of Rs.10 each.

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

Name of the investee	Rate of interest	Profit payment	Maturity	Number of certificates held	Paid-up value per certificate (Rupees)	Total Paid up value (before redemption) (Rupees in '000)	As at December 31, 2016 (Rupees in '000)	Name of Chief Executive
Listed TFCs								
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	**18,021**	Mr. Babar Ali Syed
							18,596	
Unlisted TFCs								
Commercial banks								
Askari Bank Ltd. TFC V	6 K+1.20%	Half Yearly	30-Sep-24	43,000	5,000	215,000	**214,981**	Syed Majeedullah Husaini
Askari Bank Ltd. TFC IV	6 K+1.75%	Half Yearly	23-Dec-21	25	1,000,000	25,000	**25,146**	Syed Majeedullah Husaini
Bank Alfalah Ltd. TFC IV	Fixed 15.00 %	Half Yearly	2-Dec-17	16,000	5,000	80,000	**53,796**	Mr. Atif Bajwa
Bank Alfalah Ltd. TFC IV	6 K+2.50%	Half Yearly	2-Dec-17	32,600	5,000	163,000	**108,608**	Mr. Atif Bajwa
Standard Chartered Bank Pak Ltd. TFC	6 K+0.75%	Half Yearly	29-Jun-22	3,000	5,000	15,000	**14,794**	Mr. Shazad Dada
Fertilizer								
Agritech Limited TFC III *	3 K+3.25%	Quarterly	1-Dec-17	9,000	5,000	45,000	**42,461**	Mr. Faisal Muzammil
Agritech Limited TFC III *	6 K+1.75%	Half Yearly	29-Nov-17	1,000	5,000	5,000	**7,377**	Mr. Faisal Muzammil
Agritech Limited TFC IV *	0% Coupon	Half Yearly	2-Jan-15	–	5,000	–	**8,360**	Mr. Faisal Muzammil
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
							521,037	
Unlisted sukuks								
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	**112,500**	Mr. M Murad Saigol
Pak Elektron Limited	3 K+2.50%	Quarterly	25-Nov-17	136	1,000,000	136,000	**136,000**	Mr. M Murad Saigol
Real estate developers								
Eden Housing (Private) Limited *	3 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	**87,500**	Mr. Mir Ibrahim Rahman
Microfinance banks								
NRSP Microfinance Bank Ltd.	3 K+2.35%	Quarterly	30-Jun-18	60,000	5,000	300,000	**262,500**	Mr. Zahoor Hussain
							747,640	
Carrying value (before revaluation and provision) of TFCs and Sukuks - 'available-for-sale'							**1,287,273**	
Provision for diminution in value of investments							**(221,052)**	
Deficit on revaluation of securities - net							–	
Market value							**1,066,221**	

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

Name of the investee	Rate of interest	Profit payment	Maturity	Number of certificates held	Paid-up value per certificate (Rupees)	Total Paid up value (before redemption) (Rupees in '000)	As at December 31, 2015 (Rupees in '000)	Name of Chief Executive
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 IV	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								
Agritech Limited TFC III *	3 K+3.25%	Quarterly	1-Dec-17	9,000	5,000	45,000	46,604	Mr. Muhammad Khalid Mir
Agritech Limited TFC III *	6 K+1.75%	Half Yearly	29-Nov-17	1,000	5,000	5,000	2,831	Mr. Muhammad Khalid Mir
Agritech Limited 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 Akber Ali
							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.

8.11 Investment in related parties

8.11.1 Investment in subsidiary - strategic investment

Unlisted public company

Name of investee company	Percentage of holding %	Name of Chief Executive	Face value per share (Rupees)	Number of shares held	Cost as at December 31, 2016 (Rupees in '000)	Cost as at December 31, 2015 (Rupees in '000)
Awwal Modaraba Management Limited - AMML	100	Mr. Karim Hatim	10	10,500,000	**105,000**	105,000
Primus Investment Management Limited - PIML	100	Mr. Ahmed Ateeq	10	25,000,000	**250,000**	250,000
Primus Investment Management Limited - held for sale (refer note 8.11.1.1)	(70)			(17,500,000)	**(175,000)**	–
	30			7,500,000	**75,000**	250,000

8.11.1.1 As at 31 December 2015, the Company held 25 million shares (100% holding) of PIML - a subsidiary company. During the year the Company entered in an agreement with Army Welfare Trust ("AWT") for the sale of 17.5 million shares (70%) shares of PIML to AWT, subject to regulatory approvals, which were received subsequent to the year end. Accordingly, the said investment in PIML has been classified as held for sale (Refer note 11).

8.11.2 Investment in associates

Open-end mutual funds - listed

Name of investee fund	Percentage of holding %* 2016	Percentage of holding %* 2015	Number of units held 2016	Number of units held 2015	Cost as at December 31, 2016 (Rupees in '000)	Cost as at December 31, 2015 (Rupees in '000)
PIML - Income Fund	**66.37**	49.21	**26,269,494**	24,630,987	**2,675,488**	2,634,000
PIML - Daily Reserve Fund	**14.91**	78.44	**1,282,380**	24,221,438	**100,000**	2,470,961
PIML - Strategic Multi Asset Fund	**81.47**	80.39	**2,117,878**	2,054,943	**258,000**	241,000
PIML - Islamic Equity Fund	**61.91**	75.98	**1,106,318**	1,105,206	**159,000**	133,000
PIML - Islamic Income Fund	**0.00**	98.85	**–**	3,969,098	**–**	404,312
PIML - Value Equity Fund	**66.04**	68.48	**1,086,164**	1,065,994	**149,000**	113,000
PIML - Asset Allocation Fund	**84.63**	–	**9,473,285**	–	**1,000,000**	–
			41,335,519	57,047,666	**4,341,488**	5,996,273
Listed Modaraba						
Awwal Modaraba	**89.80**	0.00	**89,797,066**	–	**898,530**	–
					5,420,018	6,351,273

* Includes direct and indirect holding

9. ADVANCES

	Note	December 31 2016	December 31 2015
		(Rupees in '000)	
Loans, cash credits, running finances, etc.			
In Pakistan		**9,584,579**	8,082,603
LTFF scheme under State Bank of Pakistan			
- Long Term Finance Facility (LTFF) scheme		**2,626,917**	951,045
- Power Plants Using Renewable Energy (PPRE) scheme		**171,778**	172,582
- Finance for Storage of Agriculture Produce (FSAP) scheme		**410,115**	17,672
Net investment in finance lease			
In Pakistan	9.2	**1,438,643**	1,169,812
Advances - gross	9.1	**14,232,032**	10,393,714
Provision for non-performing advances - specific	9.3	**(235,191)**	(155,854)
Provision for non-performing advances - general		**(899)**	(519)
	9.4	**(236,090)**	(156,373)
Advances - net of provision		**13,995,942**	10,237,341

9.1 Particulars of advances - gross

		2016	2015
9.1.1	In local currency	**14,232,032**	10,393,714
	In foreign currencies	**–**	–
		14,232,032	10,393,714
9.1.2	Short-term (for upto one year)	**4,221,793**	4,914,263
	Long-term (for over one year)	**10,010,239**	5,479,451
		14,232,032	10,393,714

9.2 Net investment in Finance Lease

(Rupees in '000)

	2016				2015			
	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	**524,736**	**745,736**	**9,938**	**1,280,410**	465,010	544,670	50,235	1,059,915
Residual value	**90,033**	**257,969**	**2**	**348,004**	57,604	215,810	2	273,416
Minimum lease payments	**614,769**	**1,003,705**	**9,940**	**1,628,414**	522,614	760,480	50,237	1,333,331
Financial charges for future periods	**(102,065)**	**(87,510)**	**(196)**	**(189,771)**	(85,389)	(75,080)	(3,050)	(163,519)
Present value of minimum lease payments	**512,704**	**916,195**	**9,744**	**1,438,643**	437,225	685,400	47,187	1,169,812

9.2.1 These leases are executed for a term of 1 to 6 years. Security deposit has been obtained within a range of 0% to 40% of the cost of investment at the time of disbursement and has been recorded in other liabilities. The rate of return ranges from 7.99% to 24.00% per annum (2015: 8.63% to 24.00% per annum). Lease rentals are receivable in monthly / quarterly / half yearly instalments. The assets are insured in favour of the Company.

9.3 Advances include Rs. 451.407 million (2015: Rs.311.707 million) which have been placed under non-performing status as detailed below:

(Rupees in '000)

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

(Rupees in '000)

	December 31, 2015								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Category of classification									
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

9.4 Particulars of provision against non-performing advances

(Rupees in '000)

	December 31, 2016			December 31, 2015		
	Specific	**General**	**Total**	Specific	General	Total
As at January 01	**155,854**	**519**	**156,373**	2,537	327	2,864
Charge during the year	**79,337**	**380**	**79,717**	155,854	192	156,046
Reversal during the year	**–**	**–**	**–**	(2,537)	–	(2,537)
	235,191	**899**	**236,090**	155,854	519	156,373

9.4.1 Particulars of provision against non-performing advances

(Rupees in '000)

	December 31, 2016			December 31, 2015		
	Specific	**General**	**Total**	Specific	General	Total
In local currency	**235,191**	**899**	**236,090**	155,854	519	156,373
In foreign currencies	**–**	**–**	**–**	–	–	–
	235,191	**899**	**236,090**	155,854	519	156,373

9.4.2 The general provision includes maintaining of general reserves against small medium enterprise portfolio in accordance with the prudential regulations issued by SBP at 1% of fully secured portfolio respectively.

9.4.3 The State Bank of Pakistan through various circulars has allowed benefit of the forced sale value (FSV) of Plant and Machinery under charge, pledged stock and mortgaged residential, commercial and industrial properties (land and building only) held as collateral against non-performing loans (NPLs) for a maximum of five years from the date of classification. As at December 31, 2016, the DFI has availed cumulative benefit of FSV of Rs. 341.064 million (2015: Rs. Nil) under the directives of the SBP.

	December 31 2016	December 31 2015
	(Rupees in '000)	

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

	2016	2015
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	**108,012**	79,509
Loans granted during the year	**41,886**	44,900
Repayments during the year	**(23,426)**	(16,397)
	126,472	108,012

9.6 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.

10. OPERATING FIXED ASSETS

	Note	December 31 2016	December 31 2015
		(Rupees in '000)	
Property and equipment	10.1	**22,218**	30,071
Intangible assets	10.2	**1,598**	1,276
Capital work-in-progress		**1,344**	319
		25,160	31,666

10.1 Property and equipment

(Rupees in '000)

December 31, 2016

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

(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	

10.1.1 Property and equipment having cost of Rs. 21.427 million (2015: Rs.16.822 million) are fully depreciated.

10.1.2 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						
Suzuki Cultus	611	61	555	494	Quotation	Primus Investment Management Limited (related party)
Suzuki Cultus	755	75	575	500	Quotation	
Motor cycle	43	10	18	8	Quotation	Agha Traders
Motor cycle	43	14	18	4	Quotation	Agha Traders
Mobile phones	334	12	13	1	As per policy	Company employees
2016	**1,786**	**172**	**1,179**	**1,007**		
2015	8,922	1,738	1,844	106		

10.2 Intangible assets

(Rupees in '000)

December 31, 2016

	COST			AMORTIZATION			Book value as at December 31, 2016	Rate of Amortization
	As at January 01, 2016	Additions	As at December 31, 2016	As at January 01, 2016	Charge for the year	As at December 31, 2016		
Software	**13,135**	**1,525**	**14,660**	**11,859**	**1,203**	**13,062**	**1,598**	**33.33%**

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%

10.2.1 Intangible assets having cost of Rs.10.481 million (2015: Rs.8.773 million) are fully depreciated.

11. OTHER ASSETS

	Note	December 31 2016	December 31 2015
		(Rupees in '000)	
Income / mark-up accrued in local currency		**229,124**	425,829
Advances, deposits and other prepayments		**43,836**	104,838
Advance tax (payments less provisions)		**198,354**	186,946
Dividend receivable		**4,877**	1,125
Receivable from Primus Investment Management Limited (subsidiary company)		**1,924**	2,335
Unrealised gain on forward contracts		**–**	7,915
Pre IPO Investment in Awwal Modaraba (a related party)		**–**	650,000
Receivable from Awwal Modaraba (a related party)		**–**	12,192
Receivable from Awwal Modaraba Management Limited (subsidiary company)		**13,726**	4,907
Receivable from PIML Asset Allocation Fund (a related party)		**178**	–
Receivable against sale of shares		**173,129**	7,484
Receivable from defined benefit plan	28.1	**6,481**	–
Investment in Primus Investment Management Limited (PIML) - classified as held for sale	8.11.1.1	**175,000**	–
		846,629	1,403,570
Less: Provision held against advances, deposits and other prepayments		**–**	(50,000)
Other assets (net of provisions)		**846,629**	1,353,570

	Note	December 31 2016	December 31 2015
		(Rupees in '000)	

12. BORROWINGS

In Pakistan		**20,492,898**	14,543,592
Outside Pakistan		**–**	–
		20,492,898	14,543,592

12.1 Particulars of borrowings with respect to currencies

In local currency		**20,492,898**	14,543,592
In foreign currencies		**–**	–
		20,492,898	14,543,592

12.2 Details of borrowings secured / unsecured

Secured			
Borrowing from SBP under LTFF Scheme			
- Long Term Finance Facility (LTFF) scheme	12.3	**2,586,388**	910,491
- Power Plants Using Renewable Energy (PPRE) scheme		**162,026**	172,582
- Finance for Storage of Agriculture Produce (FSAP) scheme		**410,115**	17,672
Repurchase agreement borrowings (Repo)	12.4	**7,835,143**	5,162,632
Borrowing from Banks	12.5	**3,749,500**	2,250,000
		14,743,172	8,513,377
Unsecured			
Letters of placement	12.6	**5,749,726**	6,030,215
		20,492,898	14,543,592

12.3 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 8.40% per annum (2015: 2.00% to 8.60% per annum). This is repayable within 10 years (2015: 5 years).

12.4 These represent borrowings from various financial institutions at mark-up rate ranging from 5.90% to 6.05% per annum (2015: 6.00% to 6.50% per annum), maturing within 1 month. Market Treasury Bills and Pakistan Investment Bonds amounting to Rs. 8,002 million (2015: Rs.5,289 million) have been given as collateral against these borrowings (see note 8).

12.5 These represent borrowings secured against hypothecation of receivables and floating charge over term finance certificates. These carry mark-up at rate ranging from 6.14% to 6.56% per annum (2015: 6.90% to 7.09% per annum) and are repayable within 3 years (2015: 3 years).

12.6 These carry mark-up at rate ranging from 6.05% to 6.35% per annum (2015: 6.25% to 7.25% per annum) and are repayable within 3 months (2015: 3 months).

	Note	December 31 2016	December 31 2015
		(Rupees in '000)	

13. DEPOSITS AND OTHER ACCOUNTS

Customers			
Certificates of investment- remunerative	13.1	**2,913,487**	4,218,289

13.1 These carry mark-up at rates ranging from 6.00% to 6.40% per annum (2015: 6.00% to 7.40% per annum) and are repayable within 2 months to 11 months (2015: 1 month to 11 months).

	December 31 2016	December 31 2015
	(Rupees in '000)	

13.2 Particulars of deposits

In local currency	**2,913,487**	4,218,289
In foreign currencies	**–**	–
	2,913,487	4,218,289

14. DEFERRED TAX ASSETS - NET

Taxable temporary differences		
Surplus on revaluation of securities - net	**(21,967)**	12,881
Amortisation of discount on investments	**26,633**	16,401
Net investment in finance lease	**33,960**	38,930
Difference between accounting book value of fixed assets and tax base	**(1,590)**	894
Deductible temporary differences		
Provision for diminution in the value of investments	**(66,316)**	(55,132)
Provision against other assets	**–**	(16,000)
Provision for bonus	**(9,000)**	(11,672)
Provision against non-performing loans and advances	**(70,827)**	(50,039)
Remeasurements of defined benefit plan	**736**	(1,208)
	(108,371)	(64,945)

14.1 Movement in temporary differences during the year

(Rupees in '000)

	Balance as at January 01, 2015	Recognised in profit and loss account	Recognised in OCI or surplus/(deficit) in revaluation of assets	Balance as at December 31, 2015	Recognised in profit and loss account	Recognised in OCI or surplus/(deficit) in revaluation of assets	Balance as at December 31, 2016
Taxable temporary differences							
Surplus on revaluation of securities - net	81,016	–	(68,135)	12,881	–	(34,848)	**(21,967)**
Amortisation of discount on investments	71,362	(54,961)	–	16,401	10,232	–	**26,633**
Net investment in finance lease	64,004	(25,074)	–	38,930	(4,970)	–	**33,960**
Difference between accounting book value of fixed assets and tax base	–	894	–	894	(2,484)	–	**(1,590)**
Deductible temporary differences							
Provision for diminution in the value of investments	(54,524)	(608)	–	(55,132)	(11,184)	–	**(66,316)**
Provision against other assets	(16,500)	500	–	(16,000)	16,000	–	**–**
Provision for bonus	(9,900)	(1,772)	–	(11,672)	2,672	–	**(9,000)**
Provision against non-performing loans and advances	(945)	(49,094)	–	(50,039)	(20,788)	–	**(70,827)**
Difference between accounting book value of fixed assets and tax base	(919)	919	–	–	–	–	**–**
Remeasurements of defined benefit plan	(673)	–	(535)	(1,208)	–	1,944	**736**
	132,921	(129,196)	(68,670)	(64,945)	(10,522)	(32,904)	**(108,371)**

	Note	December 31 2016	December 31 2015
		(Rupees in '000)	

15. OTHER LIABILITIES

	Note	2016	2015
Mark-up / return / interest payable in local currency		97,577	106,368
Accrued expenses		35,726	37,712
Brokerage commission payable		7,706	2,341
Unearned commission		13,290	11,814
Security deposit against advances		313,637	500,580
Payable against purchase of shares		209	–
Payable to defined benefit plan	28.1	–	1,673
Payable to Awwal Modaraba (a related party)		6,551	–
Sindh Worker's Welfare Fund Payable	23.2	69,285	–
Others		11,883	8,532
		555,864	669,020

16. SHARE CAPITAL

16.1 Authorised capital

December 31 2016	December 31 2015		December 31 2016	December 31 2015
(Number of shares)			(Rupees in '000)	
600,000,000	600,000,000	Ordinary shares of Rs.10 each	6,000,000	6,000,000

16.2 Issued, subscribed and paid-up

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

16.3 The Ministry of Finance and Secretary Economic Affairs Division, Government of Pakistan, holds 299,995,999 and 4,001 shares (2015: 299,995,999 and 4,001 shares) respectively on behalf of the Government of Pakistan and remaining 300,000,000 shares (2015: 300,000,000 shares) are held by the Brunei Investment Agency.

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

	December 31 2016	December 31 2015
	(Rupees in '000)	
17.1 Surplus / (deficit) on revaluation of available-for-sale securities - net of tax		
Market treasury bills	(5,415)	1,868
Pakistan Investment Bonds	(57,002)	98,442
Listed securities		
- Term finance certificates	–	(506)
- Units of open-ended mutual funds	–	199
- Ordinary shares of listed companies	(21,610)	(127,243)
	(84,027)	(27,240)
Deferred tax asset / (liability) recognised	21,967	(12,881)
	(62,060)	(40,121)

	December 31 2016	December 31 2015
	(Rupees in '000)	

18. CONTINGENCIES AND COMMITMENTS

	2016	2015
18.1 Transaction related contingent liability		
Letters of credit	1,125,660	849,964

18.2 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.

18.3 Tax contingencies have been discussed in note 24.2 to these unconsolidated financial statements.

	December 31 2016	December 31 2015
	(Rupees in '000)	
18.4 Commitments in respect of purchase of modaraba certificates	–	250,000
18.5 Commitments in respect of purchase of government securities	1,558,062	–
18.6 Commitment to extend credit	5,466,485	3,468,396
18.7 Commitments in respect of - government securities	7,592,065	5,183,360
- shares	329,712	169,891

19. MARK-UP / RETURN / INTEREST EARNED

	2016	2015
On loans and advances to:		
Customers	867,137	707,018
Financial institutions	–	1,662
On investments in:		
Available-for-sale securities	686,607	1,076,916
Held to maturity securities	10,189	9,664
Held-for-trading securities	14,689	11,246
On deposits with financial institutions	8,649	5,288
On securities purchased under resale agreements	3,451	11,140
Finance income on deferred sale of assets acquired on satisfaction of claims - non-banking assets	–	8,693
	1,590,722	1,831,627

20. MARK-UP / RETURN / INTEREST EXPENSED

	2016	2015
Securities sold under repurchase agreements	291,952	397,527
Short-term borrowings	284,634	173,340
Deposits	252,740	482,779
Long-term borrowings	254,334	224,969
	1,083,660	1,278,615

	Note	December 31 2016	December 31 2015
		(Rupees in '000)	

21. GAIN ON SALE OF SECURITIES - NET

Federal Government Securities			
- Market Treasury Bills		**12,088**	43,899
- Pakistan Investment Bonds		**436,859**	513,903
		448,947	557,802
Units of mutual funds - associates		**291,045**	364,147
Units of mutual funds - others		**181**	7,209
Ordinary shares of listed companies		**78,564**	127,447
Preference shares		**–**	5,900
Term finance certificates		**2,495**	2,132
		821,232	1,064,637

22. OTHER INCOME

(Loss) / gain on forward contracts		**(2,978)**	7,915
Gain on sale of property and equipment		**1,007**	106
Exchange loss		**(4)**	–
Other income		**–**	36
		(1,975)	8,057

23. ADMINISTRATIVE EXPENSES

Salaries and allowances		**147,886**	157,473
Charge for defined benefit plan		**8,540**	5,026
Contribution to defined contribution plan	28.2	**6,042**	6,592
Non-executive directors' fees, allowances and other expenses		**3,178**	3,861
Rent, taxes, insurance, electricity, etc.		**26,232**	26,483
Legal and professional charges		**12,745**	8,968
Travelling and accommodation		**4,350**	9,052
Communications		**3,013**	2,602
Repairs and maintenance		**6,628**	7,080
Brokerage commission		**19,899**	24,137
Stationery and printing		**2,123**	1,536
Advertisement and publicity		**805**	785
Auditors' remuneration	23.1	**1,536**	2,317
Depreciation	10.1	**16,799**	15,264
Amortisation	10.2	**1,203**	1,030
Vehicle running expenses		**21,081**	22,830
Medical expense		**3,867**	3,052
Fee and subscription		**1,508**	868
Bank charges		**815**	774
Provision for Sindh Workers' Welfare Fund expense	23.2	**69,285**	–
Others		**5,464**	4,728
		362,999	304,458

	December 31 2016	December 31 2015
	(Rupees in '000)	
23.1 Auditors' remuneration		
Audit fee	**675**	675
Half yearly review fee	**250**	250
Special certifications and other services	**375**	1,125
Out-of-pocket expenses	**236**	267
	1,536	2,317

23.2 As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015, the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs.0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. SWWF is applicable on the income of Pak Brunei Investment Company Limited. Accordingly, Management has, as a matter of abundant caution, made provision for the SWWF liability in the financial statements amounting to Rs.69.285 million.

	December 31 2016	December 31 2015
	(Rupees in '000)	

24. TAXATION

Current	**331,191**	468,214
Prior years	**50,197**	23,782
Deferred	**(10,522)**	(129,196)
	370,866	362,800

24.1 Relationship between tax expense and accounting profit

Accounting profit before tax	**1,332,524**	1,299,733
Tax rate	**31%**	32%
Tax on accounting profit	**413,082**	415,914
Tax effect of:		
Income chargeable to tax at special rate	**(76,726)**	(50,219)
Income exempt from tax	**(7,935)**	(5,312)
Permanent differences	**(5,667)**	(17,259)
Prior year charge	**50,197**	23,782
Others	**(2,132)**	(4,106)
	370,819	362,800

24.2 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.203.097 million against which an aggregate amount of Rs.113.871 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 2016	December 31 2015
	(Rupees in '000)	

25. EARNINGS PER SHARE - BASIC AND DILUTED

Profit for the year	**961,658**	936,933
	(Numbers in '000)	
Weighted average number of ordinary shares	**600,000**	600,000
	(Rupees)	
Basic earnings per share	**1.60**	1.56

25.1 There were no convertible dilutive potential ordinary shares outstanding as on December 31, 2016 and 2015.

	December 31 2016	December 31 2015
	(Rupees in '000)	

26. CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks	**322,004**	102,301
Balances with other banks	**1,936,970**	474,913
Lendings to financial institutions - TDRs	**250,000**	–
	2,508,974	577,214

27. STAFF STRENGTH

	(Numbers)	
Permanent	**53**	48
Temporary / on contractual basis	**33**	32
	86	80

28. STAFF RETIREMENT BENEFITS

28.1 Defined benefit plan

28.1.1 Net defined benefit plan's liability

Present value of defined benefit obligations	**42,364**	37,879
Fair value of plan assets	**(48,845)**	(36,206)
	(6,481)	1,673

	December 31 2016	December 31 2015
	(Rupees in '000)	

28.1.2 Movement in defined benefit plan's liability

As at January 01	**1,673**	2,039
Charge recognised in profit and loss account		
Present value of defined benefit plan at the inception of fund	**–**	–
Current service cost	**6,408**	5,198
	6,408	5,198
Remeasurements recognised in other comprehensive income		
Return on plan assets excluding net interest income	**–**	–
Actuarial loss / (gain) arising from changes in		
- demographic assumptions	**–**	–
- experience assumptions	**(6,481)**	1,673
	(6,481)	1,673
Contributions by the Company	**(8,081)**	(7,237)
	(6,481)	1,673

28.1.3 Movement in present value of defined benefit obligations

As at January 01	**37,879**	26,938
Present value of defined benefit plan at the inception of fund	**–**	–
Current service cost	**6,243**	4,980
Interest cost	**4,008**	3,226
Benefits paid to outgoing members	**(3,252)**	–
Actuarial loss / (gain) arising from changes in		
- demographic assumptions	**–**	–
- experience assumptions	**(2,515)**	2,735
	42,363	37,879

28.1.4 Movement in fair value of plan assets

As at January 01	**36,206**	24,899
Contributions by the Company	**8,081**	7,237
Interest income	**3,844**	3,008
Actual benefits paid from the fund during the year	**(3,252)**	–
Re-measurment: Actuarial gain / (loss) on plan assets	**3,966**	1,062
	48,845	36,206

28.1.5 Break-up of plan assets

Cash and bank balances	**956**	57
Investment in Mutual funds	**11,736**	9,070
Pakistan Investment Bonds	**36,153**	27,078
	48,845	36,205

	December 31 2016	December 31 2015
	(Rupees in '000)	

28.1.6 Significant actuarial assumptions

	2016	2015
Financial assumptions		
Discount rate	**9.50%**	10.00%
Long-term salary increase rate	**9.50%**	10.00%
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

28.1.7 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, 2016		December 31, 2015	
	+ 1%	- 1%	+ 1%	- 1%
Discount rate	**(38,174)**	**47,248**	(33,976)	42,453
Long-term salary increase rate	**47,416**	**(37,964)**	42,601	(33,789)

	December 31 2016	December 31 2015
	(Rupees in '000)	

28.1.8 Maturity profile of the defined benefit obligation

	2016	2015
Weighted average duration (number of years)	**10.65**	11.12
The retirement will at most continue (year)	**2,034**	2,034

28.1.9 The Company expects to contribute Rs.5.7 million (2015: Rs.6.4 million) to the defined benefit plan for the next year.

28.1.10 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.

28.2 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 (2015: 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 2016	December 31 2015
	(Rupees in '000)	
Contribution made by the Company	**6,042**	6,592
Contribution made by employees	**6,042**	6,592
	12,084	13,184

28.2.1 Information related to the provident fund

	2016	2015
Size of the fund	**98,802**	75,934
Cost of investments made	**95,333**	71,700
Percentage of investments made	**94.31%**	96.46%
Fair value of investments	**93,177**	73,245

28.2.2 Break-up of investments at fair value

	December 31, 2016		December 31, 2015	
	Fair value (Rs. in '000)	% of the size of the fund	Fair value (Rs. in '000)	% of the size of the fund
Government Securities	**72,468**	**73.35%**	58,935	77.61%
Quoted shares	**7,360**	**7.45%**	5,473	7.21%
Term Finance Certificate	**–**	**0.00%**	4,752	6.26%
Mutual Funds	**1,349**	**1.37%**	1,192	1.57%
Commercial Paper	**12,000**	**12.15%**	2,893	3.81%
	93,177	**94.31%**	73,245	96.46%

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.

29. COMPENSATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVE

(Rupees in '000)

	Chief Executive		Directors		Executives	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Fee for attending meetings	**–**	–	**3,178**	3,111	**–**	–
Managerial remuneration	**23,561**	22,033	**–**	–	**107,949**	120,551
Performance bonus	**4,815**	7,589	**–**	–	**–**	–
Charge for defined benefit plan	**1,225**	1,102	**–**	–	**4,159**	3,880
Contribution to defined contribution plan	**1,349**	1,310	**–**	–	**4,607**	5,060
Utilities	**268**	427	**–**	–	**5,662**	6,730
Medical	**657**	321	**–**	–	**3,216**	2,610
Travelling allowance	**283**	357	**–**	–	**338**	511
	32,158	33,139	**3,178**	3,111	**125,931**	139,342
Number of persons	**1**	1	**4**	3	**48**	46

29.1 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.

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

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

All quoted investments have been stated at their market values as disclosed in note 8. 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 35.3.1 and 35.2.4 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, 2016			
	Level 1	Level 2	Level 3	Total
Asset measured at fair value				
Held-for-trading				
Ordinary shares of listed companies	326,291	–	–	326,291
Derivative liability	(2,978)	–	–	(2,978)
	323,313	–	–	323,313
Available-for-sale securities				
Market Treasury Bills	–	6,079,913	–	6,079,913
Pakistan Investment Bonds	–	2,860,087	–	2,860,087
Ordinary shares of listed companies	885,885	–	–	885,885
Term Finance Certificates and Sukuks	–	2,261,955	–	2,261,955
	885,885	11,201,955	–	12,087,840
	1,209,198	11,201,955	–	12,411,153

(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
Derivative asset	7,915	–	–	7,915
	168,796	–	–	168,796
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
	861,102	9,268,069	–	10,129,171

31. 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
2016			
Total income	**108,218**	**1,878,457**	**840,703**
Total expenses	**53,493**	**946,309**	**494,903**
Net income	**54,725**	**932,148**	**345,801**
Segment assets (gross)	**–**	**22,760,367**	**12,147,603**
Segment non performing loans	**–**	**3,691**	**447,716**
Investment provided for	**–**	**348,772**	**–**
Segment provision required *	**–**	**277,426**	**234,821**
Segment liabilities	**–**	**15,624,796**	**8,331,535**
Segment return on assets (ROA) (%)	**–**	**4.55%**	**2.92%**
Segment return on net assets (ROA) (%)	**–**	**14.41%**	**9.43%**
Segment cost of funds (%)	**–**	**5.94%**	**5.94%**
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%

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

32. 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, SUKUK and Commercial Papers Issues) issued by Agritech Limited, Al-Baraka Bank (Pakistan) Limited, Al-Razi Health Care, Askari Bank Limited, Azgard Nine Limited, Bank Alfalah Limited, Bank Al-Habib Limited, Bank of Punjab, Engro Fertilizer Limited, Fatima Fertilizer Company Limited, Faysal Bank Limited, Habib Bank Limited, Independent Media Corporation Pvt. Limited, Jahangir Siddiqui & Co. Limited, JS Bank Limited, K-Electric Limited, Neelum Jhelum Hydro Power Company Limited, NIB Bank Limited, Pak Elektron Ltd., Pak Water & Power Development Authority, Pakistan International Airlines Corporation, Sindh Nooriabad Power Company Private Limited (Phase-I), Sindh Nooriabad Power Company Private Limited (Phase-II), Soneri Bank Limited and WAPDA 3rd SUKUK Company. The combined value of the debt securities as at December 31, 2016 amounted to Rs.249,195 million (2015: Rs.140,956 million).

33. 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 Limited, Nimir Industrial Chemicals Limited, Allahdin Power Limited and Bunny's (Pvt) Limited due to common directorship.

Details of loans and advances to the executives are given in note 9.5 to these unconsolidated financial statements. There are no transactions with key management personnel other than under their terms of employment. Contribution to approved defined contribution plan are disclosed in note 28.2 to these unconsolidated financial statements. Remuneration to the executives is disclosed in note 29 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)

		2016					2015				
	Note	Key management personnel	State controlled entities	Other related parties	Subsidiary companies	Associates	Key management personnel	State controlled entities	Other related parties	Subsidiary companies	Associates
Advances											
As at January 01		**61,644**	**53,466**	**540,232**	**–**	**–**	41,922	160,825	566,259	–	–
Disbursement during the year		**7,717**	**62,454**	**292,465**	**–**	**–**	20,979	9,514	105,981	–	–
Removal / transfer from other related parties		**–**	**–**	**(400,200)**	**–**	**–**	6,991	–	(6,991)	–	–
Repaid during the year		**(13,981)**	**(25,958)**	**(72,689)**	**–**	**–**	(8,248)	(116,873)	(125,017)	–	–
		55,380	**89,962**	**359,808**	**–**	**–**	61,644	53,466	540,232	–	–
Borrowings											
As at January 01		**–**	**6,605,818**	**–**	**–**	**630,000**	–	15,880,124	–	–	690,000
Received during the year		**–**	**420,637,891**	**–**	**–**	**900,000**	–	207,469,362	–	–	2,645,000
Repaid during the year		**–**	**(417,959,590)**	**–**	**–**	**(1,530,000)**	–	(216,743,668)	–	–	(2,705,000)
		–	**9,284,119**	**–**	**–**	**–**	–	6,605,818	–	–	630,000
Placements											
As at January 01		**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
Placements made during the year		**–**	**3,092,084**	**–**	**–**	**–**	–	19,307,119	–	–	–
Placements matured during the year		**–**	**(3,092,084)**	**–**	**–**	**–**	–	(19,307,119)	–	–	–
		–	**–**	**–**	**–**	**–**	–	–	–	–	–
Investments											
As at January 01		**–**	**7,063,565**	**187,309**	**355,000**	**5,996,273**	–	15,508,620	338,989	355,000	4,704,764
Investments / additions made during the year		**–**	**61,671,690**	**289,424**	**–**	**23,156,924**	–	44,042,066	734,186	–	25,384,045
Redemption during the year		**–**	**(56,846,757)**	**(457,496)**	**(175,000)**	**(23,838,178)**	–	(52,487,121)	(885,866)	–	(24,092,536)
		–	**11,888,498**	**19,237**	**180,000**	**5,315,019**	–	7,063,565	187,309	355,000	5,996,273
Mark-up / return / interest earned		**1,766**	**590,913**	**18,496**	**–**	**–**	2,056	812,379	52,339	–	–
Mark-up / return / interest expensed		**–**	**194,564**	**–**	**–**	**22,954**	–	286,395	–	–	37,184
Gain on sale of securities - net		**–**	**470,119**	**12,153**	**–**	**291,016**	–	546,724	35,097	–	364,147
Dividend income		**–**	**7,376**	**70,389**	**–**	**196,271**	–	11,229	1,999	–	87,543
Salaries and other benefits		**74,685**	**–**	**–**	**–**	**–**	92,570	–	–	–	–
Processing fee		**–**	**–**	**–**	**–**	**–**	–	–	(16,179)	–	–
Reimbursement of expenses		**4,711**	**–**	**–**	**–**	**–**	4,956	–	–	–	–
Expenses charged to the subsidiary companies	33.1	**–**	**–**	**–**	**20,848**	**–**	–	–	–	26,279	–

33.1 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.

34. CAPITAL ASSESSMENT AND ADEQUACY

34.1 Capital adequacy

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

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

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

The Company's capital management seeks:

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

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

34.2 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:

		Note	December 31 2016	December 31 2015
			(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			**1,257,721**	1,065,388
Gain / (losses) on derivatives held as cash flow hedge			**–**	–
Unappropriated / unremitted profits / (losses)			**3,232,896**	2,659,034
Minority Interests arising from CET1 capital instruments consolidated Company subsidiaries (amount allowed in CET1 capital of the consolidation group)			**–**	–
CET 1 before regulatory adjustments			**10,490,617**	9,724,422
Total regulatory adjustments applied to CET1		34.2.1	**(2,576,342)**	(2,427,791)
Common Equity Tier 1	a		**7,914,275**	7,296,631
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		34.2.2	**–**	–
Additional Tier 1 capital recognized for capital adequacy	b		**–**	–
Tier 1 Capital (CET1 + admissible AT1)	(c=a+b)		**7,914,275**	7,296,631

		Note	December 31 2016	December 31 2015
			(Rupees in '000)	
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			**899**	519
Revaluation reserves				
of which: Revaluation reserves on property			**–**	–
of which: Unrealised gains / losses on AFS			**–**	–
Foreign exchange translation reserves			**–**	–
Undisclosed / other reserves (if any)			**–**	–
T2 before regulatory adjustments			**899**	519
Total regulatory adjustment applied to T2 capital		34.2.3	**(35,101)**	(519)
Tier 2 capital (T2) after regulatory adjustments			**–**	–
Tier 2 capital recognized for capital adequacy			**–**	–
Portion of Additional Tier 1 capital recognized in Tier 2 capital			**–**	–
Total Tier 2 capital admissible for capital adequacy		d	**–**	–
TOTAL CAPITAL (T1 + admissible T2)		(e=c+d)	**7,914,275**	7,296,631
Total Risk Weighted Assets (RWA)	f	34.2.4 & 34.5	**30,930,970**	27,591,767
Capital ratios and buffers (in percentage of risk weighted assets)				
CET1 to total RWA		(a/f)	**25.59%**	26.44%
Tier-1 capital to total RWA		(c/f)	**25.59%**	26.44%
Total capital to RWA		(e/f)	**25.59%**	26.44%
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			**0.65%**	0.25%
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)			**15.59%**	16.44%
National minimum capital requirements prescribed by SBP				
CET1 minimum ratio			**6.00%**	6.00%
Tier 1 minimum ratio			**7.50%**	7.50%
Total capital minimum ratio			**10.00%**	10.00%

34.2.1 *Common Equity Tier 1 capital: Regulatory adjustments*

	December 31, 2016	Amounts subject to Pre-Basel III treatment	December 31, 2015
	(Rupees in '000)		
Goodwill (net of related deferred tax liability)	–	–	–
All other intangibles (net of any associated deferred tax liability)	2,942	–	1,602
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	62,060	–	40,121
holdings of property / AFS	–	–	–
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
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	2,511,340	–	2,375,092
Total regulatory adjustments applied to CET1	2,576,342	–	2,427,791

34.2.2 *Additional Tier 1 Capital: regulatory adjustments*

	December 31, 2016	Amounts subject to Pre-Basel III treatment	December 31, 2015
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	2,440,239	–	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)	–	–	–
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	–	–
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	36,000	–	106,500
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	35,101	–	194,913
Total of Regulatory Adjustment applied to AT1 capital	2,511,340	–	2,375,092

34.2.3 *Tier 2 Capital: regulatory adjustments*

	December 31, 2016	Amounts subject to Pre-Basel III treatment	December 31, 2015
	(Rupees in '000)		
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	36,000	–	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)	–	–	88,932
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	36,000	–	195,432

34.2.4 Additional information

	December 31 2016	December 31 2015
	(Rupees in '000)	
Total Risk Weighted Assets subject to pre-Basel III treatment		
Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment	–	274,235
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
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	632,978	1,218,039
Significant investments in the common stock of financial entities	180,000	355,000
Deferred tax assets arising from temporary differences (net of related tax liability)	–	–
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	–	–

34.3 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, 2016 is 19.58%. The same was 23.15% as on December 31, 2015.

34.4 Capital Structure Reconciliation

34.4.1 Step 1

	December 31, 2016	
	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	(Rupees in '000)	
Assets		
Cash and balances with treasury banks	322,004	322,004
Balances with other banks	1,936,970	1,936,970
Lendings to financial institutions	498,065	498,065
Investments	16,657,665	16,657,665
Advances	13,995,942	13,995,942
Operating fixed assets	25,160	25,160
Deferred tax assets	108,371	108,371
Other assets	846,629	846,629
Total assets	34,390,806	34,390,806
Liabilities and equity		
Bills payable	–	–
Borrowings	20,492,898	20,492,898
Deposits and other accounts	2,913,487	2,913,487
Sub-ordinated loans	–	–
Liabilities against assets subject to finance lease	–	–
Deferred tax liabilities	–	–
Other liabilities	555,864	555,864
Total liabilities	23,962,249	23,962,249
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully paid-up capital / capital deposited with SBP	6,000,000	6,000,000
Reserves	1,257,721	1,257,721
Unappropriated / unremitted profit / (losses)	3,232,896	3,232,896
Minority interest	–	–
Surplus on revaluation of assets	(62,060)	(62,060)
Total liabilities and equity	10,428,557	10,428,557

34.4.2 Step 2

		December 31, 2016	
	Reference	Balance sheet as in published financial statements	Under regulatory scope of consolidation
		(Rupees in '000)	
Assets			
Cash and balances with treasury banks		322,004	322,004
Balance with other banks		1,936,970	1,936,970
Lending to financial institutions		498,065	498,065
Investments		16,657,665	16,657,665
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	a	–	–
of which: significant capital investments in financial sector entities exceeding regulatory threshold	b	180,000	180,000
of which: Mutual Funds exceeding regulatory threshold	c	2,440,239	2,440,239
of which: Reciprocal cross holdings in CET1	d	–	–
of which: Reciprocal cross holdings in Tier2		–	–
of which: others	e	–	–
Advances	f	13,995,942	13,995,942
shortfall in provisions / excess of total EL amount over eligible provisions under IRB general provisions reflected in Tier 2 capital	g	899	899
Fixed Assets	h	22,218	22,218
of which: Intangibles	i	2,942	2,942
Deferred tax assets		108,371	108,371
of which: DTAs excluding those arising from temporary differences	j	–	–
of which: DTAs arising from temporary differences exceeding regulatory threshold	k	108,371	108,371
Other assets	l	846,629	846,629
of which: Goodwill	m	–	–
of which: Intangibles		–	–
of which: Defined-benefit pension fund net assets		–	–
Total assets		34,390,806	34,390,806
Liabilities and equity			
Bills payable		–	–
Borrowings		20,492,898	20,492,898
Deposits and other accounts		2,913,487	2,913,487
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		555,864	555,864
Total liabilities		23,962,249	23,962,249

		December 31, 2016	
	Reference	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		1,257,721	1,257,721
of which: portion eligible for inclusion in CET1: Share premium	v	1,257,721	1,257,721
of which: portion eligible for inclusion in CET1 general / statutory reserve	w	–	–
of which: portion eligible for inclusion in Tier 2	x	–	–
Unappropriated profit / (losses)	y	3,232,896	3,232,896
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	(62,060)	(62,060)
of which: Revaluation reserves on fixed assets	ac	–	–
of which: Unrealised gains / losses on AFS		(62,060)	(62,060)
In case of deficit on revaluation (deduction from CET1)	ad	–	–
Total liabilities and equity		34,390,806	34,390,806

34.4.3 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)	1,257,721
Gain / (losses) on derivatives held as cash flow hedge		–
Unappropriated/unremitted profits / (losses)	(y)	3,232,896
Minority interests arising from CET1 capital instruments issued to third party by consolidated Company subsidiaries (amount allowed in CET1 capital of the consolidation group)	(z)	–
CET 1 before regulatory adjustments		10,490,617

	Source based on reference number from step 2	Component of regulatory capital reported by Company
		(Rupees in '000)
Common Equity Tier 1 capital: Regulatory adjustments		
Goodwill (net of related deferred tax liability)	(l) - (p)	–
All other intangibles (net of any associated deferred tax liability)	(m) - (q)	2,942
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)	(62,060)
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	(a) - (ac) - (ae)	–
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		2,514,051
Total regulatory adjustments applied to CET1 (sum of 9 to 25)		2,516,995
Common Equity Tier 1		7,911,562

	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)	**2,440,239**
Investment in own AT1 capital instruments		–
Reciprocal cross holdings in Additional Tier 1 capital instruments		–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	(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		**36,000**
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		**35,101**
Total of regulatory adjustment applied to AT1 capital		**2,511,340**
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)		**7,911,562**
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)	**899**
Revaluation Reserves eligible for Tier 2		–
of which: Revaluation reserves on fixed assets	portion of (aa)	–
of which: Unrealized gains / losses on AFS		–
Foreign exchange translation reserves	(v)	–
Undisclosed / other reserves (if any)		–
T2 before regulatory adjustments		**899**
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		**36,000**
Reciprocal cross holdings in Tier 2 instruments		–
Investment in own Tier 2 capital instrument		–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	(ae)	–
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		**36,000**
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)		**7,911,562**

34.5 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)			10,490,617
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	Fully Paid-up Capital/ Capital deposited with SBP 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

34.6 Risk weighted assets

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

(Rupees in '000)

	Capital Requirements		Risk Weighted Assets	
	December 31, 2016	December 31, 2015	**December 31, 2016**	December 31, 2015
Credit risk				
Portfolios subject to standardised approach (Simple or Comprehensive)				
Cash and cash equivalents	**–**	–	**–**	–
Sovereign	**–**	–	**–**	–
Public sector entities	**4,498**	2,668	**44,982**	26,681
Banks	**62,149**	9,498	**621,492**	94,983
Corporate	**1,251,585**	931,729	**12,515,846**	9,317,294
Retail	**2,029**	1,881	**20,294**	18,811
Residential mortgages	**3,479**	2,903	**34,795**	29,026
Past due loans	**22,919**	18,167	**229,185**	181,669
Operating fixed assets	**2,221**	3,007	**22,214**	30,068
Other assets	**158,173**	95,356	**1,581,730**	953,562
	1,507,053	1,065,209	**15,070,538**	10,652,094
Portfolios subject to Internal Rating Based (IRB) approach				
Off - balance sheet				
Non-market related	**513,073**	370,121	**5,130,732**	3,701,214
Market related exposures	**–**	–	**–**	–
Equity exposure risk in the banking book				
Under simple risk weight method	**5,110**	169,786	**51,104**	1,697,857
Under Internal models approach	**–**	–	**–**	–
	518,183	539,907	**5,181,836**	5,399,071
Market risk				
Capital requirement for portfolios subject to standardised approach				
Interest rate risk	**204,754**	167,318	**2,047,538**	1,673,175
Equity position risk	**707,219**	830,453	**7,072,188**	8,304,531
Foreign Exchange risk	**1**	1	**5**	5
	911,974	997,772	**9,119,731**	9,977,711
Capital requirement for portfolios subject to internal models approach	**–**	–	**–**	–
Operational risk				
Capital requirement for operational risks	**124,709**	124,750	**1,558,865**	1,562,892
Total	**3,061,918**	2,727,638	**30,930,970**	27,591,768

(Rupees in '000)

	December 31, 2016		December 31, 2015	
	Required	Actual	Required	Actual
CET1 to total RWA	**6.00%**	25.88%	**5.50%**	26.44%
Tier-1 capital to total RWA	**7.50%**	25.88%	**7.00%**	26.44%
Total capital to total RWA	**10.00%**	25.88%	**10.00%**	26.44%

34.7 Capital adequacy

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

Company's capital management seeks:

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

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

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

The paid-up capital and CAR of the Company stands at Rs.10.491 billion and 25.88% of its risk weighted exposure as at December 31, 2016.

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

35. 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.

35.1 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.

35.1.1 Segmental Information

35.1.1.1 Segments by class of business

	December 31, 2016					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Cement	–	–	–	–	–	–
Textile	3,378,066	23.74	–	–	2,157,389	13.42
Sugar	944,107	6.63	–	–	–	–
Chemicals and pharmaceuticals	753,840	5.30	–	–	641,324	3.99
Production and transmission of energy	1,585,818	11.14	–	–	1,911,714	11.89
Auto and allied	3,422	0.02	–	–	–	–
Financial	120,000	0.84	2,910,000	99.88	10,159,839	63.21
Individuals	126,472	0.89	–	–	–	–
Health and pharma	1,279,465	8.99	–	–	–	–
Telecommunication	64,805	0.46	–	–	430,000	2.68
Paper and board	–	–	–	–	–	–
Food and confectionary	873,411	6.14	–	–	70,000	0.44
Entertainment	57,715	0.41	–	–	12,500	0.08
Printing	–	–	–	–	–	–
Public sector	–	–	–	–	–	–
Transportation	357,881	2.51	–	–	–	–
Packaging	366,615	2.58	–	–	106,423	0.66
Services	4,818	0.03	–	–	–	–
Electronics and electrical appliances	1,023,403	7.19	–	–	56,590	0.35
Engineering	21,786	0.15	–	–	–	–
Construction	1,225,400	8.61	–	–	522,347	3.25
Poultry	281,250	1.98	–	–	–	–
Agricultural and dairy	446,782	3.14	–	–	30	0.00
Others	1,316,976	9.25	3,487	0.12	3,828	0.02
	14,232,032	100.00	2,913,487	100.00	16,071,984	100.00

	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

35.1.1.2 Segment by sector

(Rupees in '000)

	December 31, 2016					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	**89,963**	**1**	**250,000**	**9**	**4,222,113**	**26**
Private	**14,142,069**	**99**	**2,663,487**	**91**	**11,849,871**	**74**
	14,232,032	**100**	**2,913,487**	**100**	**16,071,984**	**100**

	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

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

(Rupees in '000)

	2016		2015	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
Poultry	**281,250**	**140,625**	281,250	140,625
Textile	**30,457**	**30,457**	30,457	15,229
Sugar	**118,950**	**59,475**	–	–
Engineering	**9,961**	**1,936**	–	–
Telecommunication	**10,789**	**2,697**	–	–
	451,407	**235,190**	311,707	155,854

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

(Rupees in '000)

	2016		2015	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
Public / Government	**–**	**–**	–	–
Private	**451,407**	**235,190**	311,707	155,854
	451,407	**235,190**	311,707	155,854

35.1.1.5 Geographical segment analysis

(Rupees in '000)

	December 31, 2016			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Pakistan	**1,332,524**	**34,390,806**	**10,428,557**	**16,071,984**

	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

35.2 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 8 of these financial statements.

35.2.1 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.

35.2.2 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, 2016			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistani Rupee	**34,390,802**	**23,962,249**	**–**	**10,428,553**
United States Dollar	**4**	**–**	**–**	**4**
	34,390,806	**23,962,249**	**–**	**10,428,557**

(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

35.2.3 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.

35.2.4 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)

	December 31, 2016											
			Exposed to yield/interest risk									Non-interest
	Effective yield/ interest rate	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	Bearing Financial Instruments
On-balance sheet financial instruments												
Asset												
Cash and balances with treasury banks	–	322,004	–	–	–	–	–	–	–	–	–	322,004
Balances with other banks	3.75% to 7%	1,936,970	1,936,970	–	–	–	–	–	–	–	–	–
Lendings	5.7% to 7%	498,065	248,065	250,000	–	–	–	–	–	–	–	–
Investments	6.03% to 8.71%	16,657,665	82,321	848,565	155,249	6,060,578	1,615	20,115	94,544	2,743,813	–	6,650,865
Advances	4.34% to 16.26%	13,995,942	836,536	666,072	277,099	3,432,728	222,037	263,169	458,082	365,002	–	7,475,217
Other assets	–	851,547	–	–	–	–	–	–	–	–	–	851,547
		34,262,193	3,103,892	1,764,637	432,348	9,493,306	223,652	283,284	552,626	3,108,815	–	15,299,633
Liabilities												
Borrowings	2.55% to 6.30%	20,492,898	7,848,147	5,786,716	47,834	114,620	2,023,835	2,430,893	924,674	1,315,030	1,149	–
Deposits and other accounts	6.28%	2,913,487	–	2,660,000	–	253,487	–	–	–	–	–	–
Other liabilities	–	542,424	–	–	–	–	–	–	–	–	–	542,424
		23,948,809	7,848,147	8,446,716	47,834	368,107	2,023,835	2,430,893	924,674	1,315,030	1,149	542,424
On-balance sheet gap		10,313,384	(4,744,255)	(6,682,079)	384,514	9,125,199	(1,800,183)	(2,147,609)	(372,048)	1,793,785	(1,149)	14,757,209
Off–balance sheet financial instruments												
Forward purchase of Government Securities		–	–	–	–	–	–	–	–	–	–	–
Forward Sale of Government Securities		7,592,065	7,592,065	–	–	–	–	–	–	–	–	–
Interest rate derivatives – short position		–	–	–	–	–	–	–	–	–	–	–
Interest rate derivatives – long position		–	–	–	–	–	–	–	–	–	–	–
Off-balance sheet gap		7,592,065	7,592,065	–	–	–	–	–	–	–	–	–
Total yield / interest risk sensitivity gap		17,905,449	2,847,810	(6,682,079)	384,514	9,125,199	(1,800,183)	(2,147,609)	(372,048)	1,793,785	(1,149)	14,757,209
Cumulative yield / interest risk sensitivity gap			2,847,810	(3,834,269)	(3,449,755)	5,675,444	3,875,261	1,727,652	1,355,604	3,149,389	3,148,240	17,905,449

(Rupees in '000)

	December 31, 2015											
			Exposed to yield/interest risk									Non-interest
	Effective yield/ interest rate	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	Bearing Financial Instruments
On-balance sheet financial instruments												
Asset												
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

35.3 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.

35.3.1 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, 2016									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets										
Cash and balances with treasury banks	322,004	80,501	241,503	–	–	–	–	–	–	–
Balances with other banks	1,936,970	484,243	1,452,727	–	–	–	–	–	–	–
Lendings to financial institutions	498,065	248,065	250,000	–	–	–	–	–	–	–
Investments	16,657,665	1,077,439	1,437,236	2,193,352	7,649,791	164,211	32,712	133,722	2,965,668	1,003,534
Advances	13,995,942	2,071,583	1,542,499	1,233,898	1,240,203	2,233,022	1,963,712	2,265,251	1,396,893	48,882
Operating fixed assets	25,160	2,345	6,042	3,938	3,273	5,894	3,668	–	–	–
Deferred tax assets	108,371	13,778	5,767	(5,833)	60,005	18,345	9,825	11,986	(5,502)	–
Other assets	846,629	250,915	255,190	95,928	238,498	3,196	1	50	–	2,851
	34,390,806	4,228,869	5,190,964	3,521,283	9,191,770	2,424,668	2,009,918	2,411,009	4,357,059	1,055,267
Liabilities										
Borrowings	20,492,898	7,857,763	5,794,038	580,528	1,158,913	2,115,064	1,174,806	858,526	953,260	–
Deposits and other accounts	2,913,487	–	2,660,000	253,487	–	–	–	–	–	–
Deferred tax liabilities	–	–	–	–	–	–	–	–	–	–
Other liabilities	555,864	71,685	100,321	38,364	112,206	92,935	101,587	38,766	–	–
	23,962,249	7,929,448	8,554,359	872,379	1,271,119	2,207,999	1,276,393	897,292	953,260	–
Net assets	10,428,557	(3,700,579)	(3,363,395)	2,648,904	7,920,651	216,669	733,525	1,513,717	3,403,799	1,055,267
Share capital	6,000,000									
Reserves	1,257,721									
Unappropriated profit	3,232,896									
Surplus on revaluation of assets - net of tax	(62,060)									
	10,428,557									

	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	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
Advances	31,666	2,468	4,291	5,517	7,115	6,877	4,174	1,224	–	–
Operating fixed assets	–	–	–	–	–	–	–	–	–	–
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									
Deficit on revaluation of assets - net	(40,121)									
	9,684,301									

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

(Rupees in '000)

	December 31, 2016									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets										
Cash and balances with treasury banks	322,004	80,501	241,503	–	–	–	–	–	–	–
Balances with other banks	1,936,970	484,243	1,452,727	–	–	–	–	–	–	–
Lendings to financial institutions	498,065	248,065	250,000	–	–	–	–	–	–	–
Investments	16,657,665	1,077,439	1,437,236	2,193,352	7,649,791	164,211	32,712	133,722	2,965,668	1,003,534
Advances	13,995,942	2,071,583	1,542,499	1,233,898	1,240,203	2,233,022	1,963,712	2,265,251	1,396,893	48,882
Operating fixed assets	25,160	2,345	6,042	3,938	3,273	5,894	3,668	–	–	–
Deferred tax assets	108,371	13,778	5,767	(5,833)	60,005	18,345	9,825	11,986	(5,502)	–
Other assets	846,629	250,915	255,190	95,928	238,498	3,196	1	50	–	2,851
	34,390,806	4,228,869	5,190,964	3,521,283	9,191,770	2,424,668	2,009,918	2,411,009	4,357,059	1,055,267
Liabilities										
Borrowings	20,492,898	7,857,763	5,794,038	580,528	1,158,913	2,115,064	1,174,806	858,526	953,260	–
Deposits and other accounts	2,913,487	–	2,660,000	253,487	–	–	–	–	–	–
Deferred tax liabilities	–	–	–	–	–	–	–	–	–	–
Other liabilities	555,864	71,685	100,321	38,364	112,206	92,935	101,587	38,766	–	–
	23,962,249	7,929,448	8,554,359	872,379	1,271,119	2,207,999	1,276,393	897,292	953,260	–
Net assets	10,428,557	(3,700,579)	(3,363,395)	2,648,904	7,920,651	216,669	733,525	1,513,717	3,403,799	1,055,267
Share capital	6,000,000									
Reserves	1,257,721									
Unappropriated profit	3,232,896									
Surplus on revaluation of assets - net of tax	(62,060)									
	10,428,557									

	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	1,659,17
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
	29,115,202	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									
Deficit on revaluation of assets - net	(40,121)									
	9,684,301									

35.4 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.

36. NON ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors have proposed a final dividend for the year ended December 31, 2016 of Rs. **0.50** per share (2015: Re.0.33 per share), amounting to Rs. **300** million (2015: Rs.200 million) at their meeting held on **23 March 2017**, for approval of the members at the annual general meeting to be held on **19 April 2017**. The unconsolidated financial statements for the year ended December 31, 2016 do not include the effect of these appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2017.

37. GENERAL

37.1 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 2016. 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.

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

38. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue on **23 March 2017** 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, 2016.

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 2016** 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 2016 and the results of their operations for the year then ended.

Chartered Accountants
Audit Engagement Partner: Shabbir Yunus
Date: March 23, 2017
Karachi

A member firm of Ernst & Young Global Limited

Consolidated

Statement of Financial Position

As at December 31, 2016

2016	2015		Note	2016	2015
(US $ in '000)				(Rupees in '000)	
		ASSETS			
3,073	977	Cash and balances with treasury banks	5	**322,004**	102,304
18,616	4,655	Balances with other banks	6	**1,951,008**	487,887
4,753	–	Lendings to financial institutions	7	**498,065**	–
158,957	159,978	Investments	8	**16,658,646**	16,765,721
133,557	97,745	Advances	9	**13,996,733**	10,243,680
230	473	Operating fixed assets	10	**24,122**	49,584
966	635	Deferred tax assets	11	**101,224**	66,529
9,647	14,274	Other assets	12	**1,011,012**	1,495,943
329,799	278,737			**34,562,814**	29,211,648
		LIABILITIES			
–	–	Bills payable		**–**	–
195,543	138,774	Borrowings	13	**20,492,898**	14,543,592
27,800	40,251	Deposits and other accounts	14	**2,913,488**	4,218,289
–	–	Sub-ordinated loans		**–**	–
–	–	Liabilities against assets subject to finance lease		**–**	–
–	–	Deferred tax liabilities		**–**	–
5,865	6,759	Other liabilities	15	**614,625**	708,302
229,208	185,784			**24,021,011**	19,470,183
100,591	92,953	**NET ASSETS**		**10,541,803**	9,741,465
		REPRESENTED BY			
57,252	57,252	Share capital	16	**6,000,000**	6,000,000
12,001	10,166	Reserves		**1,257,721**	1,065,388
31,930	25,918	Unappropriated profit		**3,346,142**	2,716,198
101,183	93,336			**10,603,863**	9,781,586
(592)	(383)	Surplus on revaluation of assets - net of tax	17	**(62,060)**	(40,121)
100,591	92,953			**10,541,803**	9,741,465
		CONTINGENCIES AND COMMITMENTS	18		

The annexed notes from 1 to 38 form an integral part of these consolidated financial statements.

Chief Executive **Director** **Director** **Chairman**

Consolidated

Profit and Loss Account

For the Year ended December 31, 2016

2016	2015		Note	2016	2015
(US $ in '000)				(Rupees in '000)	
15,186	17,534	Mark-up / return / interest earned	19	**1,591,498**	1,837,519
10,340	12,201	Mark-up / return / interest expensed	20	**1,083,660**	1,278,615
4,846	5,333	**Net mark-up / interest Income**		**507,838**	558,904
761	1,465	Provision against non-performing loans and advances	9.4	**79,717**	153,509
166	245	Provision for diminution in the value of investments	8.3	**17,394**	25,670
–	–	Bad debts written off directly		**–**	–
927	1,710			**97,111**	179,179
3,919	3,623	**Net mark-up / interest income after provisions**		**410,727**	379,725
		NON MARK-UP / INTEREST INCOME			
1,064	184	Fee, commission and brokerage income		**111,493**	19,312
1,085	551	Dividend income		**113,693**	57,751
–	–	Income from dealing in foreign currencies		**–**	–
5,057	6,684	Gain on sale of securities - net	21	**530,007**	700,490
(7)	(69)	Unrealised loss on revaluation of investments classified as held-for-trading	8.1	**(782)**	(7,186)
(28)	77	Other (expense) / income	22	**(2,969)**	8,057
7,171	7,427	**Total non mark-up / interest income**		**751,442**	778,424
11,090	11,050			**1,162,169**	1,158,149
		NON MARK-UP / INTEREST EXPENSES			
3,637	2,958	Administrative expenses	23	**381,181**	309,956
(477)	–	Other provisions / write off		**(50,000)**	–
10	–	Other charges		**1,085**	–
3,170	2,958	**Total non-mark-up / interest expenses**		**332,266**	309,956
7,920	8,092			**829,903**	848,193
5,329	3,980	Share of profit of associates		**558,496**	417,120
13,249	12,072	**Profit before tax from continuing operations**		**1,388,399**	1,265,313
3,166	4,468	Taxation - Current		**331,774**	468,290
479	227	- Prior years		**50,171**	23,782
(17)	(1,233)	- Deferred	24	**(1,791)**	(129,196)
3,628	3,462			**380,154**	362,876
9,621	8,610	**Profit after tax for the year from continuing operations**		**1,008,245**	902,437
		Discontinued operations			
		Profit after tax for the year from discontinued operations	12.1	**9,495**	27,392
				1,017,740	929,829
		Attributable to:			
9,621	8,610	Equity shareholders of the Holding Company		**1,017,740**	929,829
–	–	Non-controlling interest		**–**	–
9,621	8,610			**1,017,740**	929,829
(US $)				(Rupees)	
0.02	0.02	**Earnings per share - basic and diluted**	25	**1.70**	1.60

The annexed notes from 1 to 38 form an integral part of these consolidated financial statements.

Chief Executive **Director** **Director** **Chairman**

Consolidated
Statement of comprehensive income

For the Year ended December 31, 2016

2016	2015		Note	2016	2015
(US $ in '000)				(Rupees in '000)	
9,711	8,610	Profit after taxation		1,017,740	929,829
		Other comprehensive income			
		Items not to be reclassified to profit or loss in subsequent periods:			
62	(16)	Remeasurement loss on defined benefit plan		6,481	(1,673)
(19)	5	Related tax effect		(1,944)	535
43	(11)			4,537	(1,138)
9,754	8,599	**Comprehensive income transferred to equity**		1,022,277	928,691
		Components of comprehensive income not reflected in equity			
(209)	(1,821)	(Deficit) on revaluation of 'available-for-sale securities' - net of tax*		(21,939)	(190,800)
9,545	6,778	**Total comprehensive income**		1,000,338	737,891
		Attributable to:			
9,755	8,599	Equity shareholders of the Company		1,022,277	928,691
–	–	Non-controlling interest		–	–
9,755	8,599			1,022,277	928,691

* 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 38 form an integral part of these consolidated financial statements.

Chief Executive **Director** **Director** **Chairman**

Consolidated
Cash Flow Statement

For the Year ended December 31, 2016

2016	2015		Note	2016	2015
(US $ in '000)				(Rupees in '000)	
		CASH FLOWS FROM OPERATING ACTIVITIES			
13,492	12,390	Profit before taxation		1,413,965	1,298,477
1,085	553	Less: Dividend income		113,693	57,995
12,407	11,837			1,300,272	1,240,482
		Adjustments for non-cash charges and other items			
214	176	Depreciation		22,396	18,439
14	16	Amortisation		1,485	1,720
5	–	Amortisation of license fee		500	500
(30)	–	Interest income on investments		(3,105)	(233)
761	1,465	Provision / (reversal) against non-performing loans and advances		79,717	153,509
166	245	(Reversal) / provision for diminution in the value of investments	8.3	17,394	25,670
–	–	Other provisions / write off		–	–
1	–	Asset written off		69	–
(2)	(1)	Gain on sale of property and equipment		(254)	(106)
5	67	Unrealised loss on revaluation of investments classified as held-for-trading		481	7,019
(5,329)	(4,327)	Share of profit of associates		(558,496)	(453,438)
(4,195)	(2,359)			(439,812)	(246,920)
8,212	9,478			860,460	993,562
		Decrease / (increase) in operating assets			
(2,367)	–	Lendings		(248,065)	–
(1,593)	(1,331)	Held-for-trading securities		(166,974)	(139,523)
(36,633)	(28,675)	Advances		(3,839,110)	(3,005,159)
8,064	(3,894)	Others assets (excluding current taxation)		845,141	(408,045)
(32,529)	(33,900)			(3,409,008)	(3,552,727)
		(Decrease) / increase in operating liabilities			
56,767	(33,839)	Borrowings		5,949,306	(3,546,313)
(12,450)	(9,026)	Deposits and other accounts		(1,304,802)	(945,942)
(1,378)	2,969	Other liabilities (excluding current taxation)		(144,422)	311,126
42,939	(39,896)			4,500,082	(4,181,129)
18,622	(64,318)			1,951,535	(6,740,294)
(3,877)	(4,118)	Income tax paid		(406,349)	(431,776)
14,745	(68,436)	Net cash used in operating activities		1,545,186	(7,172,070)
		CASH FLOWS FROM INVESTING ACTIVITIES			
(8,534)	80,050	Net investment in available-for-sale securities		(894,341)	8,389,284
1,811	1,811	Net investment in held-to-maturity securities		189,811	189,811
(19)	12	Loan and advances disbursed - net		(1,971)	1,252
9,477	(9,803)	Investment in Associates		993,194	(1,027,377)
3,022	1,383	Dividend income received		316,695	144,907
(137)	(341)	Investments in operating fixed assets		(14,320)	(35,756)
11	32	Sale proceeds from disposal of property and equipment		1,179	3,342
5,631	73,144	**Net cash generated from investing activities**		590,247	7,665,463
		CASH FLOWS FROM FINANCING ACTIVITIES			
(1,908)	(1,908)	Dividend paid		(200,000)	(200,000)
(1,908)	(1,908)	Net cash used in financing activities		(200,000)	(200,000)
18,468	2,800	Increase in cash and cash equivalents		1,935,431	293,394
5,632	2,832	Cash and cash equivalents at the beginning of the year		590,192	296,798
24,100	5,632	**Cash and cash equivalents at the end of the year**	26	2,525,623	590,192

The annexed notes from 1 to 38 form an integral part of these consolidated financial statements.

Chief Executive **Director** **Director** **Chairman**

Consolidated
Statement of Changes in Equity
For the Year ended December 31, 2016

	Share capital	Statutory reserve	Unappropriated profit	Total
	(Rupees in '000)			
As at January 01, 2015	6,000,000	878,000	2,174,895	9,052,895
Total comprehensive income for the year				
Profit 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 @ Re.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
Total comprehensive income for the year				
Profit after tax for the year ended December 31, 2016	–	–	1,017,740	1,017,740
Other comprehensive income	–	–	4,537	4,537
Total comprehensive income for the year ended December 31, 2016	–	–	1,022,277	1,022,277
Transfers				
Transfer to statutory reserve	–	192,333	(192,333)	–
Transaction with owners, recorded directly in equity				
Final cash dividend paid for the year ended December 31, 2015 @ Re.0.33 per share	–	–	(200,000)	(200,000)
As at December 31, 2016	**6,000,000**	**1,257,721**	**3,346,142**	**10,603,864**

The annexed notes from 1 to 38 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, 2016

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 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 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).

As at December 31, 2015, the Company held 25 million shares (100% holding) of PIML - a subsidiary company. During the year the Company entered in an agreement with Army Welfare Trust ("AWT") for the sale of 17.5 million shares (70%) shares of PIML to AWT, subject to regulatory approvals, which were received subsequent to year end, accordingly the said investment in PIML has been classified as held for sale (Refer note 12.1).

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.

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) as disclosed in note 8 to these consolidated financial statements.

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.104.80 to US Dollars has been used for both 2016 and 2015, as it was the prevalent rate on December 31, 2016.

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

IFRS 10 “Consolidated Financial Statements” was made applicable from period beginning on or after January 01, 2015 vide S.R.O 633(I)/2014 dated July 10, 2014 by SECP. However, SECP has directed that the requirements of consolidation under section 237 of the Companies Ordinance 1984 and IFRS-10 “Consolidated Financial Statements” is not applicable in case of investment by companies in mutual funds established under trust structure, through S.R.O 56(I) /2016 dated January 28, 2016. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements.

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

The following 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 or interpretation:

Standard or interpretation	Effective date (annual periods beginning on or after)
IFRS 2: Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	January 01, 2018
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
IAS 7 Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)	January 01, 2017
IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised losses (Amendments)	January 01, 2017
IFRIC 22 Foreign Currency Transactions and Advance Consideration	January 01, 2018

The above standards and amendments are not expected to have any material impact on the Group'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 Group expects that such improvements to the standards will not have any material impact on the Company'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

The accounting policies and the methods of computation adopted in the preparation of these financial statements are the same as those applied in the preparation of the annual audited financial statements for the year ended December 31, 2016 other than those disclosed in note 4.1 below:

4.1 New Standards, Interpretations and Amendments

The Group 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 12 – Disclosure of Interests in Other Entities and IAS 27 – Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)

IFRS 11 – Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)

IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)

IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)

IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture - Agriculture: Bearer Plants (Amendment)

IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)

Improvements to Accounting Standards Issued by the IASB

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal

IAS 19 Employee Benefits - Discount rate: regional market issue

IAS 34 Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any material effect on the financial statements except for certain additional disclosures.

4.2 Basis of consolidation

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

Subsidiaries are consolidated from the date on which more than 50% of 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:

Investments in subsidiaries are consolidated on a line by line basis. Investments in associates and joint ventures, other than those classified as held for sale, are accounted for under the equity method in these consolidated financial statements. Under equity method, investments are carried at cost, plus post-acquisition changes in the Group's share of net assets of the entity, less and impairment in value. The profit and loss account reflects the Group's share of the results of its associates and joint ventures.

Investments in subsidiaries, associates and joint ventures classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

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 Pakistan Stock Exchange (PSX).

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 Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Discontinued operations are excluded from the results from the continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

4.6 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.

4.7 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.

4.8 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.

4.9 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.

4.10 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.

4.11 Taxation

4.11.1 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.

4.11.2 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.

4.12 Operating fixed assets

4.12.1 Property and equipment

4.12.1.1 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 10.1. 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.

4.12.1.2 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.

4.12.2 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 10.2. 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.

4.12.3 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.

4.12.4 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.

4.13 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.

4.14 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.

4.15 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 realise the assets and to settle the liabilities simultaneously.

4.16 Assets acquired in satisfaction of claims

The Group 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.

4.17 Staff retirement benefits

4.17.1 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, 2016 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.

4.17.2 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.

4.18 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 of 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.

4.19 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.

4.20 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.

4.21 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, 2016 and 2015.

4.22 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.

4.22.1 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.

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

Modaraba management
This includes fee for services rendered in connection with advisory and management of modaraba.

4.22.2 Geographical segments
The Group operates in Pakistan only.

4.23 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:

4.23.1 Classification of investments

- 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.

- 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.

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

4.23.2 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.

4.23.3 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.

4.23.4 Non-current assets classified as held for sale
On 03 December 2016, the Board of Directors resolved to sell its 70% shareholding in PIML, a wholly owned subsidiary. Therefore, the operations of PIML are classified as a disposal group held for sale. The Board considered the subsidiary to meet the criteria to be classified as held for sale at that date for the following reasons:

- PIML is available for immediate sale and can be sold in its current condition subject to certain regulatory approvals

- The actions to complete the sale were initiated and expected to be completed within one yearfrom the date”

- The Company expects the regulatory procedures and procedural formalities for the sale to be completed by second quarter of 2017.

For more details on the discontinued operation, refer note 12.

4.23.5 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.

4.23.6 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.

4.23.7 Fixed assets' depreciation and amortization
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 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.

4.23.8 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.

5. CASH AND BALANCES WITH TREASURY BANKS

	Note	December 31 2016	December 31 2015
		(Rupees in '000)	
In hand		–	3
With State Bank of Pakistan in local currency current account	5.1	**322,004**	102,301
		322,004	102,304

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.

6. BALANCES WITH OTHER BANKS

	Note	December 31 2016	December 31 2015
		(Rupees in '000)	
In Pakistan			
Deposit accounts	6.1	**1,951,008**	487,887
		1,951,008	487,887

6.1 These carry mark-up at rates ranging from 3.75% to 7.00% per annum (2015: 4.00% to 8.50% per annum).

7. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	December 31 2016	December 31 2015
		(Rupees in '000)	
Repurchase agreement lendings (Reverse repo)	7.1	**248,065**	–
Term deposit receipts (TDRs)	7.2	**250,000**	–
		498,065	–
PARTICULARS OF LENDINGS			
In local currency		**498,065**	–
In foreign currencies		**–**	–
		498,065	–

7.1 This carries mark-up rate at the rate of 5.70% per annum (2015: Nil) and will mature within 4 days (2015: Nil).

7.2 The profit rates on TDRs is 7.00% per annum (2015: Nil) and will mature within 2 months (2015: Nil).

8. INVESTMENTS

8.1 Investment by types:

(Rupees in '000)

	Note	December 31, 2016 Held by the Group	December 31, 2016 Given as collateral	December 31, 2016 Total	December 31, 2015 Held by the Group	December 31, 2015 Given as collateral	December 31, 2015 Total
Held-for-trading securities							
Pakistan Investment Bonds		**–**	**–**	**–**	5,828	–	5,828
Ordinary shares of listed companies	8.5	**327,073**	**–**	**327,073**	168,069	–	168,069
		327,073	**–**	**327,073**	173,897	–	173,897
Available-for-sale securities							
Market Treasury Bills	8.6.1	**843,353**	**5,241,975**	**6,085,328**	737,760	480,243	1,218,003
Pakistan Investment Bonds	8.6.1	**156,822**	**2,760,267**	**2,917,089**	877,849	4,808,752	5,686,601
Ordinary shares of listed companies	8.7	**938,022**	**–**	**938,022**	854,393	–	854,393
Ordinary shares of unlisted companies	8.8	**40,581**	**–**	**40,581**	146,001	–	146,001
Units of mutual funds		**–**	**–**	**–**	1,000	–	1,000
Preference shares	8.9	**3,250**	**–**	**3,250**	67,260	–	67,260
Term Finance Certificates and Sukuks	8.10	**1,287,273**	**–**	**1,287,273**	2,461,249	–	2,461,249
		3,269,301	**8,002,242**	**11,271,543**	5,145,512	5,288,995	10,434,507
Held to maturity							
Commercial paper		**–**	**–**	**–**	205,957	–	205,957
Investment in associates	8.11	**5,420,999**	**–**	**5,420,999**	6,244,385	–	6,244,385
Investments at cost		**9,017,373**	**8,002,242**	**17,019,615**	11,769,751	5,288,995	17,058,746
Less: Provision for diminution in value of investments	8.3	**(276,160)**	**–**	**(276,160)**	(258,766)	–	(258,766)
Investments (net of provisions)		**8,741,213**	**8,002,242**	**16,743,455**	11,510,985	5,288,995	16,799,980
Deficit on revaluation of held-for-trading securities - net		**(782)**	**–**	**(782)**	(7,019)	–	(7,019)
Deficit on revaluation of available-for-sale securities - net	17.1	**(21,977)**	**(62,050)**	**(84,027)**	(27,240)	–	(27,240)
Total investments at market value		**8,718,454**	**7,940,192**	**16,658,646**	11,476,726	5,288,995	16,765,721

8.2 Investments by segments

	Note	December 31 2016	December 31 2015
		(Rupees in '000)	
Federal Government Securities:			
Market Treasury Bills	8.6	**6,085,328**	1,218,003
Pakistan Investment Bonds	8.6	**2,917,089**	5,692,429
Fully paid-up ordinary shares:			
Listed companies	8.5 & 8.7	**1,265,095**	1,022,462
Unlisted companies	8.8	**40,581**	146,001
Term Finance Certificates and Sukuks:			
Listed	8.10	**18,596**	378,485
Unlisted	8.10	**1,268,677**	2,082,764
Units of mutual funds (associates)	8.11	**4,335,622**	6,245,385
Modaraba certificates	8.11	**1,085,378**	–
Commercial paper		**–**	205,957
Preference shares	8.9	**3,250**	67,260
Total investments at cost		**17,019,616**	17,058,746
Less: provision for diminution in value of investments	8.3	**(276,160)**	(258,766)
Investments (net of provisions)		**16,743,456**	16,799,980
Deficit on revaluation of held-for-trading securities - net		**(782)**	(7,019)
Deficit on revaluation of available-for-sale securities - net	17.1	**(84,027)**	(27,240)
Total investments at market value		**16,658,647**	16,765,721

	Note	December 31 2016	December 31 2015
		(Rupees in '000)	

8.3 Particulars of provision

	Note	2016	2015
As at January 01		258,766	240,304
Charge for the year		21,711	56,881
Reversal during the year		(4,317)	(31,211)
		17,394	25,670
Impairment on equity securities transferred to profit and loss account on disposal		–	(7,208)
	8.3.1	276,160	258,766

8.3.1 Particulars of provision in respect of type and segment

	Note	2016	2015
Available-for-sale securities			
Ordinary shares of listed companies	8.7	30,527	34,844
Ordinary shares of unlisted companies		21,331	21,331
Preference shares	8.9	3,250	3,250
Term finance certificates and sukuks	8.10	221,052	199,341
		276,160	258,766

8.4 Quality of available-for-sale securities

(Rupees in '000)

	December 31, 2016		December 31, 2015	
	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	6,006,795	Government	1,058,674	Government
6 months T-bills	73,118	Securities	61,785	Securities
3 months T-bills	–		99,411	
	6,079,913		1,219,870	
Pakistan Investment Bonds (PIBs)				
15 years PIBs	6,551	Government	1,206,553	Government
10 years PIBs	2,831,806	Securities	863,385	Securities
5 years PIBs	21,730		22,390	
3 years PIBs	–		3,692,716	
	2,860,087		5,785,044	
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
Pakistan Petroleum Limited	–	–	12,181	Unrated
Pakistan Refinery Limited	–	–	1,356	A-
Oil & Gas Development Company Limited	–	–	24,641	AAA
BYCO Petroleum Pakistan Limited	–	–	5,495	Unrated
National Refinery Limited	–	–	5,579	AA+
Sui Southern Gas Company Limited	36,350	A+	–	–
Sui Northern Gas Pipeline Limited	48,492	AA-	6,010	AA-

(Rupees in '000)

	December 31, 2016		December 31, 2015	
	Market value / Carrying value for unlisted investments	Rating	Market value / Carrying value for unlisted investments	Rating
Commercial banks				
National Bank of Pakistan	–	–	27,025	AAA
United Bank Limited	–	–	23,242	AA+
Habib Bank Limited	–	–	20,012	AAA
MCB Bank Limited	–	–	27,323	AAA
Faysal Bank Limited	32,670	AA	–	–
Bank Alfalah Limited	18,980	AA	–	–
Communication				
Pakistan Telecommunication Company Limited	–	–	10,718	Unrated
Power generation and distribution				
Altern Energy Limited	–	–	4,875	Unrated
K - Electric Limited	–	–	7,440	AA-
Nishat Power Limited	–	–	11,675	A+
Lalpir Power Limited	–	–	18,587	AA
The Hub Power Company Limited	24,696	AA+	–	–
Kot Addu Power Company Limited	31,520	AA+	–	–
Cement				
Maple Leaf Cement Factory Limited (a related party)	–	–	22,374	A
Fauji Cement Company Limited	26,642	Unrated	–	Unrated
Dewan Cement Limited	21,472	Unrated	16,550	–
Kohat Cement Company Limited	–	–	4,818	–
Pioneer Cement Limited	28,418	A	6,087	Unrated
PakCem Limited	–	–	20,436	A-
Attock Cement Pakistan Limited	–	–	16,775	Unrated
Power Cement Limited	–	–	13,365	Unrated
Chemicals				
ICI Pakistan Limited	24,843	Unrated	–	–
Ghani Gases Limited	13,115	A-	–	–
Lotte Chemical Pakistan Limited	16,640	Unrated	–	–
Engro Polymer & Chemicals Limited	1,846	A-	–	–
Akzo Nobel Pakistan Limited	11,701	Unrated	–	–
Berger Paints Pakistan Limited	30,182	Unrated	–	–
Buxly Paints Limited	6,480	Unrated	–	–
Nimir Resins Limited	11,760	Unrated	–	–
Automobile				
Thal Limited	17,799	Unrated	–	–
Pakistan International Airlines Corporation Limited "A"	9,160	Unrated	–	–
Pakistan International Bulk Terminal Limited	–	–	10,489	Unrated
Food producers				
Al Shaheer Corporation Limited	–	–	12,436	Unrated
Pharmaceuticals				
GlaxoSmithKline Pakistan Limited	–	–	4,730	Unrated
The Searle Company Limited	16,345	Unrated	–	–
Paper and board				
Century Paper & Board Mills Limited	11,169	A+	7,678	A+
Packages Limited	–	–	14,553	AA

(Rupees in '000)

	December 31, 2016 Market value / Carrying value for unlisted investments	December 31, 2016 Rating	December 31, 2015 Market value / Carrying value for unlisted investments	December 31, 2015 Rating
Fertilizers				
Fauji Fertilizer Company Limited	**20,404**	**AA**	13,170	Unrated
Fauji Fertilizers Bin Qasim Limited	**73,230**	**Unrated**	–	–
Engro Fertilizers Limited	**25,492**	**AA-**	18,929	AA-
Agritech Limited	**–**	–	9,760	Unrated
Engro Corporation Limited	**110,631**	**AA**	55,878	AA
Dawood Hercules Corporation Limited	**–**	–	11,914	AA-
Fatima Fertilizer Company Limited	**–**	–	8,946	AA-
Personal goods				
Nishat Mills Limited	**–**	–	37,948	AA
Nishat (Chunian) Limited	**31,215**	**Unrated**	–	–
Kohinoor Textile Mills Limited	**–**	–	21,450	AA
Treet Corporation Limited	**–**	–	12,592	AA-
Pak Elektron Limited	**42,768**	**A+**	31,270	A
Singer Pakistan Limited	**5,294**	**Unrated**	–	–
Sugar				
Abdullah Shah Ghazi Sugar Mills Limited	**–**	–	19,881	Unrated
Miscellaneous				
Crescent Steel & Allied Products Limited	**–**	–	6,218	Unrated
Mughal Iron and Steel Industries Limited	**8,816**	Unrated	9,061	–
Aisha Steel Mills Limited	**15,730**	Unrated	–	–
Dadex Eternit Limited	**1,207**	Unrated	–	–
Amreli Steels Limited	**13,318**	A	–	–
International Steel Limited	**–**	–	12,205	Unrated
International Industries Limited	**–**	–	3,075	Unrated
Bannu Woolen Mills Limited	**–**	–	12,926	Unrated
Pace Pakistan Limited	**16,920**	Unrated	–	–
Tariq Glass Industries Limited	**7,534**	Unrated	–	–
Shabbir Tiles & Ceramics Limited	**5,580**	Unrated	–	–
Orix Leasing Pakistan Limited	**21,063**	AA+	–	–
TPL Trakker Limited	**23,721**	A-	3,732	–
	863,203		681,235	
Ordinary shares of unlisted companies				
Faruki Pulp Mills Limited	**–**	–	100,000	Unrated
Omer Jibran Engineering Industries Limited (a related party)	**19,250**	**Unrated**	24,670	Unrated
	19,250		124,670	
Preference shares				
Omer Jibran Engineering Industries Limited (a related party)	**64,010**	**Unrated**	64,010	Unrated
	64,010		64,010	
Units of mutual funds				
Meezan Capital Preservation Fund - III	**–**	–	1,200	Unrated
	–		1,200	

(Rupees in '000)

	December 31, 2016 Market value / Carrying value for unlisted investments	December 31, 2016 Rating	December 31, 2015 Market value / Carrying value for unlisted investments	December 31, 2015 Rating
Term Finance Certificates (TFCs) and Sukuks				
Listed TFCs				
Commercial banks				
NIB Bank Limited - Perpetual TFC	**–**	**–**	289,896	A+
Summit Bank Limited	**–**	**–**	37,930	A (SO)
Real estate developers				
Pace Pakistan Limited *	**575**	**Unrated**	575	Unrated
Telecommunication				
World Call Telecom Limited	**18,021**	**Unrated**	19,277	Unrated
Pakistan Mobile Communication Limited	**–**	**–**	30,300	AA
Unlisted TFCs and Sukuks				
Commercial banks				
Bank Alfalah Limited	**162,404**	**AA-**	81,636	AA-
Bank Alfalah Limited - TFC Floater	**–**	**–**	164,105	AA-
Bank Al-Habib Limited	**–**	**–**	151,378	AA
Askari Bank Limited	**240,127**	**AA-**	240,268	AA-
Standard Chartered Bank (Pakistan) Limited	**14,794**	**AAA**	14,762	AAA
Microfinance banks				
NRSP Microfinance Bank Ltd.	**262,500**	**A**	–	–
Fertilizer				
Agritech Limited - TFC III	**10,706**	**Unrated**	49,435	Unrated
Agritech Limited - TFC I	**–**	**–**	2,786	Unrated
Engro Fertilizer Limited - TFC Perpetual I	**–**	**–**	442,408	AA-
Engro Fertilizer Limited - TFC Perpetual II	**–**	**–**	264,975	AA-
Cement				
Maple Leaf Cement Factory Limited (a related party)	**–**	**A-**	75,784	A-
Personal goods (textile)				
Azgard Nine Limited - TFC V	**9,995**	**Unrated**	38,318	Unrated
Azgard Nine Limited	**–**	**Unrated**	10,838	Unrated
Real estate developers				
Eden Housing (Private) Limited	**43,640**	**Unrated**	43,642	Unrated
Consumer electronics				
Pak Elektron Limited	**248,500**	**A**	162,500	A
Media and communication				
Independent Media Corporation (Private) Limited	**87,500**	**BBB-**	137,500	BBB-
Manufacturing				
Amreli Steels Limited	**–**	**A-**	95,000	A-
	1,098,762		2,353,313	
	10,985,225		10,435,299	

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

Name of investee company	**December 31, 2016**	December 31, 2015	**Cost as at December 31 2016**	Cost as at December 31, 2015
	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
Hascol Petroleum Limited	**65,000**	–	**22,094**	–
The Hub Power Company Limited	**2,000**	–	**250**	–
Pakistan Oilfields Limited	**9,500**	–	**5,161**	–
Commercial banks				
Habib Bank Limited	**500**	4,500	**131**	899
The Bank of Punjab	**6,241,500**	40,000	**109,163**	362
Askari Bank Limited	**100,500**	–	**2,487**	–
Bank Alfalah Limited	**14,500**	–	**541**	–
MCB Bank Limited	**1,000**	–	**232**	–
National Bank of Pakistan	**10,000**	–	**739**	–
Communication				
Pakistan Telecommunication Company Limited	–	5,500	–	88
Power generation and distribution				
K-Electric Limited	–	12,000	–	88
Cement				
Maple Leaf Cement Factory Limited (a related party)	–	1,000	–	72
Pioneer Cement Limited	**1,000**	500	**140**	44
Fauji Cement Company Limited	–	28,500	–	1,032
D.G. Khan Cement Limited	**34,500**	2,500	**7,523**	360
Cherat Cement Limited	**9,000**	–	**1,554**	–
Fertilizers				
Fauji Fertilizers Company Limited	**500**	34,500	**52**	3,850
Engro Foods Limited	**2,000**	–	**359**	–
Engro Corporation Limited	–	75,000	–	20,957
Fauji Fertilizer Bin Qasim Limited	**1,000**	20,500	**50**	1,109
Engro Fertilizer Limited	–	132,500	–	11,196
Personal goods				
Nishat Mills Limited	–	4,500	–	426
Pak Elektron Limited	**115,000**	597,000	**7,842**	39,936
Nishat Chunian Mills Limited	**2,500**	–	**153**	–
Miscellaneous				
Adamjee Insurance Company Limited	–	4,000	–	229
Arif Habib Corporation Limited	–	4,000	–	206
Hum Network Limited	–	500	–	6
TRG Pakistan Limited	**2,864,000**	–	**129,024**	–
TPL Trakkers Limited	**1,501,500**	–	**26,160**	–
Amreli Steel Mills Limited	**199,000**	–	**13,418**	–
Carrying value (before revaluation and provision) of listed shares 'held-for-trading'			**327,073**	168,069
Provision for diminution in value of investments			**–**	–
Deficit on revaluation of securities - net			**(782)**	(7,186)
Market value			**326,291**	160,883

8.5.1 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 Re.1 respectively.

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

	Note	**December 31 2016**	December 31 2015
		(Rupees in '000)	
8.6 Particulars of investments in Federal Government Securities			
8.6.1 Held-for-trading			
Pakistan Investment Bonds		**–**	5,828
Available-for-sale			
Market Treasury Bills		**6,085,328**	1,218,003
Pakistan Investment Bonds		**2,917,089**	5,686,601
Carrying value (before revaluation)	8.6.1.1	**9,002,417**	6,910,432
Surplus / (deficit) on revaluation of securities		**(62,417)**	100,310
Market value		**8,940,000**	7,010,742

8.6.1.1 Market Treasury Bills and Pakistan Investment Bonds are held with SBP and are eligible for rediscounting. Market Treasury Bills embody effective yield ranging from 5.78% to 5.9% (2015: 6.29% to 6.96%) per annum and will mature within 12 months. Pakistan Investment Bonds carry mark-up ranging from 7.84% to 13.07% (2015: 6.52% to 13.07%) per annum on semi-annual basis and will mature within 10 years. Certain government securities are kept with SBP to meet statutory liquidity requirement calculated on the basis of demand and time liabilities.

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

Name of investee company	**December 31, 2016**	December 31, 2015	**Cost as at December 31, 2016**	Cost as at December 31, 2015
	No. of shares held		(Rupees in 000)	
Oil and gas marketing / exploration companies				
Pakistan State Oil Company Limited	–	110,000	–	43,918
Pakistan Petroleum Limited	–	100,000	–	15,116
Oil & Gas Development Company Limited	–	210,000	–	34,336
Pakistan Refinery Limited	–	30,000	–	1,722
National Refinery Limited	–	25,000	–	7,058
BYCO Petroleum Pakistan Limited	–	250,000	–	7,326
Sui Southern Gas Pipelines Limited	**1,000,000**	–	**44,018**	–
Sui Northern Gas Pipelines Limited	**600,000**	250,000	**40,897**	8,343
Mari Petroleum Company Limited	–	10,000	–	7,013
Commercial banks				
National Bank of Pakistan	–	500,000	–	33,738
United Bank Limited	–	150,000	–	28,676
Habib Bank Limited	–	100,000	–	20,858
MCB Bank Limited	–	126,000	–	35,773
Faysal Bank Limited	**1,500,000**	–	**34,630**	–
Bank Alfalah Limited	**500,000**	–	**17,385**	–
Trust Investment Bank Limited	**325,000**	325,000	**3,250**	3,250
Communication				
Pakistan Telecommunication Company Limited	–	650,000	–	14,731
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	–	21,911
Kot Addu Power Company	**400,000**	–	**34,957**	–
The Hub Power Company Limited	**200,000**	–	**24,106**	–
Cement				
Maple Leaf Cement Factory Limited (a related party)	–	300,000	–	22,847
Dewan Cement Limited	**550,000**	1,278,000	**16,982**	22,302
Kohat Cement Company Limited	–	20,000	–	4,365
Fauji Cement Company Limited	**591,000**	–	**24,805**	–
Pioneer Cement Limited	**200,000**	67,000	**27,896**	6,074
PakCem Limited	–	1,200,000	–	25,193
Attock Cement Pakistan Limited	–	100,000	–	21,485
Power Cement Limited	–	1,500,000	–	17,950

Name of investee company	December 31, 2016	December 31, 2015	Cost as at December 31, 2016	Cost as at December 31, 2015
	No. of shares held		(Rupees in 000)	
Chemicals				
ICI Pakistan Limited	**25,000**	–	**23,055**	–
Lotte Chemicals Pakistan Limited	**2,000,000**	–	**18,167**	–
Engro Polymer & Chemicals Limited	**100,000**	–	**1,061**	–
Akzo Nobel Pakistan Limited	**50,000**	–	**12,616**	–
Berger Paints Pakistan Limited	**162,000**	–	**33,663**	–
Ghani Gases Limited	**500,000**	–	**12,003**	–
Buxly Paints Limited	**54,000**	–	**6,276**	–
Nimir Resins Limited	**1,000,000**	–	**13,658**	–
Automobile				
Pakistan International Bulk Terminal	**–**	375,000	**–**	13,611
Thal Limited	**35,000**	–	**16,055**	–
Pakistan International Airlines Corporation Limited "A"	**1,000,000**	–	**9,596**	–
Food producers				
Al Shaheer Corporation Limited	**–**	200,000	**–**	13,520
Paper and board				
Century Paper & Board Mills Limited	**180,000**	150,000	**11,348**	9,780
Packages Limited	**–**	25,000	**–**	14,470
Fertilizers				
Fauji Fertilizers Company Limited	**195,500**	–	**22,738**	–
Engro Corporation Limited	**350,000**	200,000	**118,547**	67,564
Fauji Fertilizer Bin Qasim Limited	**1,430,000**	250,000	**80,988**	16,024
Fatima Fertilizer Company Limited	**–**	200,000	**–**	9,412
Dawood Hercules Corporation Limited	**–**	100,000	**–**	13,699
Engro Fertilizer Limited	**375,000**	225,000	**26,627**	21,440
Agritech Limited	**1,657,214**	1,575,915	**49,507**	46,657
Personal goods				
Nishat Mills Limited	**–**	400,000	**–**	48,124
Kohinoor Textile Mills Limited	**–**	300,000	**–**	23,324
Treet Corporation Limited	**–**	200,000	**–**	12,793
Nishat (Chunian) Limited	**500,000**	–	**29,748**	–
Pak Elektron Limited	**600,000**	500,000	**47,044**	41,443
Pharmaceuticals				
Glaxo SmithKline Pakistan Limited	**–**	21,500	**–**	5,136
Sugar				
Abdullah Shah Ghazi Sugar Mills Limited	**–**	1,859,815	**–**	9,299
Miscellaneous				
Crescent Steel & Allied Products Limited	**–**	50,000	**–**	6,258
TPL Trakker Limited	**1,345,500**	250,000	**21,667**	4,321
Aisha Steel Mills Limited	**1,000,000**	–	**15,184**	–
Mughal Iron and Steel Industries Limited	**100,000**	130,000	**9,704**	10,825
International Steels Limited	**–**	500,000	**–**	13,638
International Industries Limited	**–**	50,000	**–**	3,442
Dadex Eternit Limited	**17,500**	–	**1,402**	–
Bannu Woolen Mills Limited	**–**	255,500	**–**	17,827
Amreli Steels Limited	**200,000**	–	**15,185**	–
Singer Pakistan Limited	**100,000**	–	**4,600**	–
Tariq Glass Industries Limited	**75,000**	–	**7,731**	–
Shabbir Tiles & Ceramics Limited	**500,000**	–	**6,167**	–
Orix Leasing Pakistan Limited	**445,000**	–	**21,707**	–
Pace Pakistan Limited	**1,500,000**	–	**18,748**	–
Searle Company Limited	**25,000**	–	**14,304**	–
Carrying value (before revaluation and provision) of listed shares 'available-for-sale'			**938,022**	854,393
Provision for diminution in value of investments			**(30,527)**	(34,844)
Deficit on revaluation of securities - net			**(21,610)**	(127,243)
Market value			**885,885**	692,306

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

(Rupees in '000)

Name of investee company	Name of Chief Executive	December 31, 2016	December 31, 2015	Cost as at December 31, 2016	Cost as at December 31, 2015
		Number of shares held			
Faruki Pulp Mills Limited Break-up value: Nil (2015: Rs.9.70) Holding: Nil (2015: 1.61%)	Mr. Raheel Masood	**–**	6,666,667	**–**	100,000
Omer Jibran Engineering Industries Limited (a related party) Break-up value: Rs.17.70 (2015: Rs.21.07) Holding: 5.64% (2015: 7.02%)	Mr. Feroz Khan	**1,925,000**	2,467,000	**19,250**	24,670
Pakistan Mercantile Exchange Limited Break-up value: Rs.(2.05) (2015: Rs.3.84) Holding: 7.74% (2015: 7.74%)	Mr. Ejaz Ali Shah	**2,133,115**	2,133,115	**21,331**	21,331
Carrying value of shares of unlisted companies - 'available-for-sale'				**40,581**	146,001

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

Name of investee company	Note	December 31, 2016	December 31, 2015	Cost as at December 31 2016	Cost as at December 31, 2015
		No. of units held		(Rupees in 000)	
Omer Jibran Engineering Industries Limited (a related party)		**–**	6,401,000	**–**	64,010
Trust Investment Bank Limited	8.9.1	**325,000**	325,000	**3,250**	3,250
Carrying value (before revaluation and provision) of preference shares 'available-for-sale'				**3,250**	67,260
Provision for diminution in value of investments				**(3,250)**	(3,250)
Market value				**–**	64,010

8.9.1 These are cumulative, convertible, redeemable and non-participatory preference shares, carrying dividend at the rate of 6 month Kibor + 1% per annum, of the face value of Rs.10 each.

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

Name of the investee	Rate of interest	Profit payment	Maturity	Number of certificates held	Paid-up value per certificate (Rupees)	Total Paid up value (before redemption) (Rupees in '000)	As at December 31, 2016 (Rupees in '000)	Name of Chief Executive
Listed TFCs								
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	**18,021**	Mr. Babar Ali Syed
							18,596	
Unlisted TFCs								
Commercial banks								
Askari Bank Ltd. TFC V	6 K+1.20%	Half Yearly	30-Sep-24	43,000	5,000	215,000	**214,981**	Syed Majeedullah Husaini
Askari Bank Ltd. TFC IV	6 K+1.75%	Half Yearly	23-Dec-21	25	1,000,000	25,000	**25,146**	Syed Majeedullah Husaini
Bank Alfalah Ltd. TFC IV	Fixed 15.00 %	Half Yearly	2-Dec-17	16,000	5,000	80,000	**53,796**	Mr. Atif Bajwa
Bank Alfalah Ltd. TFC IV	6 K+2.50%	Half Yearly	2-Dec-17	32,600	5,000	163,000	**108,608**	Mr. Atif Bajwa
Standard Chartered Bank Pak Ltd. TFC	6 K+0.75%	Half Yearly	29-Jun-22	3,000	5,000	15,000	**14,794**	Mr. Shazad Dada
Fertilizer								
Agritech Limited TFC III *	3 K+3.25%	Quarterly	1-Dec-17	9,000	5,000	45,000	**42,461**	Mr. Faisal Muzammil
Agritech Limited TFC III *	6 K+1.75%	Half Yearly	29-Nov-17	1,000	5,000	5,000	**7,377**	Mr. Faisal Muzammil
Agritech Limited TFC IV *	0% Coupon	Half Yearly	2-Jan-15	–	5,000	–	**8,360**	Mr. Faisal Muzammil
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
							521,037	
Unlisted sukuks								
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	**112,500**	Mr. M Murad Saigol
Pak Elektron Limited	3 K+2.50%	Quarterly	25-Nov-17	136	1,000,000	136,000	**136,000**	Mr. M Murad Saigol
Real estate developers								
Eden Housing (Private) Limited *	3 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	**87,500**	Mr. Mir Ibrahim Rahman
Microfinance banks								
NRSP Microfinance Bank Ltd.	3 K+2.35%	Quarterly	30-Jun-18	60,000	5,000	300,000	**262,500**	Mr. Zahoor Hussain
							747,640	
Carrying value (before revaluation and provision) of TFCs and Sukuks - 'available-for-sale'							**1,287,273**	
Provision for diminution in value of investments							**(221,052)**	
Deficit on revaluation of securities - net							–	
Market value							**1,066,221**	

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

Name of the investee	Rate of interest	Profit payment	Maturity	Number of certificates held	Paid-up value per certificate (Rupees)	Total Paid up value (before redemption) (Rupees in '000)	As at December 31, 2015 (Rupees in '000)	Name of Chief Executive
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 IV	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								
Agritech Limited TFC III *	3 K+3.25%	Quarterly	1-Dec-17	9,000	5,000	45,000	46,604	Mr. Muhammad Khalid Mir
Agritech Limited TFC III *	6 K+1.75%	Half Yearly	29-Nov-17	1,000	5,000	5,000	2,831	Mr. Muhammad Khalid Mir
Agritech Limited 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 Limited (a related party)	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							(198,835)	
Deficit on revaluation of securities - net							(506)	
Market value							2,261,908	

*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.

8.11 Investment in associates

	Note	December 31 2016 (Rupees in '000)	December 31 2015 (Rupees in '000)
Name of investee fund			
PIML - Income Fund	8.11.1	**2,671,870**	2,809,918
PIML - Daily Reserve Fund	8.11.2	**100,051**	2,487,400
PIML - Strategic Multi Asset Fund	8.11.3	**258,106**	242,897
PIML - Islamic Equity Fund	8.11.4	**158,546**	156,050
PIML - Islamic Income Fund (formerly: PIML Islamic Money Market Fund)	8.11.5	**–**	410,523
PIML - Value Equity Fund	8.11.6	**148,848**	137,597
PIML - Asset Allocation Fund	8.11.7	**998,200**	–
Awwal Modaraba	8.11.8	**1,085,378**	–
		5,420,999	6,244,385

8.11.1 PIML - Income Fund

	2016	2015
As at January 01	**2,809,918**	2,968,460
Investment made during the year	**13,752,564**	12,294,011
Redemption during the year	**(13,935,847)**	(12,769,681)
Dividend received	**(82,211)**	(43,598)
Share of profit for the year	**185,638**	360,726
Holding of PIML classified as held for sale	**(58,193)**	–
	2,671,870	2,809,918
Percentage holding	**66.37%**	49.21%

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

8.11.1.2 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
2016	**4,077,577**	**51,080**	**513,788**	**157,694**
2015	5,749,646	38,954	322,130	249,202

	December 31 2016	December 31 2015
	(Rupees in '000)	
8.11.2 PIML - Daily Reserve Fund		
As at January 01	**2,487,400**	1,665,125
Investment made during the year	**3,823,927**	13,439,358
Redemption during the year	**(6,115,439)**	(12,630,341)
Dividend received	**(57,509)**	(23,847)
Share of profit for the year	**11,326**	37,105
Holding of PIML classified as held for sale	**(49,654)**	–
	100,051	2,487,400
Percentage holding	**14.91%**	78.44%

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

8.11.2.2 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 / (Loss)
2016	**769,203**	**98,053**	**46,004**	**(194,970)**
2015	3,188,861	17,611	(33,871)	(45,912)

	December 31 2016	December 31 2015
	(Rupees in '000)	
8.11.3 PIML - Strategic Multi Asset Fund		
As at January 01	**242,897**	148,609
Investment made during the year	**567,970**	434,964
Redemption during the year	**(595,665)**	(345,346)
Dividend received	**(14,574)**	(15,304)
Share of profit for the year	**54,262**	19,974
Holding of PIML classified as held for sale	**3,216**	–
	258,106	242,897
Percentage holding	**81.47%**	80.39%

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

8.11.3.2 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
2016	**324,340**	**7,561**	**87,764**	**77,253**
2015	306,056	3,914	60,954	50,799

	December 31 2016	December 31 2015
	(Rupees in '000)	
8.11.4 PIML - Islamic Equity Fund		
As at January 01	**156,050**	115,642
Investment made during the year	**395,939**	229,168
Redemption during the year	**(425,436)**	(207,449)
Dividend received	**(18,251)**	–
Share of profit for the year	**42,736**	18,689
Holding of PIML classified as held for sale	**7,508**	–
	158,546	156,050
Percentage holding	**61.91%**	75.98%

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

8.11.4.2 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
2016	**285,494**	**29,428**	**94,354**	**70,062**
2015	207,664	2,279	33,654	27,355

	December 31 2016	December 31 2015
	(Rupees in '000)	
8.11.5 PIML - Islamic Income Fund (formerly: PIML Islamic Money Market Fund)		
As at January 01	**410,523**	107,571
Investment made during the year	**194,126**	300,000
Redemption during the year	**(519,638)**	(50)
Dividend received	**(7,344)**	(5,038)
Share of profit for the year	**16,459**	8,040
Holding of PIML classified as held for sale	**(94,126)**	–
	–	410,523
Percentage holding	**0.00%**	98.85%

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

8.11.5.2 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
2016	**323,804**	**1,952**	**20,394**	**7,379**
2015	416,474	1,180	17,698	15,228

	December 31 2016	December 31 2015
	(Rupees in '000)	
8.11.6 PIML - Value Equity Fund		
As at January 01	**137,597**	–
Investment made during the year	**378,602**	344,532
Redemption during the year	**(428,292)**	(215,839)
Dividend received	**(4,151)**	–
Share of profit for the year	**55,847**	8,904
Holding of PIML classified as held for sale	**9,245**	–
	148,848	137,597
Percentage holding	**66.04%**	68.48%

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

8.11.6.2 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
2016	**233,687**	**8,334**	**85,408**	**61,668**
2015	202,955	2,009	15,768	8,737

	December 31 2016	December 31 2015
	(Rupees in '000)	
8.11.7 PIML - Asset Allocation Fund		
As at January 01	**–**	–
Investment made during the year	**3,860,000**	–
Redemption during the year	**(2,944,536)**	–
Dividend received	**–**	–
Share of profit for the year	**82,736**	–
	998,200	–
Percentage holding	**84.63%**	0.00%

8.11.7.1 Primus Asset Allocation Fund is an open ended mutual fund, listed on the Pakistan Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

8.11.7.2 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
2016	**1,199,262**	**19,792**	**142,062**	**101,429**
2015	–	–	–	–

	December 31 2016	December 31 2015
	(Rupees in '000)	
8.11.8 Awwal Modaraba		
As at January 01	**–**	–
Investment made during the year	**998,530**	–
Dividend received	**(22,643)**	–
Share of profit for the year	**109,491**	–
	1,085,378	–
Percentage holding	**99.85%**	0.00%

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

(Rupees in '000)

	Assets	Liabilities	Revenue	Profit
2016	**1,100,965**	**14,010**	**156,996**	**109,655**
2015	–	–	–	–

9. ADVANCES

	Note	December 31 2016	December 31 2015
		(Rupees in '000)	
Loans, cash credits, running finances, etc.			
In Pakistan		**9,585,370**	8,088,942
LTFF scheme under State Bank of Pakistan			
- Long Term Finance Facility (LTFF) scheme		**2,671,917**	951,045
- Power Plants Using Renewable Energy (PPRE) Scheme		**126,778**	172,582
- Financing for Storage of Agriculture Produce (FFSAP) Scheme		**410,115**	17,672
Net investment in finance lease			
In Pakistan	9.2	**1,438,643**	1,169,812
Advances - gross	9.1	**14,232,823**	10,400,053
Provision for non-performing advances - specific	9.3	**(235,191)**	(155,854)
Provision for non-performing advances - general		**(899)**	(519)
	9.4	**(236,090)**	(156,373)
Advances - net of provision		**13,996,733**	10,243,680

		2016	2015
9.1	**Particulars of advances - gross**		
9.1.1	In local currency	**14,232,823**	10,400,053
	In foreign currencies	**–**	–
		14,232,823	10,400,053
9.1.2	Short-term (for upto one year)	**4,222,447**	4,916,686
	Long-term (for over one year)	**10,010,376**	5,483,367
		14,232,823	10,400,053

9.2 Net investment in Finance Lease

(Rupees in '000)

	2016				2015			
	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	**528,297**	**742,175**	**9,938**	**1,280,410**	465,010	544,670	50,235	1,059,915
Residual value	**90,033**	**257,969**	**2**	**348,004**	57,604	215,810	2	273,416
Minimum lease payments	**618,330**	**1,000,144**	**9,940**	**1,628,414**	522,614	760,480	50,237	1,333,331
Financial charges for future periods	**(102,888)**	**(86,687)**	**(196)**	**(189,771)**	(85,389)	(75,080)	(3,050)	(163,519)
Present value of minimum lease payments	**515,442**	**913,457**	**9,744**	**1,438,643**	437,225	685,400	47,187	1,169,812

9.2.1 These leases are executed for a term of 1 to 5 years. Security deposit has been obtained within a range of 0% to 40% of the cost of investment at the time of disbursement and has been recorded in other liabilities. The rate of return ranges from 7.99%% to 20.00% per annum (2015: 8.63% to 24.00% per annum). Lease rentals are receivable in monthly / quarterly instalments. The assets are insured in favour of the Holding Company.

9.3 Advances include Rs. 451.407 million (2015: Rs.311.707 million) which have been placed under non-performing status as detailed below:

(Rupees in '000)

	December 31, 2016								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Category of classification									
Other assets especially mentioned	**3,691**	**–**	**3,691**	**369**	**–**	**369**	**369**	**–**	**369**
Substandard	**17,059**	**–**	**17,059**	**4,264**	**–**	**4,264**	**4,264**	**–**	**4,264**
Doubtful	**118,950**	**–**	**118,950**	**–**	**–**	**–**	**59,475**	**–**	**59,475**
Loss	**311,707**	**–**	**311,707**	**30,457**	**–**	**30,457**	**171,083**	**–**	**171,083**
	451,407	**–**	**451,407**	**35,090**	**–**	**35,090**	**235,191**	**–**	**235,191**

(Rupees in '000)

	December 31, 2015								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Category of classification									
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

9.4 Particulars of provision against non-performing advances

(Rupees in '000)

	December 31, 2016			December 31, 2015		
	Specific	**General**	**Total**	Specific	General	Total
As at January 01	**155,854**	**519**	**156,373**	2,537	327	2,864
Charge during the year	**79,337**	**380**	**79,717**	155,854	192	156,046
Reversal during the year	**–**	**–**	**–**	(2,537)	–	(2,537)
	235,191	**899**	**236,090**	155,854	519	156,373

9.4.1 Particulars of provision against non-performing advances

(Rupees in '000)

	December 31, 2016			December 31, 2015		
	Specific	**General**	**Total**	Specific	General	Total
In local currency	**235,191**	**899**	**236,090**	155,854	519	156,373
In foreign currencies	**–**	**–**	**–**	–	–	–
	235,191	**899**	**236,090**	155,854	519	156,373

	December 31 2016	December 31 2015
	(Rupees in '000)	
9.5 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	**114,297**	87,100
Loans granted during the year	**41,886**	50,147
Repayments during the year	**(23,426)**	(22,950)
	132,757	114,297

9.6 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.

	Note	**December 31 2016**	December 31 2015
		(Rupees in '000)	
10. OPERATING FIXED ASSETS			
Property and equipment	10.1	**21,180**	47,640
Intangible assets	10.2	**1,598**	1,625
Capital work-in-progress		**1,344**	319
		24,122	49,584

10.1 Property and equipment

(Rupees in '000)

December 31, 2016

	COST					DEPRECIATION					Book value	
	As at January 01, 2016	Additions	Disposals	Non-current assets classified as held for sale	As at December 31, 2016	As at January 01, 2016	Charge for the year	Disposals	Accumulated depreciation pertaining non-current assets classified as held for sale	As at December 31, 2016	as at December 31, 2016	Rate of depreciation
Owned												
Leasehold improvement	**52,152**	**544**	**–**	**(9,509)**	**43,187**	**32,919**	**10,482**	**–**	**(2,694)**	**40,707**	**2,480**	**20%**
Furniture and fixture	**19,370**	**625**	**–**	**(3,347)**	**16,648**	**14,129**	**2,151**	**–**	**(1,064)**	**15,216**	**1,432**	**20%**
Office equipment	**8,105**	**2,826**	**(1,956)**	**(2,729)**	**6,246**	**3,659**	**1,474**	**(1,566)**	**(1,143)**	**2,424**	**3,822**	**20%**
Computers	**19,403**	**4,807**	**(118)**	**(5,606)**	**18,486**	**15,239**	**3,072**	**(66)**	**(2,786)**	**15,459**	**3,027**	**33.33%**
Vehicles	**20,965**	**2,897**	**(4,076)**	**(1,032)**	**18,754**	**6,603**	**5,028**	**(2,327)**	**(808)**	**8,496**	**10,258**	**25%**
Mobile sets	**546**	**220**	**(334)**	**(135)**	**297**	**352**	**189**	**(322)**	**(82)**	**137**	**161**	**50%**
	120,541	**11,919**	**(6,484)**	**(22,358)**	**103,618**	**72,901**	**22,396**	**(4,281)**	**(8,577)**	**82,439**	**21,180**	

(Rupees in '000)

December 31, 2015

	COST				DEPRECIATION				Book value	
	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	as at December 31, 2015	Rate of depreciation
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	

10.1.1 Property and equipment having cost of Rs. 21.427 million (2015: Rs.16.822 million) are fully depreciated.

10.1.2 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	2,577	1,577	258	(1,319)	As per board approval	Mr. Ahmed Ateeq, CEO related party
Motor cycle	43	10	18	8	Quotation	Agha Traders
	43	14	18	4	Quotation	Agha Traders
Mobile phones	334	12	13	1	As per policy	Group employees
2016	**2,997**	**1,613**	**307**	**(1,306)**		
2015	8,922	1,738	1,844	106		

10.2 Intangible assets

(Rupees in '000)

December 31, 2016

	COST				AMORTISATION				Book value	
	As at January 01, 2016	Additions	Non-current assets classified as held for sale	As at December 31, 2016	As at January 01, 2016	Charge for the year	Accumulated amortisation pertaining non-current assets classified as held for sale	As at December 31, 2016	as at December 31, 2016	Rate of depreciation
Software	**17,934**	**1,810**	**(5,084)**	**14,660**	**16,309**	**1,485**	**(4,732)**	**13,062**	**1,598**	**33.33%**

December 31, 2015

	COST			AMORTISATION			Book value	
	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	as at December 31, 2015	Rate of Amortization
Software	16,910	1,024	17,934	14,589	1,720	16,309	1,625	33.33%

11. DEFERRED TAX ASSETS

	Note	**December 31 2016**	December 31 2015
		(Rupees in '000)	
Taxable temporary differences			
Deficit / (surplus) on revaluation of securities - net		**21,967**	(12,881)
Amortisation of discount on investments		**(26,633)**	(16,401)
Net investment in finance lease		**(33,960)**	(38,930)
Difference between accounting book value of fixed assets and tax base		**1,590**	(894)
Investment in associates		**(7,147)**	(7,032)
Deductible temporary differences			
Provision for diminution in the value of investments		**66,316**	55,132
Alternate corporate tax		**–**	6,579
Business losses		**–**	1,643
Provision against other assets		**–**	16,000
Provision for compensated absences and bonus		**9,000**	11,672
Unrealised loss on revaluation of held-for-trading securities		**–**	–
Provision against non-performing loans and advances		**70,827**	50,039
Difference between accounting book value of fixed assets and tax base		**–**	220
Remeasurements of defined benefit plan		**(736)**	1,208
Pre-incorporation expenses		**–**	174
		101,224	66,529

11.1 Movement in temporary differences during the year

(Rupees in '000)

	Balance as at January 01, 2015	Recognised in profit and loss account	Recognised in OCI or surplus/(deficit) in revaluation of assets account	Balance as at December 31, 2015	Recognised in profit and loss account: continuing operations	Recognised in profit and loss account: discontinued operations	Recognised in OCI or surplus/(deficit) in revaluation of assets account	Pertaining to subsidiary classified as held for sale	Balance as at December 31, 2016
Taxable temporary differences									
Surplus / (deficit) on revaluation of securities - net	(81,016)	–	68,135	(12,881)	–	–	34,848	–	**21,967**
Amortisation of discount on investments	(71,362)	54,961	–	(16,401)	(10,232)	–	–	–	**(26,633)**
Net investment in finance lease	(64,004)	25,074	–	(38,930)	4,970	–	–	–	**(33,960)**
Difference between accounting book value of fixed assets and tax base	–	(894)	–	(894)	2,484	–	–	–	**1,590**
Investment in associates	(7,122)	90	–	(7,032)	(115)	(57)	–	57	**(7,147)**
Deductible temporary differences									
Provision for diminution in the value of investments	54,524	608	–	55,132	11,184	–	–	–	**66,316**
Alternate Corporate tax	–	6,579	–	6,579	–	(2,221)	–	(4,358)	–
Business loss	–	1,643	–	1,643	–	1,605	–	(3,248)	–
Provision against other assets	16,500	(500)	–	16,000	(16,000)	–	–	–	–
Provision for compensated absences and bonus	9,900	1,772	–	11,672	(2,672)	–	–	–	**9,000**
Provision against non-performing loans and advances	945	49,094	–	50,039	20,788	–	–	–	**70,827**
Difference between accounting book value of fixed assets and tax base	965	(745)	–	220	–	(394)	–	174	–
Remeasurements of defined benefit plan	673	–	535	1,208	–	–	(1,944)	–	**(736)**
Pre-incorporation expenses	341	(167)	–	174	(174)	–	–	–	–
	(139,656)	137,515	68,670	66,529	10,233	(1,067)	32,904	(7,375)	**101,224**

12. OTHER ASSETS

	Note	December 31 2016	December 31 2015
		(Rupees in '000)	
Income / mark-up accrued in local currency		**229,189**	427,245
Advances, deposits and other prepayments		**43,931**	106,583
Advance tax (payment less provision)		**199,016**	193,812
Dividend receivable		**4,877**	1,125
Unrealised gain on forward contracts		**–**	7,915
Pre IPO Investment in Awwal Modaraba - related party		**–**	750,000
Receivable from associate		**178**	51,779
Receivable against sale of assets		**173,129**	7,484
Receivable from defined benefit plan		**6,481**	–
Assets directly associated with subsidiary classified as held for sale	12.1	**354,212**	–
		1,011,012	1,545,943
Less: Provision held against advances, deposits and other prepayments		**–**	(50,000)
Other assets (net of provisions)		**1,011,012**	1,495,943

12.1 Discontinued operations

On December 14, 2016, Pak Brunei Investment Company Limited, being the Holding Company of Primus Investment Management Limited, entered in an agreement with Army Welfare Trust ("AWT") for the sale of 70% shares of the earlier said company to AWT, subject to regulatory approvals which were received subsequent to the year end. As at December 31, 2016 the Company continued to recognise in its financial statements, assets and liabilities from its discontinued operations. The Company expects the sale to occur in second quarter of 2017.

The business of PIML represented the Group's Asset Management business for mutual funds upto December 14, 2016. With PIML being classified as discontinued operation, the said Asset Management segment is separately presented in the segment note (refer note 31).

	December 31 2016	December 31 2015
	(Rupees in '000)	
Mark-up / return / interest earned	**2,586**	1,152
Mark-up / return / interest expensed	**–**	–
Net mark-up / interest Income	**2,586**	1,152
Provision / (reversal) against non-performing loans and advances	**–**	–
Provision / (reversal) for diminution in the value of investments	**–**	–
Bad debts written off directly	**–**	–
	–	–
Net mark-up / interest income after provisions	**2,586**	1,152
Non mark-up / interest income		
Fee, commission and brokerage income	**94,881**	69,426
Dividend income	**8,142**	244
Income from dealing in foreign currencies	**–**	–
Gain on sale of securities - net	**22,867**	36,319
Unrealised loss on revaluation of investments classified as held-for-trading	**301**	167
Other income	**(15)**	–
Total non mark-up / interest income	**126,176**	106,156
	128,762	107,308
Non mark-up / interest expenses		
Administrative expenses	**103,195**	74,139
Other provisions / write off	**–**	–
Other charges	**–**	–
Total non-mark-up / interest expenses	**103,195**	74,139
Profit before tax from discontinued operations	**25,567**	33,169
Taxation	**(16,072)**	(5,777)
Profit for the year from discontinued operations	**9,495**	27,392

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

	December 31 2016
	(Rupees in '000)
Assets	
Cash and bank balances	**2,611**
Investments	**270,345**
Advances	**8,311**
Operating fixed assets	**15,127**
Deferred tax assets	**7,376**
Other assets	**50,442**
	354,212
Liabilities	
Other liabilities	**50,745**
Liabilities directly associated with subsidiary classified as held for sale	**50,745**
Net assets directly associated with subsidiary classified as held for sale	**303,467**

The net cash flows incurred by Primus Investment Management Limited are as follows:

	December 31 2016	December 31 2015
	(Rupees in '000)	
Operating	**(6,186)**	(15,249)
Investing	**6,388**	17,201
Financing	**–**	–
Net cash flow	**202**	1,952

Impairment of Subsidiary

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

13. BORROWINGS

	December 31 2016	December 31 2015
	(Rupees in '000)	
In Pakistan	**20,492,898**	14,543,592
Outside Pakistan	**–**	–
	20,492,898	14,543,592

13.1 Particulars of borrowings with respect to currencies

	December 31 2016	December 31 2015
In local currency	**20,492,898**	14,543,592
In foreign currencies	**–**	–
	20,492,898	14,543,592

	Note	December 31 2016	December 31 2015
		(Rupees in '000)	
13.2 Details of borrowings secured / unsecured			
Secured			
Borrowing from SBP under LTFF Scheme	13.3		
- Long Term Finance Facility (LTFF) scheme		**2,586,388**	910,491
- Power Plants Using Renewable Energy (PPRE) scheme		**162,026**	172,582
- Finance for Storage of Agriculture Produce (FSAP) scheme		**410,115**	17,672
Repurchase agreement borrowings (Repo)	13.4	**7,835,143**	5,162,632
Borrowing from Banks	13.5	**3,749,500**	2,250,000
		14,743,172	8,513,377
Unsecured			
Letters of placement	13.6	**5,749,726**	6,030,215
		20,492,898	14,543,592

13.3 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 8.40% per annum (2015: 2.00% to 8.60% per annum). This is repayable within 10 years (2015: 5 years).

13.4 These represent borrowings from various financial institutions at mark-up rate ranging from 5.90% to 6.05% per annum (2015: 6.00% to 6.50% per annum), maturing within 1 month. Market Treasury Bills and Pakistan Investment Bonds amounting to Rs.8,002 million (2015: Rs.5,289 million) have been given as collateral against these borrowings (see note 8).

13.5 These represent borrowings secured against hypothecation of receivables and floating charge over term finance certificates. These carry mark-up at rate ranging from 6.14% to 6.56% per annum (2015: 6.90% to 7.09% per annum) and are repayable within 3 years (2015: 3 years).

13.6 These carry mark-up at rate ranging from 6.05% to 6.35% per annum (2015: 6.25% to 7.25% per annum) and are repayable within 3 months (2015: 3 months).

14. DEPOSITS AND OTHER ACCOUNTS

	Note	December 31 2016	December 31 2015
		(Rupees in '000)	
Customers			
Certificates of investment- remunerative	14.1	**2,913,488**	4,218,289

14.1 These carry mark-up at rates ranging from 6.00% to 6.40% per annum (2015: 6.00% to 7.40% per annum) and are repayable within 2 months to 11 months (2015: 1 month to 11 months).

	Note	December 31 2016	December 31 2015
		(Rupees in '000)	
14.2 Particulars of deposits			
In local currency		**2,913,488**	4,218,289
In foreign currencies		**–**	–
		2,913,488	4,218,289

	Note	December 31 2016	December 31 2015
		(Rupees in '000)	

15. OTHER LIABILITIES

Mark-up / return / interest payable in local currency		**97,577**	106,368
Accrued expenses		**40,932**	46,373
Brokerage commission payable		**7,706**	2,341
Unearned commission		**13,290**	11,814
Security deposit against advances		**313,637**	500,580
Payable against purchase of shares		**209**	–
Payable to tax authorities		**–**	3,338
Federal excise duty payable on management fee		**–**	26,465
Payable to Awwal Modaraba (a related party)		**8,968**	–
Payable to defined benefit plan		**554**	1,673
Sindh WWF payable	23.2	**69,285**	–
Others		**11,722**	9,350
Liabilities directly associated with subsidiary classified as held for sale	12.1	**50,745**	–
		614,625	708,302

16. SHARE CAPITAL

16.1 Authorised capital

December 31 2016	December 31 2015		December 31 2016	December 31 2015
(Number of shares)			(Rupees in '000)	
600,000,000	600,000,000	Ordinary shares of Rs.10 each	**6,000,000**	6,000,000

16.2 Issued, subscribed and paid-up

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

16.3 The Ministry of Finance and Secretary Economic Affairs Division, Government of Pakistan, holds 299,995,999 and 4,001 shares (2015: 299,995,999 and 4,001 shares) respectively on behalf of the Government of Pakistan and remaining 300,000,000 shares (2015: 300,000,000 shares) are held by the Brunei Investment Agency.

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

	December 31 2016	December 31 2015
	(Rupees in '000)	
17.1 Surplus / (deficit) on revaluation of available-for-sale securities - net of tax		
Market treasury bills	**(5,415)**	1,868
Pakistan Investment Bonds	**(57,002)**	98,442
Listed securities		
- Term finance certificates	**–**	(506)
- Units of open-ended mutual funds	**–**	199
- Ordinary shares of listed companies	**(21,610)**	(127,243)
	(84,027)	(27,240)
Deferred tax asset / (liability) recognised	**21,967**	(12,881)
	(62,060)	(40,121)

	December 31 2016	December 31 2015
	(Rupees in '000)	

18. CONTINGENCIES AND COMMITMENTS

18.1 Transaction related contingent liability

Letters of credit	**1,125,660**	849,964

18.2 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 Holding 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.

18.3 Tax contingencies have been discussed in note 24.2 to these consolidated financial statements.

		December 31 2016	December 31 2015
		(Rupees in '000)	
18.4	Commitments in respect of purchase of government securities	**1,558,062**	–
18.5	Commitment to extend credit	**5,466,490**	3,468,396
18.6	Commitments in respect of - government securities	**7,592,065**	5,183,360
	- shares	**329,712**	169,891
	- modaraba certificates	**–**	250,000

19. MARK-UP / RETURN / INTEREST EARNED

On loans and advances to:		
Customers	**867,137**	707,018
Financial institutions	**–**	1,662
On investments in:		
Available-for-sale securities	**686,607**	1,084,636
Held to maturity securities	**10,189**	–
Held-for-trading securities	**14,689**	13,190
On deposits with financial institutions	**9,425**	11,180
On securities purchased under resale agreements	**3,451**	11,140
Finance income on deferred sale of assets acquired on satisfaction of claims - non-banking assets	**–**	8,693
	1,591,498	1,837,519

20. MARK-UP / RETURN / INTEREST EXPENSED

Securities sold under repurchase agreements	**291,952**	397,527
Short-term borrowings	**284,634**	173,340
Deposits	**252,740**	482,779
Long-term borrowings	**254,334**	224,969
	1,083,660	1,278,615

	Note	December 31 2016	December 31 2015
		(Rupees in '000)	

21. GAIN ON SALE OF SECURITIES - NET

Federal Government Securities			
- Market Treasury Bills		**12,088**	43,899
- Pakistan Investment Bonds		**436,859**	513,903
		448,947	557,802
Units of mutual funds - others		**–**	7,209
Ordinary shares of listed companies		**78,565**	127,447
Preference shares		**–**	5,900
Term finance certificates		**2,495**	2,132
		530,007	700,490

22. OTHER (EXPENSE) / INCOME

(Loss) / gain on forward contracts		**(2,978)**	7,915
Profit on sale of property and equipment		**13**	106
Exchange Loss		**(4)**	–
Other income		**–**	36
		(2,969)	8,057

23. ADMINISTRATIVE EXPENSES

Salaries and allowances		**163,555**	161,530
Charge for defined benefit plan		**8,540**	5,026
Contribution to defined contribution plan		**6,042**	6,592
Non-executive directors' fees, allowances and other expenses		**3,208**	3,861
Rent, taxes, insurance, electricity, etc.		**27,388**	26,722
Legal and professional charges		**13,225**	9,576
Travelling and accommodation		**4,350**	9,052
Communications		**3,229**	2,691
Repairs and maintenance		**6,628**	7,080
Brokerage commission		**19,899**	24,137
Stationery and printing		**2,130**	1,551
Advertisement and publicity		**805**	806
Auditors' remuneration	23.1	**1,799**	2,501
Depreciation		**16,798**	15,278
Amortisation		**1,203**	1,030
Vehicle maintenance and fuel expense		**21,358**	23,068
Medical expense		**3,867**	3,052
Fee and subscription		**1,592**	911
Bank charges		**816**	774
Provision for SWWF expense	23.2	**69,285**	–
Others		**5,464**	4,718
		381,181	309,956

	December 31 2016	December 31 2015
	(Rupees in '000)	

23.1 Auditors' remuneration

Audit fee	**825**	860
Half yearly review fee	**300**	285
Special certifications and other services	**390**	1,125
Out-of-pocket expenses	**284**	231
	1,799	2,501

23.2 As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015, the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs.0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. SWWF is applicable on the income of Pak Brunei Investment Company Limited. Accordingly, Management has, as a matter of abundant caution, made provision for the SWWF liability in the financial statements amounting to Rs.69.285 million.

	December 31 2016	December 31 2015
	(Rupees in '000)	

24. TAXATION

Current	**331,774**	468,290
Prior years	**50,171**	23,782
Deferred	**(1,791)**	(129,196)
	380,154	362,876

24.1 Relationship between tax expense and accounting profit

Accounting profit before tax	**1,388,399**	1,265,313
Tax rate	**31%**	32%
Tax on accounting profit	**430,404**	404,900
Tax effect of:		
Income chargeable to tax at special rate	**(80,666)**	(39,169)
Income exempt from tax	**(7,935)**	(5,312)
Permanent differences	**(5,667)**	(17,259)
Prior year charge	**50,171**	23,781
Others	**(6,152)**	(4,065)
	380,155	362,876

24.2 Commencing from the tax year 2008 up to tax year 2014, the assessment orders filed by the Group have been revised and tax demands have been raised to the tune of Rs.203.097 million against which an aggregate amount of Rs.113.871 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 Group is contesting these demands and appeals have been filed by the Group against the same which are pending adjudication at various appellate forums including the Honorable Sindh High Court.

25. EARNINGS PER SHARE - BASIC AND DILUTED

	December 31 2016	December 31 2015
	(Rupees in '000)	
Profit for the year from continuing operations	**1,008,245**	929,829
Profit for the year from discontinued operation	**9,495**	27,392
	(Numbers in '000)	
Weighted average number of ordinary shares	**600,000**	600,000
	(Rupees)	
Basic earnings per share - continuing operations	**1.68**	1.55
Basic earnings per share - discontinued operations	**0.016**	0.046

25.1 There were no convertible dilutive potential ordinary shares outstanding as on December 31, 2016 and 2015.

26. CASH AND CASH EQUIVALENTS

	December 31 2016	December 31 2015
	(Rupees in '000)	
Cash and balances with treasury banks	**322,004**	102,304
Balances with other banks	**1,951,008**	487,887
Lendings to financial institutions - TDRs	**250,000**	–
Cash and bank balances pertaining to discontinued operation	**2,611**	–
	2,525,623	590,191

27. STAFF STRENGTH

	2016	2015
	(Numbers)	
Permanent	**57**	76
Temporary / on contractual basis	**33**	46
	90	122

28. STAFF RETIREMENT BENEFITS

28.1 Defined benefit plan

	2016	2015
	(Rupees in '000)	
28.1.1 Net defined benefit plan's liability		
Present value of defined benefit obligations	**42,364**	37,879
Fair value of plan assets	**(48,845)**	(36,206)
	(6,481)	1,673

	December 31 2016	December 31 2015
	(Rupees in '000)	
28.1.2 Movement in defined benefit plan's liability		
As at January 01	**1,673**	2,039
Charge recognised in profit and loss account		
Present value of defined benefit plan at the inception of fund	**–**	–
Current service cost	**6,408**	5,198
	6,408	5,198
Remeasurements recognised in other comprehensive income		
Return on plan assets excluding net interest income	**–**	–
Actuarial loss / (gain) arising from changes in		
- demographic assumptions	**–**	–
- experience assumptions	**(6,481)**	1,673
	(6,481)	1,673
Contributions by the Holding Company	**(8,081)**	(7,237)
	(6,481)	1,673

28.1.3 Movement in present value of defined benefit obligations

	2016	2015
As at January 01	**37,879**	26,938
Present value of defined benefit plan at the inception of fund	**–**	–
Current service cost	**6,243**	4,980
Interest cost	**4,008**	3,226
Benefits paid to outgoing members	**(3,252)**	–
Actuarial loss / (gain) arising from changes in		
- demographic assumptions	**–**	–
- experience assumptions	**(2,515)**	2,735
	42,363	37,879

28.1.4 Movement in fair value of plan assets

	2016	2015
As at January 01	**36,206**	24,899
Contributions by the Holding Company	**8,081**	7,237
Interest income	**3,843**	3,008
Actual benefits paid from the fund during the year	**(3,252)**	–
Re-measurment: Actuarial gain / (loss) on plan assets	**3,966**	1,062
	48,844	36,206

28.1.5 Break-up of plan assets

	2016	2015
Cash and bank balances	**956**	57
Investment in Mutual funds	**11,736**	9,070
Pakistan Investment Bonds	**36,153**	27,079
	48,845	36,206

	December 31 2016	December 31 2015
	(Rupees in '000)	

28.1.6 Significant actuarial assumptions

	2016	2015
Financial assumptions		
Discount rate	**9.50%**	10.00%
Long-term salary increase rate	**9.50%**	10.00%
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

28.1.7 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, 2016		December 31, 2015	
	+ 1%	- 1%	+ 1%	- 1%
Discount rate	**(38,174)**	**47,248**	(33,976)	42,453
Long-term salary increase rate	**47,416**	**(37,964)**	42,601	(33,789)

	December 31 2016	December 31 2015
	(Rupees in '000)	

28.1.8 Maturity profile of the defined benefit obligation

	2016	2015
Weighted average duration (number of years)	**10.65**	11.12
The retirement will at most continue (year)	**2,034**	2,034

28.1.9 The Holding Company expects to contribute Rs.5.7 million (2015: Rs.6.4 million) to the defined benefit plan for the next year.

28.1.10 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.

28.2 Defined Contribution Plan

The Group operates a provident fund scheme for all its permanent employees. Equal monthly contribution at the rate of 10.00% per annum (2015: 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 2016	December 31 2015
	(Rupees in '000)	
Contribution made by the Group	**6,042**	6,592
Contribution made by employees	**6,042**	6,592
	12,084	13,184

28.2.1 Information related to the provident fund

	2016	2015
Size of the fund	**98,802**	75,934
Cost of investments made	**95,333**	71,700
Percentage of investments made	**94.31%**	96.46%
Fair value of investments	**93,177**	73,245

28.2.2 Break-up of investments at fair value

	December 31, 2016		December 31, 2015	
	Fair value (Rs. in '000)	% of the size of the fund	Fair value (Rs. in '000)	% of the size of the fund
Government Securities	**72,468**	**73.35%**	58,935	77.61%
Quoted shares	**7,360**	**7.45%**	5,473	7.21%
Term Finance Certificate	**–**	**0.00%**	4,752	6.26%
Mutual Funds	**1,349**	**1.37%**	1,192	1.57%
Commercial Paper	**12,000**	**12.15%**	2,893	3.81%
	93,177	**94.31%**	73,245	96.46%

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.

29. COMPENSATION OF CHIEF EXECUTIVES, DIRECTORS AND EXECUTIVES OF HOLDING COMPANY AND ITS SUBSIDIARIES

(Rupees in '000)

	Chief Executive		Directors		Executives	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Fee for attending meetings	**–**	–	**3,208**	3,111	**–**	–
Managerial remuneration	**35,132**	23,940	**–**	–	**109,046**	122,196
Performance bonus	**4,815**	7,589	**–**	–	**–**	–
Charge for defined benefit plan	**1,225**	1,102	**–**	–	**4,159**	3,880
Contribution to defined contribution plan	**1,903**	1,432	**–**	–	**4,652**	5,152
Utilities	**268**	427	**–**	–	**5,662**	6,730
Medical	**709**	397	**–**	–	**3,220**	2,620
Travelling allowance	**283**	357	**–**	–	**338**	511
Other benefits	**2,018**	115	**–**	–	**328**	90
	46,353	35,359	**3,208**	3,111	**127,405**	141,179
Number of persons	**2**	4	**8**	12	**53**	64

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

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

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

All quoted investments have been stated at their market values as disclosed in note 8. 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 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 35.3.1 and 35.2.4 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 Group's assets:

(Rupees in '000)

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Asset measured at fair value				
Held-for-trading				
Ordinary shares of listed companies	326,291	–	–	326,291
Derivative liability	(2,978)	–	–	(2,978)
	323,313	–	–	323,313
Available-for-sale securities				
Market Treasury Bills	–	6,079,913	–	6,079,913
Pakistan Investment Bonds	–	2,860,087	–	2,860,087
Ordinary shares of listed companies	885,885	–	–	885,885
Term Finance Certificates and Sukuks	–	1,066,221	–	1,066,221
	885,885	10,006,221	–	10,892,106
	1,209,198	10,006,221	–	11,215,419

(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
Derivative asset	7,915	–	–	7,915
	168,796	5,995	–	174,791
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
	861,102	9,274,064	–	10,135,166

31. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate finance	Trading and sales	Commercial banking	Modaraba management	Asset management (discontinued)
2016					
Total income	**108,218**	**1,878,457**	**840,703**	**6,322**	**128,762**
Total expenses	**53,493**	**946,309**	**494,903**	**18,181**	**103,195**
Net income	**54,725**	**932,148**	**345,800**	**(11,859)**	**25,567**
Segment assets (gross)	**–**	**22,760,367**	**12,147,603**	**125,651**	**354,212**
Segment non performing loans	**–**	**3,691**	**447,716**	**–**	**–**
Investment provided for	**–**	**348,772**	**–**	**–**	**–**
Segment provision required *	**–**	**277,426**	**234,821**	**–**	**–**
Segment liabilities	**–**	**15,624,796**	**8,331,535**	**21,902**	**50,745**
Segment return on assets (ROA) (%)	**–**	**4.55%**	**2.92%**	**-9.44%**	**7.22%**
Segment return on net assets (ROA) (%)	**–**	**14.41%**	**9.43%**	**-11.43%**	**8.42%**
Segment cost of funds (%)	**–**	**5.94%**	**5.94%**	**–**	**–**
2015					
Total income	86,738	2,415,188	673,259	5,892	129,057
Total expenses	56,569	1,283,741	501,590	5,509	103,195
Net income	30,169	1,131,447	171,669	383	25,862
Segment assets (gross)	–	19,414,917	10,538,352	112,255	354,211
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	5,916	52,669
Segment return on assets (ROA) (%)	–	4.43%	1.97%	5.27%	14.87%
Segment return on net assets (ROA) (%)	–	11.20%	4.98%	0.36%	8.58%
Segment cost of funds (%)	–	7.96%	7.96%	–	–

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

32. 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, 2016 amounted to Rs.249,195 million (2015: Rs.140,946 million).

33. 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 Limited, Nimir Industrial Chemicals Limited, Allahdin Power Limited and Bunny's (Pvt) Limited due to common directorship.

Details of loans and advances to the executives are given in note 9.5 to these consolidated financial statements. There are no transactions with key management personnel other than under their terms of employment. Contribution to approved defined contribution plan are disclosed in note 28.2 to these consolidated financial statements. Remuneration to the executives is disclosed in note 29 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:

(Rupees in '000)

	2016				2015			
	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	67,983	53,466	540,232	–	49,513	160,825	566,259	–
Disbursement during the year	7,717	62,454	292,465	–	24,102	9,514	105,981	–
Removal / transfer from other related parties	–	–	(400,200)	–	6,991	–	(6,991)	–
Repaid during the year	(13,981)	(25,958)	(72,689)	–	(12,623)	(116,873)	(125,017)	–
	61,719	89,962	359,808	–	67,983	53,466	540,232	–
Borrowings								
As at January 01	–	6,605,818	–	630,000	–	15,880,124	–	690,000
Received during the year	–	207,469,362	–	2,645,000	–	207,469,362	–	2,645,000
Repaid during the year	–	(216,743,668)	–	(2,705,000)	–	(216,743,668)	–	(2,705,000)
	–	(2,668,488)	–	570,000	–	6,605,818	–	630,000
Placements								
As at January 01	–	–	–	–	–	–	–	–
Placements made during the year	–	3,092,084	–	–	–	19,307,119	–	–
Placements matured during the year	–	(3,092,084)	–	–	–	(19,307,119)	–	–
	–	–	–	–	–	–	–	–
Investments								
As at January 01	–	7,063,565	187,309	6,872,342	–	15,508,620	338,989	4,952,497
Investments / additions made during the year	–	61,671,690	289,424	23,156,924	–	44,042,066	734,186	27,692,032
Redemption during the year	–	(56,846,757)	(457,496)	(24,608,267)	–	(52,487,121)	(885,866)	(25,772,187)
	–	11,888,498	19,237	5,420,999	–	7,063,565	187,309	6,872,342
Mark-up / return / interest earned	1,766	590,913	18,496	–	2,444	812,379	52,339	–
Mark-up / return / interest expensed	–	194,564	–	–	–	286,395	–	37,184
Gain on sale of securities - net	–	470,119	12,153	–	–	546,724	35,097	400,466
Dividend income	–	7,376	70,389	196,271	–	11,229	1,999	87,543
Salaries and other benefits	74,685	–	–	–	133,346	–	–	–
Processing fee	–	–	–	–	–	–	(16,179)	–
Fee Income	–	–	–	98,157	–	–	–	67,426
Reimbursement of expenses	4,711	–	–	–	4,956	–	–	–
Formation cost paid by the Group	–	–	–	–	–	–	–	1,075
Formation cost reimbursed by the Group	–	–	–	–	–	–	–	440
Sales tax on fee income	–	–	–	–	–	–	–	11,336
FED on fee income	–	–	–	–	–	–	–	10,788
Others	–	–	–	–	–	–	–	246

34. CAPITAL ASSESSMENT AND ADEQUACY

34.1 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 un-appropriated profits, etc. after deductions for investments in the equity of subsidiary companies engaged in banking and financial activities, reciprocal cross holdings in capital instruments of banking, financial, and insurance entities and deficit on revaluation of available-for-sale investments.

The 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.

The Group 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.

34.2 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:

		Note	December 31 2016	December 31 2015
			(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			**1,257,721**	1,065,388
Gain / (losses) on derivatives held as cash flow hedge			**–**	–
Unappropriated / unremitted profits / (losses)			**3,346,142**	2,716,198
Minority Interests arising from CET1 capital instruments consolidated Company subsidiaries (amount allowed in CET1 capital of the consolidation group)			**–**	–
CET 1 before regulatory adjustments			**10,603,863**	9,781,586
Total regulatory adjustments applied to CET1		34.2.1	**(2,375,203)**	(2,288,919)
Common Equity Tier 1		a	**8,228,660**	7,492,667
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		34.2.2	**(2,434,321)**	(2,235,745)
Additional Tier 1 capital recognized for capital adequacy		b	**–**	–
Tier 1 Capital (CET1 + admissible AT1)		(c=a+b)	**8,228,660**	7,492,667

		Note	December 31 2016	December 31 2015
			(Rupees in '000)	
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			**899**	519
Revaluation reserves				
of which: Revaluation reserves on property			**–**	–
of which: Unrealised gains / losses on AFS			**–**	–
Foreign exchange translation reserves			**–**	–
Undisclosed / other reserves (if any)			**–**	–
T2 before regulatory adjustments			**899**	519
Total regulatory adjustment applied to T2 capital		34.2.3	**–**	(90,391)
Tier 2 capital (T2) after regulatory adjustments			**899**	–
Tier 2 capital recognized for capital adequacy			**899**	–
Portion of Additional Tier 1 capital recognized in Tier 2 capital			**–**	–
Total Tier 2 capital admissible for capital adequacy		d	**899**	–
TOTAL CAPITAL (T1 + admissible T2)		(e=c+d)	**8,229,559**	7,492,667
Total Risk Weighted Assets (RWA)	f	34.6	**30,967,447**	27,502,066
Capital ratios and buffers (in percentage of risk weighted assets)				
CET1 to total RWA		(a/f)	**26.57%**	27.24%
Tier-1 capital to total RWA		(c/f)	**26.57%**	27.24%
Total capital to RWA		(e/f)	**26.57%**	27.24%
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)			**16.57%**	17.24%
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%

34.2.1 *Common Equity Tier 1 capital: Regulatory adjustments*

	December 31, 2016	Amounts subject to Pre-Basel III treatment	December 31, 2015
	(Rupees in '000)		
Goodwill (net of related deferred tax liability)	–	–	–
All other intangibles (net of any associated deferred tax liability)	**2,942**	–	1,625
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	**(62,060)**	–	40,121
holdings of property / AFS	–	–	–
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
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	**2,434,321**	–	2,235,745
Total regulatory adjustments applied to CET1	**2,375,203**	–	2,288,919

34.2.2 *Additional Tier 1 Capital: regulatory adjustments*

	December 31, 2016	Amounts subject to Pre-Basel III treatment	December 31, 2015
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	**2,434,321**	–	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)	–	–	–
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	–	–
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	–	–	–
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	–	–	89,872
Total of Regulatory Adjustment applied to AT1 capital	**2,434,321**	–	2,235,745

34.2.3 *Tier 2 Capital: regulatory adjustments*

	December 31, 2016	Amounts subject to Pre-Basel III treatment	December 31, 2015
	(Rupees in '000)		
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)	–	–	90,391
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

34.2.4 Additional information

	December 31 2016	December 31 2015
	(Rupees in '000)	
Total Risk Weighted Assets subject to pre-Basel III treatment		
Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment	**164,888**	152,728
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	**164,888**	152,728
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	**632,978**	1,228,531
Significant investments in the common stock of financial entities	–	–
Deferred tax assets arising from temporary differences (net of related tax liability)	–	–
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	–	–

34.3 Leverage Ratio

The Company calculates leverage ratio in line with SBP's issued guidelines on Basel III. Leverage Ratio on consolidated basis for December 31, 2016 is 20.27% while it was 22.37% for the year ended December 31, 2015.

34.4 Capital Structure Reconciliation

34.4.1 Step 1

	December 31, 2016	
	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	(Rupees in '000)	
Assets		
Cash and balances with treasury banks	**322,004**	322,004
Balances with other banks	**1,951,008**	1,951,008
Lendings to financial institutions	**498,065**	498,065
Investments	**16,658,646**	16,658,646
Advances	**13,996,733**	13,996,733
Operating fixed assets	**24,122**	24,122
Deferred tax assets	**101,224**	101,224
Other assets	**1,011,012**	1,011,012
Total assets	34,562,814	34,562,814
Liabilities and equity		
Bills payable	–	–
Borrowings	**20,492,898**	**20,492,898**
Deposits and other accounts	**2,913,488**	**2,913,488**
Sub-ordinated loans	–	–
Liabilities against assets subject to finance lease	–	–
Deferred tax liabilities	–	–
Other liabilities	**614,625**	**614,625**
Total liabilities	24,021,011	24,021,011
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully paid-up capital / capital deposited with SBP	**6,000,000**	**6,000,000**
Reserves	**1,257,721**	**1,257,721**
Unappropriated / unremitted profit / (losses)	**3,346,142**	**3,346,142**
Minority interest	–	–
Surplus on revaluation of assets	**(62,060)**	**(62,060)**
Total liabilities and equity	10,541,803	10,541,803

34.4.2 Step 2

		December 31, 2016	
	Reference	Balance sheet as in published financial statements	Under regulatory scope of consolidation
		(Rupees in '000)	
Assets			
Cash and balances with treasury banks		**322,004**	**322,004**
Balance with other banks		**1,951,008**	**1,951,008**
Lending to financial institutions		**498,065**	–
Investments		**16,658,646**	**16,658,646**
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	a	–	–
of which: significant capital investments in financial sector entities exceeding regulatory threshold	b	–	–
of which: Mutual Funds exceeding regulatory threshold	c	**2,434,321**	**2,434,321**
of which: Reciprocal cross holdings in CET1	d	–	–
of which: Reciprocal cross holdings in Tier2		–	–
of which: others	e	–	–
Advances	f	**13,996,733**	**13,996,733**
shortfall in provisions / excess of total EL amount over eligible provisions under IRB general provisions reflected in Tier 2 capital	g	**899**	**899**
Fixed Assets	h	**21,180**	**21,180**
of which: Intangibles	i	**2,942**	**2,942**
Deferred tax assets		**101,224**	**101,224**
of which: DTAs excluding those arising from temporary differences	j	–	–
of which: DTAs arising from temporary differences exceeding regulatory threshold	k	–	–
Other assets	l	**1,011,012**	**1,011,012**
of which: Goodwill	m	–	–
of which: Intangibles	m	–	–
of which: Defined-benefit pension fund net assets		–	–
Total assets		34,061,806	34,061,806
Liabilities and equity			
Bills payable		–	–
Borrowings		**20,492,898**	**20,492,898**
Deposits and other accounts		**2,913,488**	**2,913,488**
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		**614,625**	**614,625**
Total liabilities		24,021,011	24,021,011

	Reference	December 31, 2016 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		1,257,721	1,257,721
of which: portion eligible for inclusion in CET1: Share premium	v	1,257,721	1,257,721
of which: portion eligible for inclusion in CET1 general / statutory reserve	w	–	–
of which: portion eligible for inclusion in Tier 2	x	–	–
Unappropriated profit / (losses)	y	3,346,142	3,346,142
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	(62,060)	(62,060)
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	(62,060)	(62,060)
Total liabilities and equity		34,562,814	34,562,814

34.4.3 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)	1,257,721
Gain / (losses) on derivatives held as cash flow hedge		–
Unappropriated/unremitted profits / (losses)	(y)	3,346,142
Minority interests arising from CET1 capital instruments issued to third party by consolidated Company subsidiaries (amount allowed in CET1 capital of the consolidation group)	(z)	–
CET 1 before regulatory adjustments		10,603,863

	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)	2,942
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)	62,060
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	(a) - (ac) - (ae)	–
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		2,434,321
Total regulatory adjustments applied to CET1 (sum of 9 to 25)		2,499,323
Common Equity Tier 1		8,104,540

	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)	2,434,321
Investment in own AT1 capital instruments		–
Reciprocal cross holdings in Additional Tier 1 capital instruments		–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	(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		–
Total of regulatory adjustment applied to AT1 capital		2,434,321
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)		**8,104,540**
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)	899
Revaluation Reserves eligible for Tier 2		–
of which: Revaluation reserves on fixed assets	portion of (aa)	–
of which: Unrealized gains / losses on AFS	“	–
Foreign exchange translation reserves	(v)	–
Undisclosed / other reserves (if any)		–
T2 before regulatory adjustments		**899**
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)	–
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		–
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)		**8,104,540**

34.5 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)			10,603,863
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	Fully Paid-up Capital/ Capital deposited with SBP 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

34.6 Risk weighted assets

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, 2016	December 31, 2015	**December 31, 2016**	December 31, 2015
Credit risk				
Portfolios subject to standardised approach (Simple or Comprehensive)				
Cash and cash equivalents	**–**	–	**–**	–
Sovereign	**–**	–	**–**	–
Public sector entities	**4,498**	2,668	**44,982**	26,681
Banks	**62,430**	9,758	**624,299**	97,577
Corporate	**1,251,585**	932,537	**12,515,846**	9,325,367
Retail	**2,089**	2,357	**20,887**	23,565
Residential mortgages	**3,479**	2,903	**34,795**	29,026
Past due loans	**22,919**	18,167	**229,185**	181,669
Operating fixed assets	**2,118**	4,796	**21,180**	47,959
Other assets	**145,818**	109,594	**1,458,182**	1,095,935
	1,494,936	1,082,780	**14,949,356**	10,827,779
Portfolios subject to Internal Rating Based (IRB) approach				
Off - balance sheet				
Non-market related	**513,073**	370,121	**5,130,732**	3,701,214
Market related exposures	**–**	–	**–**	–
Equity exposure risk in the banking book				
Under simple risk weight method	**5,110**	134,705	**51,104**	1,347,046
Under Internal models approach	**–**	–	**–**	–
	518,184	504,826	**5,181,836**	5,048,260
Market risk				
Capital requirement for portfolios subject to standardised approach				
Interest rate risk	**163,803**	167,654	**2,047,540**	1,676,538
Equity position risk	**595,677**	865,546	**7,445,963**	8,655,463
Foreign Exchange risk	**1**	1	**5**	5
	759,481	1,033,201	**9,493,508**	10,332,006
Capital requirement for portfolios subject to internal models approach	**–**	–	**–**	–
Operational risk				
Capital requirement for operational risks	**107,420**	129,402	**1,342,748**	1,294,022
Total	**2,880,021**	2,750,209	**30,967,447**	27,502,067

(Rupees in '000)

	December 31, 2016		December 31, 2015	
	Required	Actual	Required	Actual
CET1 to total RWA	**6.00%**	25.58%	**5.50%**	27.24%
Tier-1 capital to total RWA	**7.50%**	25.58%	**7.00%**	27.24%
Total capital to total RWA	**10.00%**	25.58%	**10.00%**	27.24%

34.7 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.10.604 billion and 26.57% of its risk weighted exposure as at December 31, 2016.

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

35. 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.

35.1 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. 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 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.

35.1.1 Segmental Information

35.1.1.1 Segments by class of business

	December 31, 2016					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Cement	–	–	–	–	–	–
Textile	3,378,066	23.73	–	–	2,157,389	13.42
Sugar	944,107	6.63	–	–	–	–
Chemicals and pharmaceuticals	753,840	5.30	–	–	641,324	3.99
Production and transmission of energy	1,585,818	11.14	–	–	1,911,714	11.89
Auto and allied	3,422	0.02	–	–	–	–
Financial	120,000	0.84	2,910,000	99.88	10,159,839	63.21
Individuals	126,472	0.89	–	–	–	–
Health and pharma	1,279,465	8.99	–	–	–	–
Telecommunication	64,805	0.46	–	–	430,000	2.68
Paper and board	–	–	–	–	–	–
Food and confectionary	873,411	6.14	–	–	70,000	0.44
Entertainment	57,715	0.41	–	–	12,500	0.08
Printing	–	–	–	–	–	–
Public sector	–	–	–	–	–	–
Transportation	357,881	2.51	–	–	–	–
Packaging	366,615	2.58	–	–	106,423	0.66
Services	4,818	0.03	–	–	–	–
Electronics and electrical appliances	1,023,403	7.19	–	–	56,590	0.35
Engineering	21,786	0.15	–	–	–	–
Construction	1,225,400	8.61	–	–	522,347	3.25
Poultry	281,250	1.98	–	–	–	–
Agricultural and dairy	446,782	3.14	–	–	30	0.00
Others	1,317,767	9.26	3,488	0.12	3,828	0.02
	14,232,823	100.00	2,913,488	100.00	16,071,984	100.00

	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	114,351	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
	10,400,053	100.00	4,218,289	100.00	10,399,001	100.00

35.1.1.2 Segment by sector

(Rupees in '000)

	December 31, 2016					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	**89,963**	**1**	**250,000**	**9**	**4,222,113**	**26**
Private	**14,142,860**	**99**	**2,663,488**	**91**	**11,849,871**	**74**
	14,232,823	**100**	**2,913,488**	**100**	**16,071,984**	**100**

	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

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

(Rupees in '000)

	2016		2015	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
Poultry	**281,250**	**140,625**	281,250	140,625
Textile	**30,457**	**30,457**	30,457	15,229
Sugar	**118,950**	**59,475**	–	–
Engineering	**9,961**	**1,936**	–	–
Telecommunication	**10,789**	**2,697**	–	–
	451,407	**235,190**	311,707	155,854

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

(Rupees in '000)

	2016		2015	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
Public / Government	**–**	**–**	–	–
Private	**451,407**	**235,190**	311,707	155,854
	451,407	**235,190**	311,707	155,854

35.1.1.5 Geographical segment analysis

(Rupees in '000)

	December 31, 2016			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Pakistan	**1,388,399**	**34,562,814**	**10,541,803**	**16,071,984**

	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

35.2 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 8 of these financial statements.

35.2.1 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.

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.

35.2.2 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, 2016			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistani Rupee	**34,562,810**	**24,021,011**	**–**	**10,541,799**
United States Dollar	**4**	**–**	**–**	**4**
	34,562,814	**24,021,011**	**–**	**10,541,803**

(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

35.2.3 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.

35.2.4 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 Group is largely engaged in transactions on a floating rate basis in both borrowings and lendings, rate reset frequency, ceilings and floors and choice of base rate can translate into interest rate risk.

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

(Rupees in '000)

			December 31, 2016									
	Effective yield/ interest rate	Total	Exposed to yield/interest risk									Non-interest Bearing Financial Instruments
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
On-balance sheet financial instruments												
Asset												
Cash and balances with treasury banks	–	322,004	–	–	–	–	–	–	–	–	–	322,004
Balances with other banks	3.75% to 7%	1,951,008	1,951,008	–	–	–	–	–	–	–	–	–
Lendings	5.7% to 7%	498,065	248,065	250,000	–	–	–	–	–	–	–	–
Investments	6.03% to 8.71%	16,658,645	82,321	848,565	155,249	6,060,578	2,595	20,115	94,544	2,743,813	–	6,650,865
Advances	4.34% to 16.26%	13,996,733	836,536	666,072	277,099	3,432,728	222,828	263,169	458,082	365,002	–	7,475,217
Other assets	–	811,996	–	–	–	–	–	–	–	–	–	811,996
		34,238,451	3,117,929	1,764,637	432,348	9,493,306	225,423	283,284	552,626	3,108,815	–	15,260,082
Liabilities												
Borrowings	2.55% to 6.30%	20,492,898	7,848,147	5,786,716	47,834	114,620	2,023,835	2,430,893	924,674	1,315,030	1,149	–
Deposits and other accounts	6.28%	2,913,487	–	2,660,000	–	253,487	–	–	–	–	–	–
Other liabilities	–	563,880	–	–	–	–	–	–	–	–	–	563,880
		23,970,265	7,848,147	8,446,716	47,834	368,107	2,023,835	2,430,893	924,674	1,315,030	1,149	563,880
On-balance sheet gap		10,268,185	(4,730,218)	(6,682,079)	384,514	9,125,200	(1,798,412)	(2,147,609)	(372,048)	1,793,785	(1,149)	14,696,202
Off–balance sheet financial instruments												
Forward purchase of Government Securities		–	–	–	–	–	–	–	–	–	–	–
Forward Sale of Government Securities		7,592,065	7,592,065	–	–	–	–	–	–	–	–	–
Interest rate derivatives – short position		–	–	–	–	–	–	–	–	–	–	–
Interest rate derivatives – long position		–	–	–	–	–	–	–	–	–	–	–
Off-balance sheet gap		7,592,065	7,592,065	–	–	–	–	–	–	–	–	–
Total yield / interest risk sensitivity gap		17,860,250	2,861,847	(6,682,079)	384,514	9,125,200	(1,798,412)	(2,147,609)	(372,048)	1,793,785	(1,149)	14,696,202
Cumulative yield / interest risk sensitivity gap			2,861,847	(3,820,232)	(3,435,718)	5,689,482	3,891,070	1,743,461	1,371,413	3,165,198	3,164,049	17,860,250

(Rupees in '000)

			December 31, 2015									
	Effective yield/ interest rate	Total	Exposed to yield/interest risk									Non-interest Bearing Financial Instruments
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
On-balance sheet financial instruments												
Asset												
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

35.3 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.

35.3.1 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, 2016									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets										
Cash and balances with treasury banks	322,004	80,501	241,503	–	–	–	–	–	–	–
Balances with other banks	1,951,008	498,281	1,452,727	–	–	–	–	–	–	–
Lendings to financial institutions	498,065	248,065	250,000	–	–	–	–	–	–	–
Investments	16,658,646	1,077,439	1,437,236	2,193,352	7,650,772	164,211	32,712	133,722	2,965,668	1,003,534
Advances	13,996,733	2,071,583	1,542,499	1,233,898	1,240,203	2,233,813	1,963,712	2,265,251	1,396,893	48,882
Operating fixed assets	24,122	2,345	6,042	3,938	2,235	5,894	3,668	–	–	–
Deferred tax assets	101,224	13,778	5,767	(12,980)	60,005	18,345	9,825	11,986	(5,502)	–
Other assets	1,011,012	257,083	255,190	95,928	396,713	3,196	1	50	–	2,851
	34,562,814	4,249,075	5,190,964	3,514,136	9,349,928	2,425,459	2,009,918	2,411,009	4,357,059	1,055,267
Liabilities										
Borrowings	20,492,898	7,857,763	5,794,038	580,528	1,158,913	2,115,064	1,174,806	858,526	953,260	–
Deposits and other accounts	2,913,488	–	2,660,000	253,488	–	–	–	–	–	–
Deferred tax liabilities	–	–	–	–	–	–	–	–	–	–
Other liabilities	614,625	72,785	100,321	96,025	112,206	92,935	101,587	38,766	–	–
	24,021,011	7,930,548	8,554,359	930,041	1,271,119	2,207,999	1,276,393	897,292	953,260	–
Net assets	10,541,803	(3,681,473)	(3,363,395)	2,584,095	8,078,809	217,460	733,525	1,513,717	3,403,799	1,055,267
Share capital	6,000,000									
Reserves	1,257,721									
Unappropriated profit	3,346,142									
Surplus on revaluation of assets - net of tax	(62,060)									
	10,541,803									

	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									
Deficit on revaluation of assets - net	(40,121)									
	9,684,301									

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

(Rupees in '000)

	December 31, 2016									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets										
Cash and balances with treasury banks	322,004	80,501	241,503	–	–	–	–	–	–	–
Balances with other banks	1,951,008	498,281	1,452,727	–	–	–	–	–	–	–
Lendings to financial institutions	498,065	248,065	250,000	–	–	–	–	–	–	–
Investments	16,658,646	1,077,439	1,437,236	2,193,352	7,650,772	164,211	32,712	133,722	2,965,668	1,003,534
Advances	13,996,733	2,071,583	1,542,499	1,233,898	1,240,203	2,233,813	1,963,712	2,265,251	1,396,893	48,882
Operating fixed assets	24,122	2,345	6,042	3,938	2,235	5,894	3,668	–	–	–
Deferred tax assets	101,224	13,778	5,767	(12,980)	60,005	18,345	9,825	11,986	(5,502)	–
Other assets	1,011,012	257,083	255,190	95,928	396,713	3,196	1	50	–	2,851
	34,562,814	4,249,075	5,190,964	3,514,136	9,349,928	2,425,459	2,009,918	2,411,009	4,357,059	1,055,267
Liabilities										
Borrowings	20,492,898	7,857,763	5,794,038	580,528	1,158,913	2,115,064	1,174,806	858,526	953,260	–
Deposits and other accounts	2,913,488	–	2,660,000	253,488	–	–	–	–	–	–
Deferred tax liabilities	–	–	–	–	–	–	–	–	–	–
Other liabilities	614,625	72,785	100,321	96,025	112,206	92,935	101,587	38,766	–	–
	24,021,011	7,930,548	8,554,359	930,041	1,271,119	2,207,999	1,276,393	897,292	953,260	–
Net assets	10,541,803	(3,681,473)	(3,363,395)	2,584,095	8,078,809	217,460	733,525	1,513,717	3,403,799	1,055,267
Share capital	6,000,000									
Reserves	1,257,721									
Unappropriated profit	3,346,142									
Surplus on revaluation of assets - net of tax	(62,060)									
	10,541,803									

	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									
Deficit on revaluation of assets - net	(40,121)									
	9,684,301									

35.4 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.

36. NON ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors have proposed a final dividend for the year ended December 31, 2016 of Rs. **0.50** per share (2015: Re.0.33 per share), amounting to Rs. **300** million (2015: Rs.200 million) at their meeting held on **23 March 2017**, for approval of the members at the annual general meeting to be held on **19 April 2017**. The consolidated financial statements for the year ended December 31, 2016 do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2017.

37. GENERAL

37.1 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 2016. 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.

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

38. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on **23 March 2017** by the Board of Directors of the Holding Company.

Chief Executive **Director** **Director** **Chairman**

Annexure - I

As referred in note 8.6 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, 2016.

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

Design: Creative Unit (Pvt) Ltd