

ANNUAL REPORT 2016



Pak Kuwait

Pakistan Kuwait Investment Company (Private) Limited

الشركة الباكستانية الكويتية للاستثمار (الخاصة) المحدودة

A joint venture between the Governments of Pakistan and Kuwait

A JOINT VENTURE

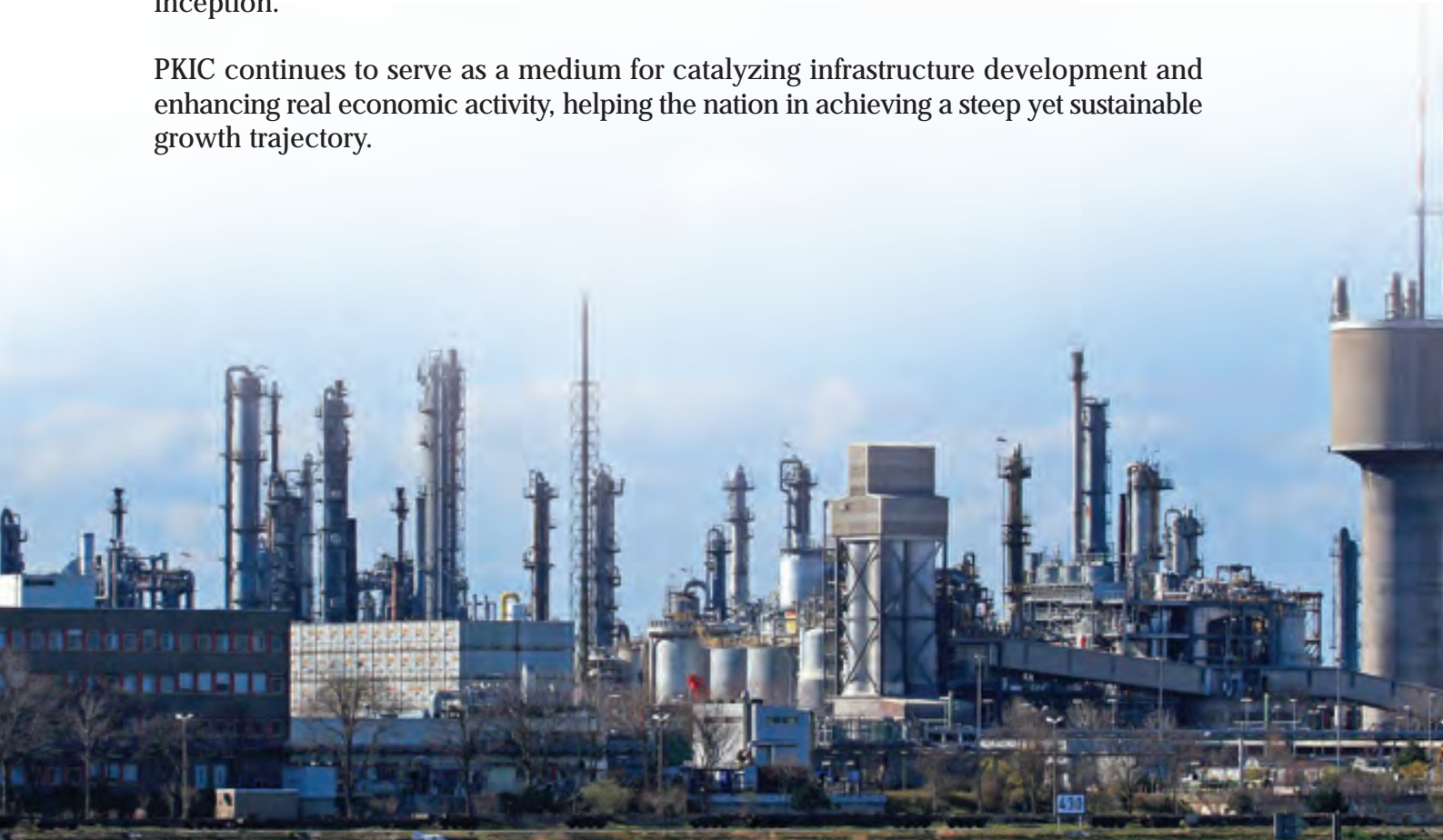
The Company is a joint venture between the Governments of Kuwait and Pakistan



COMPANY DESCRIPTION

Pakistan Kuwait Investment Company (Private) Limited (PKIC) is Pakistan's leading Development Financial Institution (DFI) engaged in investment and development banking activities in Pakistan. Established in 1979, the company initiated operations with a paid-up capital of Rs. 62.50 million. Over the years paid-up capital and reserves have increased manifold reflecting upon the company's impressive performance since inception.

PKIC continues to serve as a medium for catalyzing infrastructure development and enhancing real economic activity, helping the nation in achieving a steep yet sustainable growth trajectory.



VISION

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



MISSION

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



CORPORATE VALUES

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



CONTENTS

Corporate Information	06
Board of Directors	07
Management	08
Directors' Report (English)	09
Directors' Report (Urdu)	15
Statement of Compliance with the Applicable Clauses of Public Sector Companies (Corporate Governance) Rules, 2013 and Code of Corporate Governance	21
Review Report on Statement of Compliance	24
Statement on Internal Control	25
Financial Statements	27
Auditors' Report to the Members	28
Statement of Financial Position	29
Profit and Loss Account	30
Statement of Comprehensive Income	31
Statement of Changes in Equity	32
Cash Flow Statement	33
Notes to and Forming Part of the Financial Statements	34

CORPORATE INFORMATION

Mr. Abdullah Abdulwahab Al-Ramadhan	Chairman
Mr. Mohammad Reyad Al-Mutawa	Director
Mr. Saleem Zamindar	Director
Mr. Naveed Alauddin	Director
Mr. Faisal Adnan Al-Hunaif	Director
Mr. Mansur Khan	Managing Director

LEGAL ADVISOR

M/s. KMS Law Associate Advocates and
Corporate Consultants

AUDITORS

M/s. KPMG Taseer Hadi & Co.
Chartered Accountants

REGISTERED OFFICE

4th Floor, Block-C, Finance & Trade Centre,
Shahrah-e-Faisal, Karachi- 74400 (Pakistan)
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BOARD OF DIRECTORS



Abdullah Abdulwahab Al-Ramadhan
Chairman



Mansur Khan
Managing Director



Mohammad Reyad Al-Mutawa
Director



Faisal Adnan Al-Hunaif
Director



Saleem Zamindar
Director



Naveed Alauddin
Director

Executive Committee

Abdullah Abdulwahab Al-Ramadhan
Member

Mansur Khan
Member

Audit Committee

Saleem Zamindar
Chairman

Naveed Alauddin
Member

Mohammad Reyad Al-Mutawa
Member

Risk Management Committee

Abdullah Abdulwahab Al-Ramadhan
Chairman

Naveed Alauddin
Member

Faisal Adnan Al-Hunaif
Member

MANAGEMENT



Mansur Khan
Managing Director



Naeem Sattar
Company Secretary



Irfan Uddin Khan
Chief Financial Officer



Atif Anwer
Head of Capital
Markets, Treasury & FI



Naveed Sherwani
Head of Risk Management



Mazhar Sharif
Head of Compliance



Khurram Salman
Head of Internal Audit



Lt. Col. ® Asad Anwar Wajih
Head of Human Resources and GSSD

Directors' Report

The Directors of Pakistan Kuwait Investment Company (Private) Ltd (the Company) are pleased to present their Annual Report and Audited Financial Statements, setting out the detailed financial results of the Company for the year ended December 31, 2016, together with Auditors' Report thereon.

Company Performance

<i>For the Year (PKR million)</i>	2016	2015
Net Markup Based Income	784	864
Non Markup Income	3,787	2,620
Total Income	4,571	3,484
Operating Expenses	485	545
Profit before provisions	4,086	2,939
Provisions / (Reversal of Provisions)	(42)	435
Profit Before Taxation	4,128	2,504
Taxation	676	676
Profit After Taxation	3,452	1,828
<i>At Year end (PKR million)</i>	2016	2015
Total Assets	28,941	28,367
Liabilities	4,254	7,751
Share Capital	6,000	6,000
Reserves and Un-appropriated Profit	16,822	13,727

The Company earned a Profit after Tax of PKR 3.45 billion for the year ended December 31, 2016 against PKR 1.82 billion during similar period last year. This increase of 89% YoY in Profit after Tax was due to better returns from investments and higher share in results of associates. Higher share in result of associates is partly due to aligning of associates results for the period up to financial year end of the Company. Had these financial statements been prepared in line with the previous practice that is incorporating the results of associates based on their financial statements of preceding quarter, the profit after tax of the Company would have been lower by PKR 743 million. Total Assets of the Company stood at PKR 28.9 billion as of Dec 31, 2016 compared to PKR 28.4 billion at the end of last year. The advances portfolio decreased by 14% YoY to PKR 4.42 billion as the Company could not compete with the low-priced loans offered by commercial banks to corporate clients.

Net markup based income of the Company decreased by 9% YoY to PKR 784 million due to maturity of high yielding PIBs and lower spreads on lending to corporate clients.

Non markup based income of the Company increased by 44.6% YoY to PKR 3.8 billion mainly due to an increase in share in results of associates. The income from dividend stood at PKR 330 million with 4% reduction from last year. The administrative expenses of the Company decreased by 11% YoY basis. The Company has recorded a reversal of PKR 91 million from Administrative expenses relating to the provision of WWF from 2010 till 2013 in accordance with the decision of the Supreme Court of Pakistan whereby the amendments in Workers Welfare Fund Ordinance 1971 through Finance Act 2008 were declared unconstitutional.

Economic Review

The GDP growth accelerated to 4.71% in 2015-16 against the growth of 4.04% in the same period last year. The growth momentum is broad based, as commodity producing and services sectors have supported economic growth.

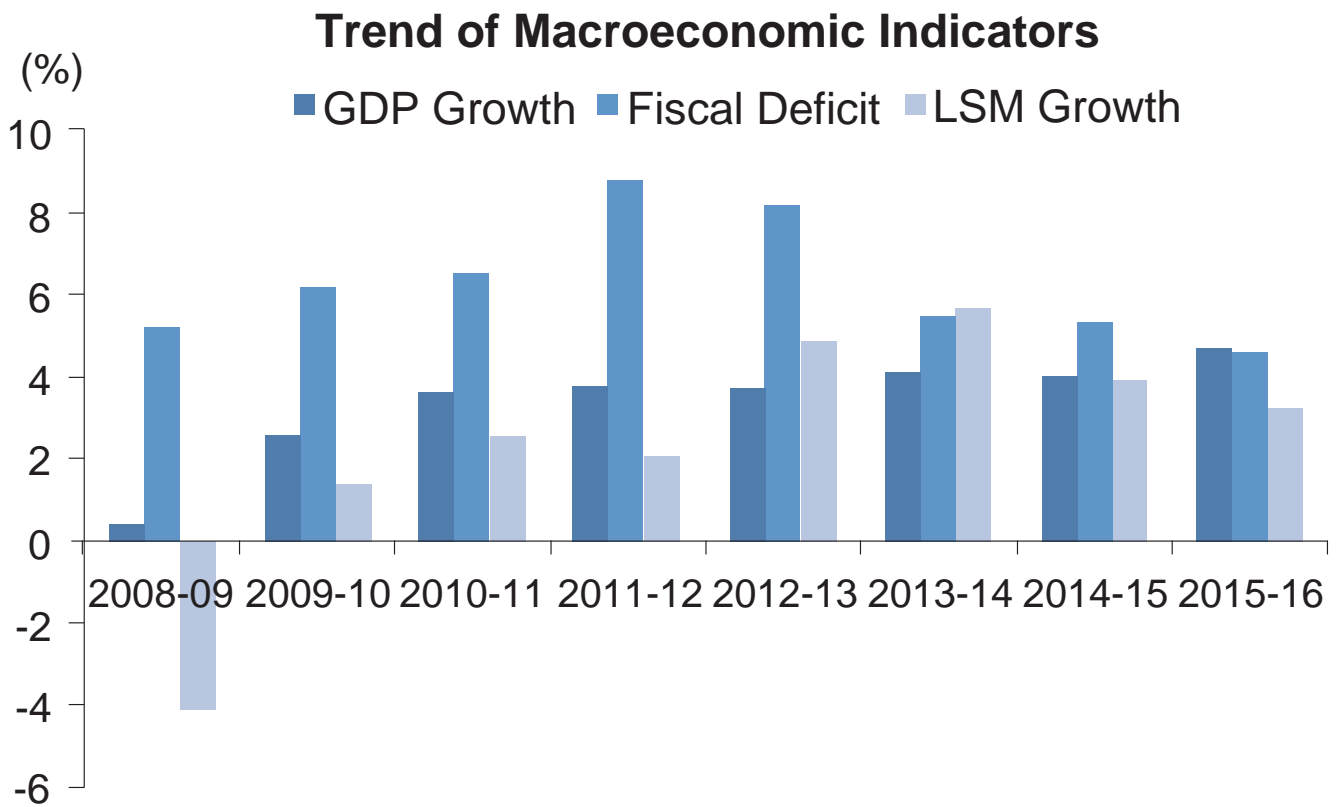
Fiscal sector of the economy has witnessed a notable improvement on account of contained expenditures and increased revenues. During 2016, fiscal deficit has been reduced to 4.6% of GDP as compared to 5.3% during 2015. Large scale manufacturing posted growth of 3.21% against 3.38% last year.

The Foreign Exchange reserves of Pakistan increased to more than USD 23 billion at the end of December 2016 where USD 18.27 billion were held by State Bank of Pakistan.

The domestic inflation indices increased slightly as moving average CPI for Jan-Dec 2016 increased to 3.88% on the back of relatively higher global commodity prices. As a consequence of subdued inflation and stable balance of payment situation, the SBP reduced its policy rate by 25 bps to 5.75% during 2016.

Advances of the banking sector to private sector grew by 13.5% during 2016 as investment sentiment has improved due to improvement in energy supply and law and order situation.

The year 2016 witnessed a significant increase in the stock market indices and the benchmark PSX -100 (formerly KSE-100) share index gained 46% during the year.



Source: - Economic Survey of Pakistan

Dividend

The Board of Directors is pleased to recommend a cash dividend of PKR 500 million for the year ended December 31, 2016.

Earnings per Share

The basic and diluted earnings per share has increased from PKR 7,619 to PKR 14,385 on share of PKR 25,000/- each.

Future Outlook

Development of CPEC will make Pakistan an economic hub to reach South and Central Asia. Progress towards energy sector reforms, strengthening corporate restructuring and improvement in law and order situation would further enhance investor confidence. PKIC will make every effort to benefit from the improvement in the economic environment.

Risk Management Framework

Effective risk management is fundamental to the success of the Company and is recognized as one of the strategic priorities. PKIC has a strong, disciplined risk management culture where risk management is a responsibility shared by all of the Company's team members. The primary goals of risk management are to ensure that the outcomes of risk-taking activities are consistent with the Company's strategies and risk appetite; and that there is an appropriate balance between risk and reward in order to maximize shareholder returns. The Company's risk management framework is in line with the regulatory guidelines and provides the foundation for achieving these goals. The Company has a well-established risk governance structure, with an active and engaged Board of Directors supported by its sub-committees, experienced senior management team and risk management department. The ultimate responsibility for risk management and setting of the risk management policy rests with the Board of Directors. The Board manages this responsibility through its subcommittee known as the Risk Management Committee (RMC). The Risk Management Committee receives regular updates on the key risks of the Company including summary of the Company's risk profile and performance of the portfolio against defined goals. RMC recommends key risk policies, limits, strategies, and risk appetite to the Board for onward approval.

Risk Management Department is responsible for the design and application of the Company's risk management framework and is independent of the Company's business units. It provides oversight of credit, market, liquidity, interest rate and operational risks. Credit risk is managed through the credit policy approved by the Board; a well-defined credit approval mechanism; use of internal risk ratings; prescribed documentation requirements; post-disbursement administration, review, and monitoring of credit facilities and continuous assessment of credit worthiness of counterparties. Market and Liquidity Risks are managed by the Asset & Liability Committee (ALCO) which is governed by defined terms of reference. Operational risk is managed through the risk policy approved by the Board, along with the operational manuals and procedures in place; Business Continuity Plan, including Disaster Recovery Plan for I.T. Assessment of enterprise-wide integrated risk profile of the Company is carried out, using the Basel Framework, Internal Capital Adequacy Assessment Process and Stress Testing.

Entity rating of Pakistan Kuwait Investment Company

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

The Company has been assigned a Corporate Governance Rating of 'CGR-9' by JCR-VIS. The assigned rating denotes a high level of Corporate Governance.

Compliance with Applicable Clauses of the Public Sector Companies (Corporate Governance) Rules, 2013 and Code of Corporate Governance – 2012

The Directors confirm the compliance with the applicable clause of the Public Sector Companies (Corporate Governance) Rules, 2013 and as good governance practice compliance with other relevant clauses of the Rules and Code of Corporate Governance (CCG). In this connection, the compliance of relevant clauses of Rules and CCG is stated below:

- the financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity
- The Company has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored. The controls which are in place are being continuously reviewed by the Internal Audit department and the process of review and monitoring will continue with the object to improve further.

- All liabilities in regard to the payment on account of taxes, duties, levies and charges have been fully provided and will be paid in due course or where claim was not acknowledged as liability the same is disclosed as contingent liabilities in the notes to the accounts.
- There is no doubt about the Company's ability to continue as a going concern.
- All the board members have attended an orientation course arranged by the company through Pakistan Institute of Corporate Governance (PICG).
- The Board has carried out the performance evaluation of its members under the Self Evaluation mechanism.
- The statutory audit of the Company has been carried out by the QCR rated firm.
- The Board of Directors and employees of the Company have signed 'Statement of Ethics and Business Practices' (Code of Conduct).

Internal Controls

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

Board Meetings

Four meetings of the Board of Directors of the Company were held in the year 2016 as per following schedule: -

1st Meeting	February 17, 2016
2nd Meeting	April 27, 2016
3rd Meeting	July 27, 2016
4th Meeting	November 16, 2016

Audit Committee Meetings

Four meetings of the Audit Committee of the Company were held in the year 2016 as per following schedule: -

1st Meeting	February 17, 2016
2nd Meeting	April 27, 2016
3rd Meeting	July 27, 2016
4th Meeting	November 16, 2016

Risk Management Committee Meetings

Four meetings of the Risk Management Committee of the Company were held in the year 2016 as per following schedule: -

1st Meeting	February 16, 2016
2nd Meeting	April 27, 2016
3rd Meeting	July 27, 2016
4th Meeting	November 15, 2016

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

Board Meetings Details:

Name of Directors	Meetings during the tenure	Meetings attended
Mr. Abdullah Abdulwahab Al-Ramadhan - Chairman (Non-Executive Director)	4	4
Mr. Mohammed R. Al-Mutawa - Member (Non-Executive Director)	4	4
Mr. Faisal Adnan Al-Hunaif - Member (Non-Executive Director)	4	4
Mr. Naveed Alauddin - Member (Non-Executive Director)	4	4
Mr. Saleem Zamindar - Member (Non-Executive Director)	4	4
Mr. Mansur Khan - Member Executive Director / Managing Director	4	4

Risk Management Committee Meeting Details:

Name of Directors	Meetings during the tenure	Meetings attended
Mr. Abdullah Abdulwahab Al-Ramadhan – Chairman	4	4
Mr. Naveed Alauddin – Member	4	4
Mr. Faisal Adnan Al-Hunaif - Member	4	4

Audit Committee Meeting Details:

Name of Directors	Meetings during the tenure	Meetings attended
Mr. Saleem Zamindar – Chairman	4	4
Mr. Mohammed R. Al-Mutawa – Member	4	4
Mr. Naveed Alauddin – Member	4	4

Summarized Operating and Financial Data for the last six years:

(PKR in millions)	2016	2015	2014	2013	2012	2011
Paid up Capital	6,000	6,000	6,000	6,000	6,000	6,000
Reserves	16,822	13,727	12,512	9,680	7,777	6,503
Total Assets	28,941	28,367	24,634	22,291	30,805	23,931
Profit before tax	4,128	2,504	3,195	2,807	2,058	1,726
Net Profit after tax	3,452	1,828	2,678	2,360	1,641	1,361
Cash Dividend	500	455	600	675	450	360
Stock Dividend	-	-	-	-	-	-

Note: For the purpose of comparisons, the figures for the years 2011-2013 have been taken from the consolidated financial statements.

Statement of Investments of Provident and Gratuity Funds

Investments of Provident and Gratuity Funds as at December 31, 2016 according to their respective un-audited accounts were PKR 146.655 million and PKR 85.962 million, respectively. Investment of Provident Fund and Gratuity Fund amounted to PKR 164.996 million and PKR 118.712 million respectively, as at December 31, 2015 according to its audited accounts.

Auditors

The present auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment. As required under the Code of Corporate Governance, the Audit Committee has recommended the appointment of M/s. KPMG Taseer Hadi & Co. Chartered Accountants as auditors of the Company for the year ending December 31, 2017.

Acknowledgement

We would like to express our sincere appreciation to our shareholders for having reposed confidence in us with their consistent support and guidance. We are also grateful to the Government of Pakistan, the Ministry of Finance, the State Bank of Pakistan, and the Securities & Exchange Commission of Pakistan for their guidance to the Company at all times.

An institution cannot be successful without its people, who are to be complimented for performing well under difficult circumstances. We would like to place on record the appreciation of the Board for the role of the team members for their commitment and dedication to work.

On behalf of the Board of Directors



Abdullah Abdulwahab Al-Ramadhan
Chairman



Mansur Khan
Managing Director

Date: March 5, 2017
Karachi

ناظمین (Directors) کی رپورٹ

پاکستان کویت انویسٹمنٹ کمپنی (پرائیویٹ) لمیٹڈ (کمپنی) کے ناظمین (Directors) اپنے گذشتہ سال جس کا اختتام 31 دسمبر 2016 کو ہوا تھا اس کی سالانہ رپورٹ، تصدیق شدہ مالیاتی گوشوارہ (Audited Financial Statements) جس میں کمپنی کے تفصیل سے مالیاتی نتائج درج ہیں بمعہ محاسب (Auditor's) کی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

کمپنی کی کارکردگی

2015	2016	برائے سال (پاک روپے ملین میں)
864	784	آمدن خالص مارک اپ کی بنیاد پر
2,620	3,787	آمدن بغیر مارک اپ کی بنیاد پر
3,484	4,571	کل آمدن
545	485	آپریٹنگ (عملی) اخراجات
2,939	4,086	منافع قبل از تخصیص (Provisions)
435	(42)	تخصیص / (تخصیص کی واپسی)
2,504	4,128	منافع قبل از محصول (taxation)
676	676	محصول
1,828	3,452	منافع بعد از محصول

2015	2016	اختتام سال پر (پاک روپے ملین میں)
28,367	28,941	کل اثاثہ جات
7,751	4,254	مالیاتی واجبات
6,000	6,000	کل ادا شدہ سرمایہ
13,727	16,822	محفوظ سرمایہ اور غیر مختص شدہ منافع

کمپنی نے سال 2016 میں 3.4 بلین پاکستانی روپے بعد از محصول کمائے جبکہ گذشتہ سال اسی مدت کے دوران 1.8 بلین پاکستانی روپے کمائے تھے۔ سال بہ سال منافع بعد از محصول میں 89 فیصد اضافے کی وجہ سرمایہ کاری پر بہتر منافع اور کاروباری شرکاء کے مالیاتی نتائج میں بڑھا ہوا حصہ تھا۔ کاروباری شرکاء کے مالیاتی نتائج میں بڑھے ہوئے حصے کی جزوی کی وجہ 31 دسمبر 2016 تک کے نتائج کا انضمام ہے۔ اگر ان مالیاتی دستاویزات (Financial Statements) کی تیاری گذشتہ سہ ماہی میں استعمال کئے گئے طریقہ کار کے مطابق کاروباری شرکاء کے مالیاتی دستاویزات سے دستیاب نتائج کی بنیاد پر کی جاتی تو کمپنی کا بعد از ٹیکس منافع 743 بلین پاکستانی روپوں سے کم ہو چکا ہوتا۔ گذشتہ اختتام سال پر کمپنی کے کل اثاثہ جات (Total Assets) 28.9 بلین پاکستانی روپے کے مقابلے میں 31 دسمبر 2016 کو کمپنی کے کل اثاثہ جات 28.9 بلین پاکستانی روپے رہے۔ بینکوں نے کارپوریٹ گاہکوں کو کم قیمت کے قرضہ جات کی فراہمی کی، جس کا مقابلہ مشکل ہونے کی وجہ سے کمپنی کے سال بہ سال ایڈوانس پورٹ فولیو (Advance portfolio) میں 13.5 فیصد کمی کے ساتھ 4.42 بلین پاکستانی روپے رہا۔

بینکنگ نظام میں زیادہ سالیتم (Liquidity) نے قرضوں کی فراہمی پر منافع کو کم کر دیا اس لئے کمپنی کی مارک اپ کی بنیاد کی خالص آمدنی 9 فیصد کمی کے ساتھ 784 بلین پاکستانی روپے رہی۔

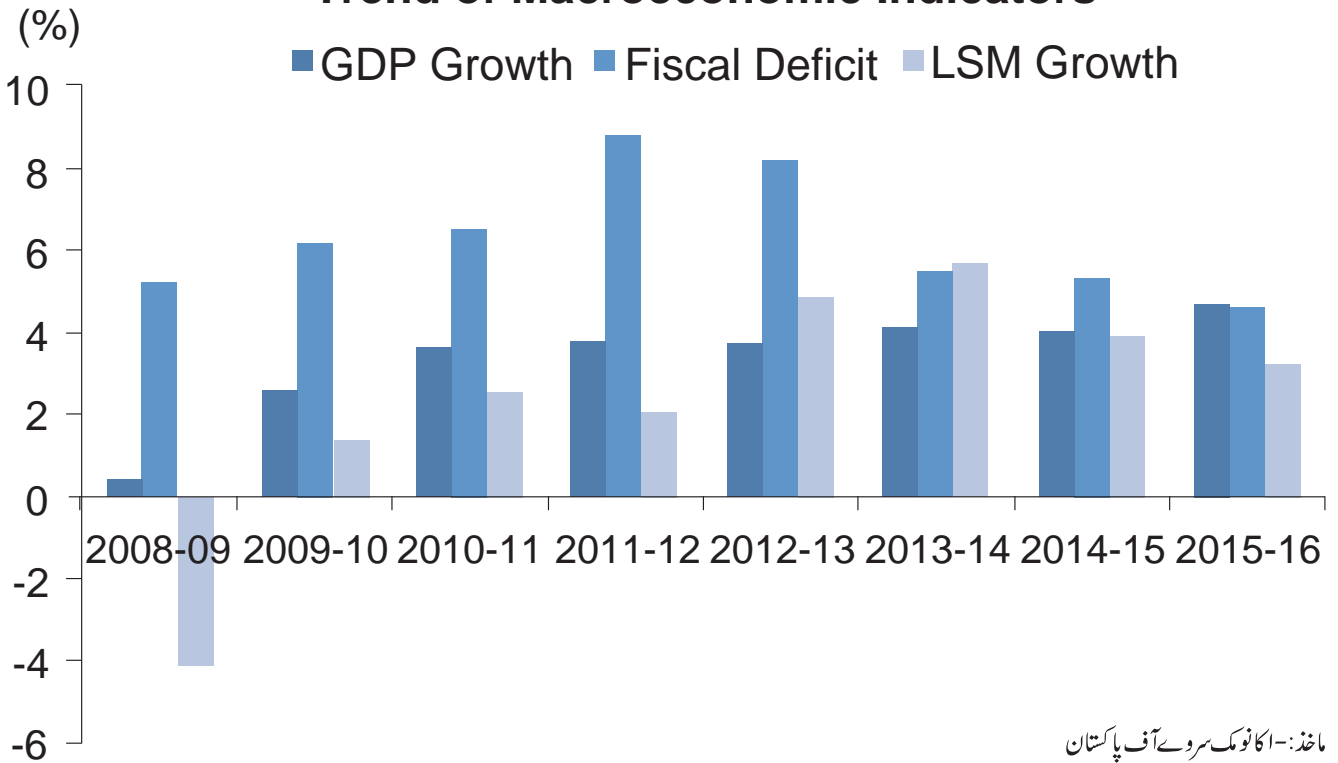
بنیادی طور پر کاروباری شرکاء کے نتائج میں کمپنی کے حصے میں اضافے کی وجہ سے کمپنی کے سال بہ سال بغیر مارک اپ آمدنی 12 فیصد اضافے کے ساتھ 2.9 بلین پاکستانی روپے رہی۔ گذشتہ سال کی حصص کے منافع سے آمدنی (income from dividend) چار فیصد اضافے کے ساتھ 330 بلین پاکستانی روپے رہی۔ کمپنی کے سال بہ سال کے انتظامی اخراجات میں 11 فیصد کمی ہوئی۔ سپریم کورٹ کے فیصلے کے مطابق 2010 سے 2013 تک WWF کی فراہمی سے متعلق ترامیم جو فنانس بل 2008 کے ذریعے ویلفیئر فنڈ آرڈیننس 1971 میں کی گئی تھی ان کو غیر آئینی قرار دے دیا گیا ہے کمپنی نے 91 بلین روپے کا پرویشن واپس لے لیا ہے۔

معاشی جائزہ

سال 2015-16 میں مجموعی قومی پیداوار (GDP) کی رفتار میں اضافے کے ساتھ 4.71 فیصد پہنچ گئی جو گذشتہ سال اسی مدت میں 4.04 فیصد تھی۔ یہ مقدار حرکت (Momentum) میں اضافہ وسیع بنیاد ہے جس میں اجناس کی پیداوار اور خدمات کے شعبوں نے معاشی ترقی میں مدد کی۔

معیشت کے مالیاتی شعبے نے اخراجات میں کمی اور مالگداری (Revenues) میں اضافہ کی صورت میں غیر معمولی بہتری دکھائی۔ سال 2015 میں مالی خسارہ ملکی مجموعی پیداوار (GDP) کا 5.33 فیصد کے مقابلے میں سال 2016 میں کم ہو کر 4.6 فیصد ہو گیا۔ بڑے پیداواری شعبے نے گذشتہ سال کے 3.38 فیصد کے مقابلے میں 3.21 فیصد اضافہ دکھایا۔

Trend of Macroeconomic Indicators



دسمبر 2016 میں پاکستان کے غیر ملکی زرمبادلہ کے ذخائر بڑھ کر 23 بلین امریکی ڈالر سے تجاوز کر گئے جس میں سے 18.27 بلین امریکی ڈالر بینک دولت پاکستان کے پاس ہیں۔

اجناس کی نسبتاً بڑھی ہوئی بین الاقوامی قیمتوں کے پس منظر میں جنوری-دسمبر 2016 میں محرک اوسط پی آئی آئی (moving average CPI) بڑھ کر 3.88 فیصد ہو گیا جس کی وجہ سے ملکی افراط زر کے انڈیکس میں معمولی اضافہ ہوا۔ کم ہوتا ہوا افراط زر اور مستحکم ادائیگیوں کے توازن کے صورتحال میں بینک دولت پاکستان نے سال 2016 میں اپنے پالیسی ریٹ میں 25bps کے ساتھ 5.75 فیصد کر دیا۔

توانائی کی فراہمی اور امن و امان کی صورتحال میں بہتری سے سرمایہ کاری کے رجحان میں بھی بہتری آئی اور سال 2016 میں بینکنگ کے شعبے کے نجی شعبے کو قرضہ جات کی فراہمی میں 13.5 فیصد اضافہ ہوا۔

سال 2016 نے اسٹاک مارکیٹ انڈیکس اور پیچ مارک PSX-100 (سابقہ KSE-100) شیئر انڈیکس اہم اضافہ دیکھا اور سال میں 46 فیصد اضافہ ہوا۔

حصص سے آمدنی (Dividend)

بورڈ آف ڈائریکٹرز اس بات میں خوشی محسوس کرتے ہیں کہ وہ سال جس کا اختتام 31 دسمبر 2016 کو ہوا ہے 500 ملین پاکستانی روپوں کا کیش حصص سے آمدنی (Dividend) تجویز کریں۔

کمائی فی حصص

25,000 کے مالیت کے حصص کی بنیادی اور گھٹی ہوئی کمائی فی حصص 7,619 پاکستانی روپے سے بڑھ کر 14,385 روپے ہو گئی ہے۔

مستقبل کا منظر نامہ

چین پاکستان اقتصادی راہداری (CPEC) کی تکمیل پاکستان کو جنوبی اور وسطی ایشیا تک رسائی کے لیے اسے ایک معاشیاتی مرکز بنادے گا۔ توانائی کے شعبہ میں اصلاحات میں پیش رفت، صنعتی اداروں میں ردوبدل کے عمل کی مضبوطی اور امن و امان میں بہتری سے سرمایہ کاروں کے اعتماد میں مزید اضافہ ہوگا۔ PKIC ہر ممکن کوشش کرے گی کہ وہ اقتصادی ماحول میں بہتری سے فائدہ اٹھائے۔

رسک منجمنٹ کا ڈھانچہ (Risk Management Framework)

موثر خطرے سے نپٹنے کی تدبیر (Effective Risk Management) کمپنی کی ترقی کے لائحہ عمل کی بنیادی ترجیحات ہے۔ اہم نکات ہیں۔ PKIC کے پاس خطرے سے نپٹنے کا مضبوط نظم و ضبط کا کلچر (Risk Management Culture) موجود ہے جہاں خطرے سے نپٹنے کی انتظام (Risk Management) میں کمپنی کی ٹیم کے تمام ارکان اس میں حصہ لیتے ہیں۔ خطرے سے نپٹنے کی انتظام (Risk Management) کا بنیادی مقاصد پر خطر کاروباری سرگرمیوں سے حاصل شدہ نتائج کمپنی کے لائحہ عمل اور خطرے کا رجحان سے ہم آہنگ ہوں تاکہ حصص یافتگان کے منافع کو زیادہ سے زیادہ کیا جاسکے۔ خطرے سے نپٹنے کی انتظام (Risk Management) کا ڈھانچہ انضباطی رہنما اصولوں کے مطابق ہے اور ان مقاصد کے حصول کے لیے بنیاد فراہم کرتا ہے۔ کمپنی کے پاس ایک خطرے سے نپٹنے کا ایک مربوط ڈھانچہ (Structure) موجود ہے اور اس کے ساتھ متحرک اور کاموں میں ملوث بورڈ آف ڈائریکٹرز جس کو اس کی ذیلی کمیٹیوں، سینئر انتظامیہ کی ٹیم اور رسک منجمنٹ کے شعبے کا تعاون حاصل ہے۔ خطرے سے نپٹنا (Risk Management) اور خطرے سے نپٹنے (Risk Management) کی پالیسی کی تیاری کی حتمی ذمہ داری بورڈ آف ڈائریکٹرز کی ہے۔ بورڈ یہ ذمہ داری اپنی ذیلی کمیٹی کے ذریعے سرانجام دیتا ہے جس کا نام رسک منجمنٹ کمیٹی (RMC) ہے۔ رسک منجمنٹ کمیٹی باقاعدگی سے کمپنی کے بنیادی خطرات کی تازہ ترین معلومات حاصل کرتی ہے بشمول کمپنی کے طے شدہ اہداف کے سلسلے میں کمپنی کے رسک پروفائل کا خلاصہ اور کارکردگی کا پورٹ فولیو۔ RMC بنیادی رسک پالیسیاں، حدود، لائحہ عمل اور خطرے کے رجحان سے متعلق تجاویز بورڈ کو منظوری کے لیے پیش کرتی ہے۔

رسک منجمنٹ کا شعبہ، کمپنی کی کاروباری اکائی سے آزاد شعبہ ہے اور یہ کمپنی کے خطرے سے نپٹنے کے ڈھانچہ (Framework) کا ڈیزائن اور اس پر عملدرآمد اس کی ذمہ داریوں میں شامل ہے۔ یہ قرضہ جات کی نگرانی، منڈی (Market)، سائلیٹ (Liquidity)، شرح سود اور آپریشن سے متعلق خطرات کے بارے میں معلومات فراہم کرتی ہے۔ قرضوں سے متعلق تمام خطرات کا انتظام بورڈ سے منظور شدہ قرضہ پالیسی کے ذریعے کیا جاتا ہے؛ قرضہ کی منظوری کا واضح طریقہ کار؛ اندرونی رسک ریٹنگز؛ معینہ دستاویزات کی ضروریات؛ بعد از ادائیگی انتظام؛ قرضہ جات کی سہولیات کا جائزہ اور نگرانی اور فریق ثانی کی مالی اہلیت کا مسلسل اندازہ لگانا۔ منڈی (Market) اور سائلیٹ (Liquidity) کے خطرات کا انتظام اثاثہ جات اور مالیاتی ذمہ داری (Asset and Liability) کمیٹی (ALCO) متعین تواند و ضوابط کے تحت کرتی ہے۔ آپریشن کے خطرات (Operational Risk) کا انتظام بورڈ سے منظور شدہ رسک پالیسی بشمول آپریشن کے کتا بچوں اور کام کرنے کے موجود طریقوں کے مطابق؛ کاروبار کے تسلسل کے منصوبے، بشمول آئی ٹی (IT) کی تباہی کے بعد بحالی کا منصوبہ کے ذریعے کیا جاتا ہے۔ بیسل ڈھانچے (Basel Framework)، اندرونی سرمایہ کی موزونیت کے اندازے کا عمل (Process) Internal Capital Adequacy Assessment) اور باؤ (stress) ٹیسٹنگ کے ذریعے پوری کمپنی کا مربوط رسک پروفائل کا اندازہ کیا جا چکا ہے۔

پاکستان کو بیت انویسٹمنٹ کمپنی پرائیویٹ لمیٹڈ کی اینٹیٹی ریٹنگ

پاکستان کریڈٹ ریٹنگ ایجنسی (پیکرا) نے کمپنی کی طویل المدتی اینٹیٹی ریٹنگ ٹریپل اے (AAA) قائم رکھی ہوئی ہے اور قلیل المدتی ریٹنگ "اے ون پلس (A1+)" رکھی ہے جو اعلیٰ ترین سطح ہے۔ جسے آر۔ وی آئی ایس نے کمپنی کو کارپوریٹ گورننس ریٹنگ GCR-9 تفویض کی ہے۔ یہ مقررہ ریٹنگ کارپوریٹ گورننس کی اعلیٰ سطح ظاہر کرتی ہے۔

پبلک سیکٹر کمپنیز (کارپوریٹ گورننس) رولز 2013ء کے پبلک سیکٹر کمپنیز سے متعلق شقوں اور کارپوریٹ گورننس کے ضوابط مجریہ 2012ء کی تعمیل

تمام ڈائریکٹران تصدیق کرتے ہیں کہ پبلک سیکٹر کمپنیز (کارپوریٹ گورننس) ضوابط مجریہ 2013ء کی تمام متعلقہ شقوں کی تعمیل کی گئی ہے اور اچھے نظم و ضبط پر عمل کیلئے کارپوریٹ گورننس (سی سی جی) کے اصول و ضوابط کی تعمیل کی گئی ہے۔ اس سلسلہ میں سی سی جی ضوابط کی متعلقہ شقوں کی تفصیل درج ذیل ہے:

- کمپنی انتظامیہ کے تیار کردہ مالیاتی گوشوارے اسکے معاملات کی حالت، عملی امور کے نتائج، کیش فلواور ملکیت (ایکویٹی) میں تبدیلی بہتر طور پر پیش کرتے ہیں۔
- کمپنی نے موزوں کھاتوں کی کتابیں (Books of Accounts) قائم رکھی ہوئی ہیں
- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب حکمت عملی یکساں طور پر اپنائی گئی ہے اور اکاؤنٹنگ تخمینوں کی بنیاد معقول اور محتاط پر رکھ پر ہے۔
- پاکستان میں قابل اطلاق بین الاقوامی مالیاتی رپورٹنگ معیار پر عمل کرتے ہوئے مالیاتی گوشوارے تیار کئے گئے ہیں اور ان سے کسی بھی انحراف کو مناسب طور پر ظاہر کیا گیا ہے۔
- اندرونی کنٹرول کا نظام کا ڈیزائن پائیدار بنیادوں پر تیار کیا گیا ہے اور اس کا موثر نفاذ اور نگرانی کی گئی ہے۔ انٹرنل آڈٹ ڈپارٹمنٹ مقرر کردہ کنٹرولز کا مسلسل جائزہ لیتا رہتا ہے اور نگرانی اور جائزہ کا یہ عمل جاری رہے گا تاکہ مزید بہتری لائی جاسکے۔
- تمام واجبات جو ٹیکس، ڈیوٹیز، لیویز اور اخراجات ادا کرنے کے لئے درکار ہیں ان کا مکمل انتظام کیا گیا ہے اور یہ وقت مقررہ پر ادا کر دیئے جاتے ہیں یا جہاں کلیم کو واجبات میں شمار نہیں کیا گیا تو ان کو اکاؤنٹ کے نوٹس میں اتفاقاً مالیاتی ذمہ داریوں کے طور پر ظاہر کیا گیا ہے۔
- کمپنی کی ایک جاری ادارے کے طور پر چلتے رہنے میں کوئی شبہ نہیں ہے۔
- بورڈ کے تمام ممبران نے پاکستان انسٹیٹیوٹ آف کارپوریٹ گورننس (پی آئی سی جی) کے تحت منعقدہ ایک تعارفی (Orientation) کورس میں شرکت کی ہے۔
- بورڈ نے خود تشخیصی کے طریقہ کار کے تحت اپنے ممبران کی کارکردگی کی تشخیص کی ہے۔
- کمپنی کا دستوری احساب (Statutory Audit) آڈٹ ایک کیوی آر ریویڈ فرم نے کیا ہے۔
- بورڈ آف ڈائریکٹرز اور کمپنی کے ملازمین نے 'اخلاقیات اور کاروباری طرز عمل' کی دستاویز (Statement) پر دستخط کئے ہیں (کوڈ آف کنڈکٹ)

اندرونی نگرانی کا نظام (Internal Control)

بورڈ آف ڈائریکٹرز اس بات کی تصدیق کرتے ہیں کہ انتظامیہ کا آئی سی ایف آر کے بارے میں تخمینہ اور تمام اندرونی کنٹرول جو کہ "انٹرنل کنٹرول کے اسٹیٹمنٹ" میں بیان کیا گیا ہے وہ سالانہ رپورٹ میں شامل ہے۔

بورڈ کے اجلاس

سال 2016 میں رسک مینجمنٹ کمیٹی کے درج ذیل جدول کے مطابق 4 اجلاس ہوئے،

تاریخ	اجلاس
17 فروری 2016	پہلا اجلاس
27 اپریل 2016	دوسرا اجلاس
27 جولائی 2016	تیسرا اجلاس
16 نومبر 2016	چوتھا اجلاس

آڈٹ کمیٹی کے اجلاس

سال 2016 میں رسک مینجمنٹ کمیٹی کے درج ذیل جدول کے مطابق 4 اجلاس ہوئے،

تاریخ	اجلاس
17 فروری 2016	پہلا اجلاس
27 اپریل 2016	دوسرا اجلاس
27 جولائی 2016	تیسرا اجلاس
16 نومبر 2016	چوتھا اجلاس

رسک مینجمنٹ کمیٹی کے اجلاس

سال 2016 میں رسک مینجمنٹ کمیٹی کے درج ذیل جدول کے مطابق 4 اجلاس ہوئے،

16 فروری 2016	پہلا اجلاس
27 اپریل 2016	دوسرا اجلاس
27 جولائی 2016	تیسرا اجلاس
15 نومبر 2016	چوتھا اجلاس

بورڈ اور اس کی ذیلی کمیٹی کی میٹنگز (کے اجلاس) میں حاضری کی تفصیلات درج ذیل ہیں

بورڈ میٹنگ (کے اجلاس) کی تفصیلات

اجلاس میں شرکت کی تعداد	دوران مدت اجلاس کی تعداد	ڈائریکٹرز کے نام
4	4	جناب عبداللہ عبدالوہاب ال رمضان، چیئرمین، (نان ایگزیکٹو ڈائریکٹر)
4	4	جناب محمد رائد الممتاوا، رکن، (نان ایگزیکٹو ڈائریکٹر)
4	4	جناب فیصل عدنان ال خلیف، رکن، (نان ایگزیکٹو ڈائریکٹر)
4	4	جناب نوید علاؤ الدین، رکن، (نان ایگزیکٹو ڈائریکٹر)
4	4	جناب سلیم زمیندار، رکن، (نان ایگزیکٹو ڈائریکٹر)
4	4	جناب منصور خان، رکن، (ایگزیکٹو ڈائریکٹر/میجنگ ڈائریکٹر)

رسک مینجمنٹ کمیٹی کی اجلاس کی تفصیلات

اجلاس میں شرکت کی تعداد	دوران مدت اجلاس کی تعداد	ڈائریکٹرز کے نام
4	4	جناب عبداللہ عبدالوہاب ال رمضان، چیئرمین
4	4	جناب نوید علاؤ الدین، رکن
4	4	جناب فیصل عدنان ال خلیف، رکن

آڈٹ کمیٹی کی اجلاس کی تفصیلات

اجلاس میں شرکت کی تعداد	دوران مدت اجلاس کی تعداد	ڈائریکٹرز کے نام
4	4	جناب سلیم زمیندار، چیئرمین
4	4	جناب محمد رائد الممتاوا، رکن
4	4	جناب نوید علاؤ الدین، رکن

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

2011	2012	2013	2014	2015	2016	روپے ملین میں
6,000	6,000	6,000	6,000	6,000	6,000	اداشدہ سرمایہ
6,503	7,777	9,680	12,512	13,727	16,822	محفوظ سرمایہ
23,931	30,805	22,291	24,634	28,367	28,941	کل اثاثہ جات
1,726	2,058	2,807	3,195	2,504	4,128	منافع قبل از محصول (tax)
1,361	1,641	2,360	2,678	1,828	3,452	منافع بعد از محصول (tax)
360	450	675	600	455	500	منافع نقد (Cash Dividend)
-	-	-	-	-	-	اشاک ڈیویڈنڈ

نوٹ: اعداد و شمار کے تقابل کے لیے 2011 تا 2013 کے سالوں کے اعداد و شمار ان سالوں کی انضمام شدہ مالیاتی اسٹیٹمنٹس سے حاصل کی گئی ہیں

پراویڈینٹ اور گریجویٹ فنڈز کی سرمایہ کاری کا اسٹیٹمنٹ

31 دسمبر 2016 تک پراویڈینٹ اور گریجویٹ فنڈز کے غیر تصدیق شدہ کھاتوں کے مطابق سرمایہ کاری کی تفصیل بالترتیب 146.655 ملین اور 85.962 ملین پاکستانی روپے رہی۔ 31 دسمبر 2015 تک پراویڈینٹ اور گریجویٹ فنڈز کے تصدیق شدہ کھاتوں کے مطابق سرمایہ کاری کی مالیت بالترتیب 164.996 ملین اور 118.712 ملین پاکستانی روپے رہی۔

محاسب (Auditors)

موجودہ آڈیٹرز کے پی ایم جی تاسیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس، مدت معاہدہ ختم ہوتا ہے اور اس بات کے اہل ہونے کی وجہ سے اپنے آپ کو دوبارہ منتخب کروانے کے لیے اپنی خدمات دوبارہ پیش کرتے ہیں۔ آڈٹ کمیٹی، کارپوریٹ گورننس میں درج ضابطوں کے مطابق، میسرز کے پی ایم جی تاسیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس کو سال جس کا اختتام 31 دسمبر 2017 کو ہوگا تک کے لیے منتخب کرنے کی تجویز پیش کر چکی ہے۔

اعتراف

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

کوئی ادارہ بھی اپنے لوگوں کے بغیر کامیاب نہیں ہو سکتا، جن کی مشکل حالات میں بہتر کارکردگی دکھانے پر ان کی کاوشوں کو سراہا جانا چاہیے۔ ہم اپنے ٹیم کے ارکان کی کام سے لگن اور اخلاص کو سراہتا ہے اس بات کو رکارڈ پر لانا چاہتا ہے۔

بورڈ کے ڈائریکٹرز کے جانب سے



منصور خان، مینجنگ ڈائریکٹر



عبداللہ عبدالوہاب ال رمضان، چیئرمین

بتاریخ 5 مارچ 2017

کراچی

Statement of Compliance with the Applicable Clauses of Public Sector Companies (Corporate Governance) Rules, 2013 and Code of Corporate Governance for the Year Ended December 31, 2016

This statement is being presented to comply with the applicable clauses of Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a framework of good governance and the clauses of Code of Corporate Governance (CCG) issued by the Securities and Exchange Commission of Pakistan (SECP). The SECP through its letter dated July 2, 2013 had advised that in the event of any inconsistency between the requirement of the rules and the Code, the provision of the rules shall prevail. Further, SECP through its letter dated February 10, 2014 had granted the exemption to the Company from applicability of Rules subject to the condition that the training of directors, performance evaluation of the Board and audit of the financial statements of the Company through QCR rated firms shall be ensured. Moreover, the SBP vide BPRD circular No. 14 dated October 20, 2016 has intimated that the requirement of the CCG as mentioned in Prudential Regulation are now no longer applicable on DFIs, however it is expected that all DFIs will continue to follow the best practices on corporate governance.

I. The Company has complied with the applicable clauses of the Rules in the following manner:

- (a) The Board has carried out the performance evaluation of its members, including the Chairman and the Chief Executive, on the basis of 'Board Self Evaluation' (BSE) process. The Self Evaluation of the Members of the Board and its Sub-Committees was conducted under the supervision of Pakistan Institute of Corporate Governance (PICG). The Board has also monitored and assessed the performance of senior management on annual basis.
- (b) All the board members underwent an orientation course arranged by the Company. The purpose of the "Director Orientation Workshop" (DOW) conducted through Pakistan Institute of the Corporate Governance (PICG) was to appraise the Board regarding the material development and information as specified in the Rules. All the directors were provided with an Orientation Package on their appointment. Currently five directors have completed the Director's Training Certification under the Directors Training Program as prescribed by SECP. The Board is encouraging other member to get the Directors Training Certification as soon as possible.
- (c) The statutory audit of the Company has been carried out by the audit firm which has been given the satisfactory rating under the 'Quality Control Review' (QCR) Rating Program of the Institute of Chartered Accountant of Pakistan (ICAP).

II. The Company as good governance practices has also complied with CCG and other relevant clauses of Rules in the following manner:

1. The Board of Directors ("the Board") of the Company comprises of 5 non-executive directors and one executive director. All the directors are nominees of the respective joint venture partner governments under requirements of the Joint Venture Agreement (JVA) between them. At present the Board includes:

Category	Names
Executive Director	• Mr. Mansur Khan
Non-Executive Directors	• Mr. Abdullah Abdulwahab Al-Ramadhan • Mr. Mohammed R. Al-Mutawa • Mr. Faisal Adnan Al-Hunaif • Mr. Naveed Alauddin • Mr. Saleem Zamindar

2. No casual vacancy occurred during the year.
3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFIs or, being a member of a Stock Exchange has been declared as a defaulter by that Stock Exchange.
4. 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).

5. The Company applies the fit and proper criteria given in the Prudential Regulations (PRs) issued by State Bank of Pakistan in making nominations of the persons for appointment as board members under the provisions of the Companies Ordinance 1984. (the "Ordinance"). However, no appointment was made during the year.
6. As per the Articles of Association and JVA, the Chairman was elected amongst Kuwaiti Directors while the Managing Director was elected amongst Pakistani Directors.
7. (a) The Company has prepared a "Statement of Ethics & Business Practices" ("the 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, including posting the same on the Company's website (www.pkic.com).
(b) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.
8. The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.
9. The Board has developed and enforced appropriate policy related matters on conflict of interest, the clauses of which are contained in relevant policies to lay down circumstances or considerations when person may be deemed to have actual or potential conflict of interests, and the procedures for disclosing such interest.
10. The Board has developed and implemented policy related matters on anti-corruption, the clause of which are contained in the relevant policies to minimize actual or perceived corruption in the Company.
11. The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.
12. The Board has developed a vision or mission statement, 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.
13. The meetings of the Board of Directors were presided over by the Chairman
 - (a) The Board has met at least four times during the year.
 - (b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.
 - (c) The minutes of the meetings were appropriately recorded and circulated.
14. The Board has reviewed and approved the related party transactions placed before it after recommendations of the Audit Committee. A party wise record of transactions entered into with the related parties during the year has been maintained.
15. The Board has approved the profit and loss account for, and Statement of Financial Position as at the end of, the first, second and third quarter of the year as well as the financial year end, and has placed the annual financial statements on the company's website. Monthly accounts were also prepared and circulated amongst the board members.
16. The Board has formed the following Board Sub- Committees.

Committee	Name of Chairman / Members
Audit Committee	Mr. Saleem Zamindar – Chairman Mr. Naveed Alauddin – Member Mr. Mohammad Reyad Al-Mutawa – Member
Risk Management Committee	Mr. Abdullah Abdulwahab Al-Ramadhan – Chairman Mr. Naveed Alauddin – Member Mr. Faisal Adnan Al-Hunaif – Member
Executive Committee (entrusted with Human Resources responsibilities)	Mr. Abdullah Abdulwahab Al-Ramadhan – Member Mr. Mansur Khan – Member

17. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, with their remuneration and terms and conditions of employment, and as per their prescribed qualifications.
18. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and Ordinance and fully describes the salient matters required to be disclosed.
19. The Directors, Chief Executive and Executives do not hold any interest in the shares of the Company.
20. A formal and transparent procedure for fixing the remuneration packages of Executive Director has been set in place.
21. The financial statements of the Company were duly endorsed by the Chief Executive and Chief Financial Officer, before approval of the Board.
22. The Audit Committee has met at least once every quarter of the financial year ended December 31, 2016. These meetings were held prior to the approval of interim results by the Board of Directors. The Chief Executive and Chairman of the Board are not members of the Audit Committee.
23. The Board has set up an effective internal audit function, which has an Audit Charter, duly approved by the Audit Committee, and which worked in accordance with the applicable standards.
24. 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 and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.
25. The Company has complied with all the corporate and financial reporting requirements of applicable clauses of the Rules and CCG.
26. 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 Chief Executive, other executive and non-executive directors, have been taken by the Board / shareholders.



Abdullah Abdulwahab Al-Ramadhan
Chairman



Mansur Khan
Managing Director

Date: March 5, 2017
Karachi



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Chartered Accountants
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Review Report to the Members on the Statement of Compliance with the Applicable Clauses of Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) and Code of Corporate Governance for the year ended December 31, 2016

We have reviewed the enclosed Statement of Compliance with the applicable clauses of the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) and the Code of Corporate Governance (Code) prepared by the Board of Directors of Pakistan Kuwait Investment Company (Private) Limited for the year ended December 31, 2016 to comply with the requirements of Rules and Code.

The responsibility for compliance with the Rules and Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Rules and Code and report if it does not and to highlight any non-compliance with the requirements of the Rules and 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 Rules and 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 Rules and Code require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the 'Statement of Compliance' does not appropriately reflect the Company's compliance, in all material respects, with the applicable clauses of the Rules and Code as applicable to the Company for the year ended December 31, 2016.

Date: March 5, 2017
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Statement on Internal Control

REPORTING ON INTERNAL CONTROL SYSTEM

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

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

Alongside this appropriate test of transactions, observation of control environment, sharing of findings of Internal Control System and ensuring relevant appropriate follow-ups / corrective actions are also being done by the management on regular basis.

Internal Control System in the company is designed to manage, rather than eliminate the risk of failure to achieve the business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

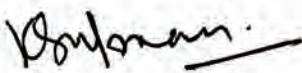
EVALUATION OF EXISTING INTERNAL CONTROL SYSTEM

The company has made efforts to ensure during the year 2016 that an effective and efficient Internal Control System is implemented and no compromise is made in implementing the desired control procedures and maintaining suitable control environment in general. However, it is an ongoing process that includes identification, evaluation and management of significant risks faced by the company.

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

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

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



Head of Internal Audit



Chief Financial Officer



Managing Director



Chairman Audit Committee

Date: March 5, 2017
Karachi

Financial Statements

For the year ended December 31, 2016



KPMG Taseer Hadi & Co.
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Karachi, 75530 Pakistan

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of Pakistan Kuwait Investment Company (Private) Limited ("the Company") as at December 31, 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and 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 Board of Directors 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 International Standards on Auditing 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 balance sheet and 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;
 - (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 statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2016 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Date: March 5, 2017
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Iftikhar Anjum

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Statement of Financial Position

As at December 31, 2016

2016 (USD in '000)	2015		Note	2016 (Rupees in '000)	2015
		ASSETS			
593	612	Cash and balances with treasury banks	6	61,995	63,957
160	198	Balances with other banks	7	16,691	20,718
25,171	-	Lendings to financial institutions	8	2,632,880	-
202,739	211,692	Investments	9	21,206,169	22,142,622
42,281	48,888	Advances	10	4,422,496	5,113,644
1,930	1,616	Operating fixed assets	11	201,875	169,034
-	-	Deferred tax assets		-	-
3,817	8,193	Other assets	13	399,306	857,012
<u>276,691</u>	<u>271,199</u>			<u>28,941,412</u>	<u>28,366,987</u>
		LIABILITIES			
-	-	Bills payable		-	-
25,448	59,723	Borrowings	14	2,661,764	6,246,955
35	1,718	Deposits and other accounts	15	3,650	179,750
-	-	Subordinated loans		-	-
-	-	Liabilities against assets subject to finance lease		-	-
10,856	8,201	Deferred tax liabilities	12	1,135,537	857,838
4,332	4,461	Other liabilities	16	453,141	466,550
<u>40,671</u>	<u>74,103</u>			<u>4,254,092</u>	<u>7,751,093</u>
<u>236,020</u>	<u>197,096</u>	NET ASSETS		<u>24,687,320</u>	<u>20,615,894</u>
		REPRESENTED BY			
57,362	57,362	Share capital	17	6,000,000	6,000,000
65,740	54,958	Reserves	17.3	6,876,320	5,748,570
95,088	76,276	Unappropriated profit		9,946,000	7,978,238
<u>218,190</u>	<u>188,596</u>			<u>22,822,320</u>	<u>19,726,808</u>
17,830	8,500	Surplus on revaluation of 'available-for-sale' securities - net of tax	18	1,865,000	889,086
<u>236,020</u>	<u>197,096</u>			<u>24,687,320</u>	<u>20,615,894</u>
		CONTINGENCIES AND COMMITMENTS	19		

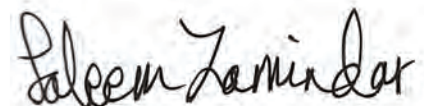
The annexed notes 1 to 42 and annexures I, II and III form an integral part of these financial statements.



Chairman



Chief Executive



Director

Profit and Loss Account

For the year ended December 31, 2016

2016 (USD in '000)	2015 (USD in '000)	Note	2016 (Rupees in '000)	2015 (Rupees in '000)
9,825	11,755	20	1,027,732	1,229,530
2,333	3,492	21	244,012	365,227
<u>7,492</u>	<u>8,263</u>		<u>783,720</u>	<u>864,303</u>
(640)	(574)	10.4	(66,941)	(60,021)
634	4,730	9.3	66,349	494,741
-	-		-	-
(6)	4,156		(592)	434,720
<u>7,498</u>	<u>4,107</u>		<u>784,312</u>	<u>429,583</u>
42	132		4,374	13,812
3,157	3,290		330,195	344,121
-	-		-	-
3,041	3,374	22	318,077	352,871
22	(19)		2,330	(2,026)
29,586	18,034	9.1.1	3,094,625	1,886,303
357	237	23	37,395	24,840
<u>36,205</u>	<u>25,048</u>		<u>3,786,996</u>	<u>2,619,921</u>
4,636	5,213	24	484,948	545,222
(402)	-	25	(42,106)	-
-	-	26	-	30
4,234	5,213		442,842	545,252
-	-		-	-
<u>39,469</u>	<u>23,942</u>		<u>4,128,466</u>	<u>2,504,252</u>
4,011	3,767	27	419,576	394,067
-	-		-	-
2,451	2,693	27	256,396	281,635
6,462	6,460		675,972	675,702
<u>33,007</u>	<u>17,482</u>		<u>3,452,494</u>	<u>1,828,550</u>
(USD)			(Rupees)	
<u>138</u>	<u>73</u>	28	<u>14,385</u>	<u>7,619</u>
(USD)			(Rupees)	
<u>138</u>	<u>73</u>	29	<u>14,385</u>	<u>7,619</u>

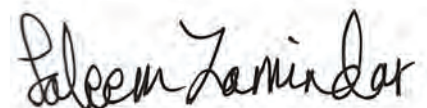
The annexed notes 1 to 42 and annexures I, II and III form an integral part of these financial statements.



Chairman



Chief Executive



Director

Statement of Comprehensive Income

For the year ended December 31, 2016

2016 (USD in '000)	2015		2016 (Rupees in '000)	2015
33,007	17,482	Profit for the year	3,452,494	1,828,550
		Other comprehensive income		
		Not to be reclassified in profit and loss account in subsequent periods		
(15)	(69)	Remeasurement of defined benefit plan - net of deferred tax	(1,626)	(7,193)
73	(63)	Share of remeasurement of defined benefit plans of associates - net of deferred tax	7,643	(6,590)
<u>33,065</u>	<u>17,350</u>	Comprehensive income transferred to equity	<u>3,458,511</u>	<u>1,814,767</u>
		Component of comprehensive income not transferred to equity		
5,216	(1,995)	Share of surplus / (deficit) on revaluation of 'available-for-sale' securities of associates	545,649	(208,721)
(657)	35	Deferred tax on revaluation of 'available-for-sale' securities of associates	(68,757)	3,708
4,324	(699)	Surplus / (deficit) on revaluation of 'available-for-sale' securities	452,265	(73,136)
447	615	Deferred tax on revaluation of 'available-for-sale' securities	46,757	64,317
<u>9,330</u>	<u>(2,044)</u>		<u>975,914</u>	<u>(213,832)</u>

The annexed notes 1 to 42 and annexures I, II and III form an integral part of these financial statements.



Chairman



Chief Executive



Director

Statement of Changes in Equity

For the year ended December 31, 2016

	Note	Share capital	Statutory Reserve	Non-distributable Reserve	Capital Market Equalization Reserve	Unappropriated profit	Total
------(Rupees in '000)-----							
Balance as at January 1, 2015		6,000,000	4,088,974	843,263	267,768	7,312,036	18,512,041
Profit for the year ended December 31, 2015		-	-	-	-	1,828,550	1,828,550
Other comprehensive income		-	-	-	-	(13,783)	(13,783)
Total comprehensive income		-	-	-	-	1,814,767	1,814,767
Transactions with the owners of the Company							
Final dividend for the year ended December 31, 2014 @Rs. 2,500 per share		-	-	-	-	(600,000)	(600,000)
Transfer to statutory reserve	17.3.1	-	365,710	-	-	(365,710)	-
Transfer to capital market equalization reserve	17.3.3	-	-	-	182,855	(182,855)	-
Balance as at December 31, 2015		6,000,000	4,454,684	843,263	450,623	7,978,238	19,726,808
Profit for the year ended December 31, 2016		-	-	-	-	3,452,494	3,452,494
Other comprehensive income		-	-	-	-	6,017	6,017
Total comprehensive income		-	-	-	-	3,458,511	3,458,511
Share of gain on bargain purchase by an associate	17.3.2	-	-	92,001	-	-	92,001
Transactions with the owners of the Company							
Final dividend for the year ended December 31, 2015 @Rs. 1,895.8 per share		-	-	-	-	(455,000)	(455,000)
Transfer to statutory reserve	17.3.1	-	690,499	-	-	(690,499)	-
Transfer to capital market equalization reserve	17.3.3	-	-	-	345,250	(345,250)	-
Balance as at December 31, 2016		<u>6,000,000</u>	<u>5,145,183</u>	<u>935,264</u>	<u>795,873</u>	<u>9,946,000</u>	<u>22,822,320</u>

The annexed notes 1 to 42 and annexures I, II and III form an integral part of these financial statements.



Chairman



Chief Executive



Director

Cash Flow Statement

For the year ended December 31, 2016

2016 (USD in '000)	2015		Note	2016 (Rupees in '000)	2015
		CASH FLOW FROM OPERATING ACTIVITIES			
39,470	23,941	Profit before taxation		4,128,466	2,504,252
(3,157)	(3,290)	Less: Dividend income		(330,195)	(344,121)
<u>36,213</u>	<u>20,651</u>			<u>3,798,271</u>	<u>2,160,131</u>
		Adjustments for:			
88	84	Depreciation		9,241	8,836
112	120	Amortization		11,757	12,545
(640)	(574)	Reversal of provision against non-performing loans and advances - net		(66,941)	(60,021)
(402)	-	Reversal of provision on fixed assets and non-current asset held for sale - net		(42,106)	-
634	4,730	Provision for diminution / impairment in the value of investments		66,349	494,741
-	(6)	Gain on disposal of operating fixed assets		(4)	(645)
(29,586)	(18,034)	Share in results of associates - net		(3,094,625)	(1,886,303)
(22)	19	Unrealised (gain) / loss on revaluation of 'held-for-trading' securities		(2,330)	2,026
<u>(29,816)</u>	<u>(13,661)</u>			<u>(3,118,659)</u>	<u>(1,428,821)</u>
6,497	6,990			679,612	731,310
		(Increase) in operating assets			
(25,171)	268	Lendings to financial institutions		(2,632,880)	28,000
104	(604)	'Held-for-trading' securities		10,851	(63,136)
7,247	(21,565)	Advances		758,089	(2,255,695)
2,931	(1,468)	Others assets (excluding advance taxation)		306,579	(153,786)
<u>(14,889)</u>	<u>(23,369)</u>			<u>(1,557,361)</u>	<u>(2,444,617)</u>
		(Decrease)/ Increase in operating liabilities			
(34,276)	25,712	Borrowings		(3,585,191)	2,689,437
(1,683)	(2,085)	Deposits and other accounts		(176,100)	(218,040)
(128)	484	Other liabilities (excluding current taxation)		(13,409)	50,676
<u>(36,087)</u>	<u>24,111</u>			<u>(3,774,700)</u>	<u>2,522,073</u>
(44,479)	7,732			(4,652,449)	808,766
(2,353)	(4,326)	Income tax paid		(246,168)	(452,542)
<u>(46,832)</u>	<u>3,406</u>	Net cash (outflow) / inflow from operating activities		<u>(4,898,617)</u>	<u>356,224</u>
		CASH FLOW FROM INVESTING ACTIVITIES			
36,149	(11,895)	Net investment in 'available-for-sale' securities		3,781,127	(1,244,178)
671	-	Net investment in associates		70,197	-
1,370	(168)	Net investment in 'held-to-maturity' securities		143,292	(17,566)
13,013	14,506	Dividend received		1,361,124	1,517,354
(78)	(32)	Investments in operating fixed assets		(8,116)	(3,315)
-	21	Sale proceeds of operating fixed assets		4	2,154
<u>51,125</u>	<u>2,432</u>	Net cash inflow from investing activities		<u>5,347,628</u>	<u>254,449</u>
		CASH FLOW FROM FINANCING ACTIVITIES			
(4,350)	(5,736)	Dividend paid		(455,000)	(600,000)
<u>(4,350)</u>	<u>(5,736)</u>	Net cash used in financing activities		<u>(455,000)</u>	<u>(600,000)</u>
(57)	102	(Decrease) / increase in cash and cash equivalents		(5,989)	10,673
809	707	Cash and cash equivalents at beginning of the year		84,675	74,002
<u>752</u>	<u>809</u>	Cash and cash equivalents at end of the year	30	<u>78,686</u>	<u>84,675</u>

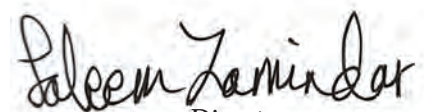
The annexed notes 1 to 42 and annexures I, II and III form an integral part of these financial statements.



Chairman



Chief Executive



Director

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2016

1. STATUS AND NATURE OF BUSINESS

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

2. BASIS OF PRESENTATION

The US Dollar amounts presented in the statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement are converted at the rate of Rs. 104.60, prevalent at December 31, 2016, for 2016 and 2015. This additional information is presented only for the convenience of users of the financial statements.

3. STATEMENT OF COMPLIANCE

- 3.1 These 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 (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 and the directives issued by the SBP. However, in case requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 and the directives issued by the SBP shall prevail.

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

3.2 Accounting standards not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 1, 2017.

Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after January 1, 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Company's financial statements.

Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after January 1, 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are not likely to have an impact on Company's financial statements.

Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after January 1, 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after January 1, 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The amendments are not likely to have an impact on Company's financial statements.

Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after January 1, 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 - 'Non-current Assets Held for Sale and Discontinued Operations'. The amendments are not likely to have an impact on Company's financial statements.

Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after January 1, 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.

3.3 Accounting estimates and judgement

The preparation of financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form basis of making the judgements about carrying values of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of its revision and future periods if the revision affects both current and future periods.

Judgements made by the management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 40.

4. BASIS OF MEASUREMENT

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.2 Cash and cash equivalents

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

5.3 Lendings to / borrowings from financial institutions

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

Sale under repurchase agreement

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position and are measured in accordance with accounting policies for investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between sale and repurchase price is amortised as expense over the term of the repo agreement.

Purchase under resale agreement

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

Other borrowings

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

Other lendings

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

5.4 Investments

Classification

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

- Held for trading investments, investments which are acquired with the intention to trade by taking advantage of short term market / interest rate movements and shall be sold within 90 days.
- Held-to-maturity investments, the Company classifies non derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Company evaluates its intention and ability to hold such investment to maturity.
- Available-for-sale investments, investments which are not eligible to be classified as 'held for trading' or 'held to maturity' are classified as 'available-for-sale'.

Initial Recognition

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

Trade date accounting

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

Subsequent Recognition

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

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

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

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

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

Investment in associates

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

5.5 Advances including net investment in finance leases

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

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

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

5.6 Operating fixed assets

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

Depreciation is charged to profit and loss account applying the straight line method whereby the cost of an asset is written off over its estimated useful life. Depreciation is charged in the month of purchase and no depreciation is charged in the month of disposal. Depreciation is charged at the rates stated in note 11.1.

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

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

5.7 Intangible assets

Intangible assets with definite useful lives are stated at cost less accumulated amortization and accumulated impairment loss (if any). Amortization is charged on a straight line basis over their estimated useful lives. Amortization is charged at the rates stated in note 11.2.

5.8 Non-current assets held for sale

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

5.9 Certificates of investment (COI) / deposits

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

5.10 Revenue recognition

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

5.11 Taxation

Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account the tax credits and tax rebates available, if any and any adjustments to any tax payable relating to prior years.

Deferred

The Company accounts for deferred taxation using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the statement of financial position date.

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

5.12 Staff retirement benefits

Defined benefit plan

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

The last actuarial valuation of the employees' defined benefit plan was conducted as of December 31, 2016.

Defined contribution plan

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

5.13 Employees' compensated absences

Liability in respect of employees' compensated absences is recognised on the basis of actuarial valuation and is accounted for in the period in which these are earned. The actuarial valuation is carried out using 'Projected unit credit method'.

The last actuarial valuation of the employees' compensated absences was conducted as of December 31, 2016.

5.14 Derivative financial instruments

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

5.15 Impairment

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

5.16 Provisions

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

5.17 Foreign currency

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

5.18 Off-setting of financial assets and financial liabilities

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

5.19 Earnings per share

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

5.20 Dividend distribution

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

5.21 Segment information

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

Business segments

Following are the main segments of the Company:

Corporate Finance	Includes loans, advances, leases and other transactions with corporate customers.
Treasury	Undertakes Company's fund management activities through leveraging and investing in liquid assets such as short term placements, government securities and reverse repo activities. It carries out spread based activities in the inter bank market and manages the interest rate risk exposure of the Company.
Capital Market	Includes trading in listed securities with a view to trade and earn the benefit of market fluctuations and to hold securities for dividend income and capital gain.
Investment Banking	Undertakes advisory services including mergers and acquisitions, listed debt syndication, trustee activities and other investment banking activities.

Geographical segments

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

6. CASH AND BALANCES WITH TREASURY BANKS	Note	2016 (Rupees in '000)	2015
Cash in hand in local currency		50	26
With State Bank of Pakistan in - local currency current account	6.1	61,780	63,769
With National Bank of Pakistan in - local currency current account		<u>165</u>	<u>162</u>
		<u>61,995</u>	<u>63,957</u>

6.1 This includes Rs. 50 million (2015: Rs. 50 million) held as minimum cash reserve required to be maintained with the SBP in accordance with its requirements issued from time to time.

7. BALANCES WITH OTHER BANKS

	2016	2015
	(Rupees in '000)	
In Pakistan		
- current account	279	197
- deposit account	16,412	20,521
	<u>16,691</u>	<u>20,718</u>

8. LENDINGS TO FINANCIAL INSTITUTIONS

8.1 In local currency

Repurchase agreement lendings (reverse repo)	2,632,880	-
	<u>2,632,880</u>	<u>-</u>

	2016			2015		
	Held by the Company	Further given as collateral	Total	Held by the Company	Further given as collateral	Total
	(Rupees in '000)					
Market treasury bills	<u>2,632,880</u>	-	<u>2,632,880</u>	-	-	-

8.2.1 This represents lending to financial institutions against purchase and resale of government securities. Market value of these securities as at December 31, 2016 amounted to Rs. 2,623 million. The markup on these lendings are 5.75 and 5.85 percent per annum with maturity in three and six days.

9. INVESTMENTS

9.1 Investments by type

	Note	2016			2015		
		Held by the Company	Given as collateral	Total	Held by the Company	Given as collateral	Total
		(Rupees in '000)					
Held-for-trading securities							
Shares of listed companies		52,285	-	52,285	63,136	-	63,136
Available-for-sale securities							
Market treasury bills		2,092,831	-	2,092,831	488,940	-	488,940
Pakistan investment bonds		894,785	-	894,785	4,168,583	1,718,057	5,886,640
Shares of listed companies		2,853,753	-	2,853,753	3,364,172	-	3,364,172
Shares of unlisted companies		110,226	-	110,226	110,226	-	110,226
Listed preference shares		55,029	-	55,029	55,029	-	55,029
Listed sukuk / term finance certificates		857,464	-	857,464	857,640	-	857,640
Unlisted term finance certificates		527,253	-	527,253	607,478	-	607,478
		<u>7,391,341</u>	-	<u>7,391,341</u>	<u>9,652,068</u>	<u>1,718,057</u>	<u>11,370,125</u>
Held-to-maturity securities							
Unlisted preference shares		-	-	-	143,292	-	143,292
Associates	9.1.1	12,807,290	-	12,807,290	10,194,397	-	10,194,397
		<u>20,250,916</u>	-	<u>20,250,916</u>	<u>20,052,893</u>	<u>1,718,057</u>	<u>21,770,950</u>
Provision for diminution / impairment in the value of investments (other than associates)	9.3 & 40.3	<u>(381,565)</u>	-	<u>(381,565)</u>	<u>(508,526)</u>	-	<u>(508,526)</u>
Total investments - net of provisions		<u>19,869,351</u>	-	<u>19,869,351</u>	<u>19,544,367</u>	<u>1,718,057</u>	<u>21,262,424</u>
Surplus / (deficit) on revaluation of 'held-for-trading' securities		2,330	-	2,330	(2,026)	-	(2,026)
Surplus on revaluation of 'available-for-sale' securities		<u>1,334,488</u>	-	<u>1,334,488</u>	<u>830,802</u>	<u>51,422</u>	<u>882,224</u>
Total investments		<u>21,206,169</u>	-	<u>21,206,169</u>	<u>20,373,143</u>	<u>1,769,479</u>	<u>22,142,622</u>

9.1.1 Movement in investments in associates

	2016	2015
	(Rupees in '000)	
Investments at beginning of the year	10,194,397	9,832,324
Disposal of investments in associates	(169,074)	-
Investment in associates	98,877	-
Reclassification of an associate as non-current assets 'held-for-sale'	-	(3,618)
Share of gain on bargain purchase by an associate	92,001	-
Share in (deficit) / surplus on revaluation / reserves of associates	545,649	(208,721)
Share of remeasurement of defined benefit plans of associates - net of deferred tax	7,643	(6,590)
Share of profit from associates recognized in profit and loss account	3,094,625	1,886,303
Provision for impairment of an associate	-	(131,381)
Dividend received from associates	(1,056,828)	(1,173,920)
Investments at end of the year	<u>12,807,290</u>	<u>10,194,397</u>

9.1.2 The cost of investment in associates as at December 31, 2016 amounted to Rs.1,992 million (December 31, 2015: Rs. 1,958 million). Share in results of associates recorded under equity method of accounting, net of dividend, capital gain and income taxes amounted to Rs.1,759 million (December 31, 2015: Rs. 614 million).

9.2 Investments by segments

	Note	2016	2015
		(Rupees in '000)	
Federal Government Securities			
- Market treasury bills	9.2.1	2,092,831	488,940
- Pakistan investment bonds	9.2.2	894,785	5,886,640
Fully paid up Ordinary Shares			
- Listed companies		2,906,038	3,427,308
- Unlisted companies		110,226	110,226
		3,016,264	3,537,534
Preference Shares			
- Listed companies		55,029	55,029
- Unlisted companies		-	143,292
Term Finance Certificates (TFCs) / Sukuk			
- Listed		857,464	857,640
- Unlisted		527,253	607,478
		1,384,717	1,465,118
Investments in Associates			
Ordinary shares-listed companies			
- Meezan Bank Limited	9.2.3	10,054,409	8,214,412
- The General Tyre & Rubber Company of Pakistan Limited		1,120,512	702,734
Mutual Funds			
- Al Meezan Mutual Fund		382,134	275,907
- Meezan Balanced Fund		-	164,761
Ordinary shares-unlisted companies			
- Al Meezan Investment Management Limited	9.2.4	1,047,419	746,292
- National Clearing Company of Pakistan Limited		202,816	90,291
		12,807,290	10,194,397
		20,250,916	21,770,950
Provision for diminution / impairment in the value of investments	9.3 & 40.3	(381,565)	(508,526)
Total investments - net of provisions		19,869,351	21,262,424
Surplus / (deficit) on revaluation of 'held-for-trading' securities		2,330	(2,026)
Surplus on revaluation of 'available-for-sale' securities		1,334,488	882,224
		1,336,818	880,198
Total investments		<u>21,206,169</u>	<u>22,142,622</u>

- 9.2.1 The investment in market treasury bills are maturing on January 19, 2017 and February 02, 2017 (2015: May 12, 2016) and the effective mark-up rates are 5.82 and 5.84 (2015: 6.31) percent per annum.
- 9.2.2 The investments in Pakistan investment bonds are maturing between August 30, 2018 and September 3, 2019 (2015: July 18, 2016 and September 3, 2019) and the effective mark-up rates range between 11.45 and 13.12 (2015: 11.45 and 13.12) percent per annum.
- 9.2.3 Investments in shares of Meezan Bank Limited costing Rs. 1,520 million and market value of Rs.20,489 million (2015: Cost Rs. 1,520 million and market value Rs.13,763 million) are held as strategic investment in terms of Prudential Regulation applicable to Corporate / Commercial Banking which can be sold only with prior permission of SBP.
- 9.2.4 The investment in Al-Meezan Investment Management Limited can be sold only with prior permission of SECP.
- 9.2.5 The market value of shares in listed associates amounted to Rs. 25,864 million (2015: Rs. 17,280 million).

9.3 Particulars for impairment / diminution in the value of investments	2016	2015
	(Rupees in '000)	
Opening balance	508,526	155,022
Charge for the year	66,349	494,741
Less: provision charge on associate	-	(131,381)
	66,349	363,360
Reversal of provision due to sale of impaired securities	(193,310)	(9,856)
	(126,961)	353,504
Closing balance	381,565	508,526

- 9.4 Information relating to quality of 'available-for-sale' securities and investments in shares of listed and unlisted companies, redeemable capital / sukuk required to be disclosed as part of the financial statements under the SBP's BSD Circular No. 4 dated February 17, 2006, are given in annexures "I" and "II", which are an integral part of these financial statements.

9.5 Investment in Associates

The Company's associates are:

Associates	Note	Nature of Activities	Main Area of Operations	Percentage holding
Meezan Bank Limited (MBL)	a	Islamic Banking	Pakistan	30.00
The General Tyre & Rubber Company of Pakistan Limited (GTR)	a	Tyre Manufacturing	Pakistan	30.00
Al Meezan Investment Management Limited (AMIM)	a	Investment Management	Pakistan	30.00
Al Meezan Mutual Fund (AMMF)	b	Fund	Pakistan	4.66
National Clearing Company of Pakistan Limited (NCCPL)	c	Clearing & Settlement	Pakistan	17.65

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

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

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

9.5.1 Summarized financial statements of associates
2016

	MBL	GTR	AMMF	AMIM	NCCPL
	----- (Rupees in '000) -----				
Current Assets	397,525,000	3,757,859	8,329,898	4,069,809	27,310,567
Non-Current Assets	265,743,000	3,695,232	-	121,046	265,529
Total Assets	663,268,000	7,453,091	8,329,898	4,190,855	27,576,096
Current Liabilities	278,343,000	2,348,280	153,585	699,458	26,396,915
Non-Current Liabilities	350,152,000	1,592,165	-	-	13,620
Total Liabilities	628,495,000	3,940,445	153,585	699,458	26,410,535
Net Assets	34,773,000	3,512,646	8,176,313	3,491,397	1,165,561
Fair Value of Investment	20,488,943	4,994,582	380,998	1,047,419	202,816
Dividend Received	902,464	-	13,854	123,600	16,908
Profit / (loss) from continuing operations	10,517,091	805,019	2,022,014	1,541,896	249,232
Tax	(3,914,668)	(241,895)	-	(340,408)	(73,947)
Profit / (loss) after tax from continuing operations	6,602,423	563,124	2,022,014	1,201,488	175,285
Other Comprehensive Income	1,606,575	-	342,141	2,987	(16,967)
Total Comprehensive Income	8,208,998	563,124	2,364,155	1,204,475	158,318

9.5.2 The financial statements upto December 31, 2016 have been used for all associates. In previous year, financial statements upto September 30, 2015 were used for all associates except mutual funds.

	MBL	GTR	AMMF	MBF	AMIM	NCCPL
	----- (Rupees in '000) -----					
Current Assets	405,157,528	3,396,642	4,384,049	4,617,956	3,153,500	4,202,254
Non-Current Assets	89,821,599	2,077,137	-	-	133,874	217,352
Total Assets	494,979,127	5,473,779	4,384,049	4,617,956	3,287,374	4,419,606
Current Liabilities	211,581,084	2,543,988	124,177	95,182	499,734	3,274,726
Non-Current Liabilities	255,041,007	809,748	-	-	-	432,201
Total Liabilities	466,622,091	3,353,736	124,177	95,182	499,734	3,706,927
Net Assets	28,357,036	2,120,043	4,259,872	4,522,774	2,787,640	712,679
Fair Value of Investment	13,762,577	3,076,651	276,245	164,872	746,292	90,293
Dividend Received	902,464	125,519	11,489	8,846	90,000	35,596
Profit / (loss) from continuing operations	6,811,519	260,385	830,371	605,327	755,389	215,038
Tax	(2,861,128)	(80,090)	-	-	(145,182)	(58,905)
Profit / (loss) after tax from continuing operations	3,950,391	180,295	830,371	605,327	610,207	156,133
Other Comprehensive Income	(68,328)	-	(28,236)	7,133	(902)	(4,600)
Total Comprehensive Income	3,882,063	180,295	802,135	612,460	609,305	151,533

9.5.3 The financial statements upto September 30, 2015 had been used for all associates, except mutual funds as their financial statements for the period ended December 31, 2015 were not available. However, results of associates had been adjusted for the effects of significant transactions or events that occurred between the date of the investee's financial statements till the date of the Company's financial statements.

9.5.4 Reconciliation of Summarized Information of Associates
2016

	MBL	GTR	AMMF	AMIM	NCCPL
	------(Rupees in '000)-----				
Net Assets of the associate	34,773,000	3,512,646	8,176,313	3,491,397	1,165,561
Company's proportionate interest in associate	10,431,900	1,053,794	381,016	1,047,419	205,722
Other adjustment	(377,491)	66,718	1,118	-	(2,906)
Carrying amount of the Company's interest in associate	10,054,409	1,120,512	382,134	1,047,419	202,816

	MBL	GTR	AMMF	MBF	AMIM	NCCPL
	------(Rupees in '000)-----					
Net Assets of the associate	28,357,036	2,120,043	4,259,872	4,522,774	2,787,640	712,679
Company's proportionate interest in associate	8,507,111	636,013	276,040	164,629	836,292	125,788
Other adjustments	(292,699)	66,721	(133)	132	(90,000)	(35,495)
Carrying amount of the Company's interest in associate	8,214,412	702,734	275,907	164,761	746,292	90,293

9.5.5 Significant restrictions

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

10. ADVANCES	Note	2016 (Rupees in '000)	2015 (Rupees in '000)
In Pakistan			
Advances		5,035,049	5,525,923
Net investment in finance leases	10.2	825,092	1,092,307
		<u>5,860,141</u>	<u>6,618,230</u>
Provision against advances	10.4	(1,437,645)	(1,504,586)
Advances net of provision		<u>4,422,496</u>	<u>5,113,644</u>

10.1 Particulars of gross advances

In local currency	<u>5,860,141</u>	<u>6,618,230</u>
Short term (for upto one year)	1,621,136	2,900,578
Long term (for over one year)	4,239,005	3,717,652
	<u>5,860,141</u>	<u>6,618,230</u>

10.2 Net investment in finance leases

	2016				2015			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	------(Rupees in '000)-----							
Lease rentals receivable	676,265	90,424	-	766,689	735,327	345,589	-	1,080,916
Residual value	51,550	24,700	-	76,250	55,596	24,701	-	80,297
Minimum lease payments	727,815	115,124	-	842,939	790,923	370,290	-	1,161,213
Financial charges for future periods	14,861	2,986	-	17,847	39,229	29,677	-	68,906
Present value of minimum lease payments	712,954	112,138	-	825,092	751,694	340,613	-	1,092,307

10.2.1 The Company has entered into lease agreements with various companies for lease of vehicles and plant and machinery. The amount recoverable under these arrangements are receivable latest by the year 2019 and are subject to finance income at rates ranging between 7.00 and 16.52 (2015: 7.00 and 16.00) percent per annum.

10.2.2 In respect of the aforementioned finance leases, the Company holds an aggregate sum of Rs. 74.112 million (2015: Rs. 76.363 million) as security deposits on behalf of the lessees which are included under other liabilities (note 16).

10.3 Advances include Rs. 1,546.078 million (2015: Rs 1,621.319 million) which have been placed under non-performing status as detailed below:

Category of classification	2016			2015		
	Classified Advances	Provision Required	Provision Held	Classified Advances	Provision Required	Provision Held
	----- (Rupees in '000) -----					
Substandard	-	-	-	-	-	-
Doubtful	216,863	108,430	108,430	233,463	116,730	116,730
Loss	1,329,215	1,329,215	1,329,215	1,387,856	1,387,856	1,387,856
	<u>1,546,078</u>	<u>1,437,645</u>	<u>1,437,645</u>	<u>1,621,319</u>	<u>1,504,586</u>	<u>1,504,586</u>

10.4	Particulars of provision against non-performing advances - specific	Note	2016 (Rupees in '000)	2015
	Opening balance		1,504,586	1,564,607
	Reversals during the year		(66,941)	(60,021)
	Closing balance		<u>1,437,645</u>	<u>1,504,586</u>
10.4.1	Local currency		1,437,645	1,504,586
	Foreign currency		-	-
			<u>1,437,645</u>	<u>1,504,586</u>

10.5 Particulars of write offs

The Company has not written off any loans.

10.6 Particulars of loans and advances to staff included in advances

	Opening balance	128,319	132,520
	Disbursements during the year	41,587	42,236
	Repayments during the year	(45,235)	(46,437)
		(3,648)	(4,201)
	Balance at end of the year	<u>124,671</u>	<u>128,319</u>

11. OPERATING FIXED ASSETS

Property and equipment	11.1	189,776	148,393
Intangible assets	11.2	12,099	20,641
		<u>201,875</u>	<u>169,034</u>

11.1 Property and equipment

	2016									Net book value as at December 31, 2016	Rate of depreciation %
	Cost			Depreciation			Impairment				
	As at January 1, 2016	Additions / (disposals)	As at December 31, 2016	As at January 1, 2016	Charge / (disposals)	As at December 31, 2016	As at January 1, 2016	Charge / (reversals)	As at December 31, 2016		
	(Rupees in '000)										
Leasehold land	100	-	100	-	-	-	-	-	-	100	-
Building on lease hold land	235,809	-	235,809	50,476	4,509	54,985	45,724	(45,724)	-	180,824	2.50 - 20.00
Furniture and fixtures	14,283	-	14,283	13,084	1,188	14,272	-	-	-	11	20.00
Motor vehicles	14,372	2,383	16,755	10,392	1,283	11,675	-	-	-	5,080	20.00
Office equipment	40,707	2,401	43,108	37,314	2,203	39,517	-	-	-	3,591	33.33
Electrical appliances	934	116 (43)	1,007	822	58 (43)	837	-	-	-	170	20.00
	306,205	4,900 (43)	311,062	112,088	9,241 (43)	121,286	45,724	(45,724)	-	189,776	

	2015									Net book value as at December 31, 2015	Rate of depreciation %
	Cost			Depreciation			Impairment				
	As at January 1, 2015	Additions / (disposals)	As at December 31, 2015	As at January 1, 2015	Charge / (disposals)	As at December 31, 2015	As at January 1, 2015	Charge / (reversals)	As at December 31, 2015		
	(Rupees in '000)										
Leasehold land	100	-	100	-	-	-	-	-	-	100	-
Building on lease hold land	235,809	-	235,809	46,849	3,627	50,476	45,724	-	45,724	139,609	2.50 - 20.00
Furniture and fixtures	14,283	-	14,283	11,643	1,441	13,084	-	-	-	1,199	20.00
Motor vehicles	14,613	2,206 (2,447)	14,372	9,966	1,363 (937)	10,392	-	-	-	3,980	20.00
Office equipment	54,797	1,013 (15,103)	40,707	50,071	2,346 (15,103)	37,314	-	-	-	3,393	33.33
Electrical appliances	1,684	96 (846)	934	1,610	59 (847)	822	-	-	-	112	20.00
	321,286	3,315 (18,396)	306,205	120,139	8,836 (16,887)	112,088	45,724	-	45,724	148,393	

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

	2016	2015
	(Rupees in '000)	
Furniture and fixture	14,262	7,079
Motor vehicles	9,864	8,054
Office equipment	36,919	33,738
Electrical appliances	662	605

11.2 Intangible assets

	2016							
	Cost			Amortization			Net book value as at December 31, 2016	Rate of amortization %
	As at January 1, 2016	Additions / (disposals)	As at December 31, 2016	As at January 1, 2016	Charge	As at December 31, 2016		
	----- (Rupees in '000) -----							
Software	65,290	3,215	68,505	44,649	11,757	56,406	12,099	20.00
	<u>65,290</u>	<u>3,215</u>	<u>68,505</u>	<u>44,649</u>	<u>11,757</u>	<u>56,406</u>	<u>12,099</u>	
	2015							
	Cost			Amortization			Net book value as at December 31, 2015	Rate of amortization %
	As at January 1, 2015	Additions / (disposals)	As at December 31, 2015	As at January 1, 2015	Charge	As at December 31, 2015		

12. DEFERRED TAX LIABILITIES

	Balance January 01, 2016	Recognised in profit and loss	Recognised in equity	Balance December 31, 2016
	----- (Rupees in '000) -----			
Debit / (credit) balances arising on account of Accelerated tax depreciation allowance	(21,423)	(14,008)	-	(35,431)
Provision for staff retirement gratuity and compensated absences	12,965	1,104	697	14,766
Finance lease arrangements	(181,545)	55,837	-	(125,708)
Share of profits from Associates	(989,293)	(278,703)	(68,757)	(1,336,753)
Provision against non-performing advances	451,376	(20,082)	-	431,294
Surplus / (deficit) on revaluation of 'held-for-trading' securities	253	(544)	-	(291)
(Deficit) / surplus on revaluation of 'available-for-sale' securities	(130,171)	-	46,757	(83,414)
	<u>(857,838)</u>	<u>(256,396)</u>	<u>(21,303)</u>	<u>(1,135,537)</u>
	Balance January 01, 2015	Recognised in profit and loss	Recognised in equity	Balance December 31, 2015
	----- (Rupees in '000) -----			
Debit / (credit) balances arising on account of Accelerated tax depreciation allowance	(29,844)	8,421	-	(21,423)
Provision for staff retirement gratuity and compensated absences	10,480	(598)	3,083	12,965
Finance lease arrangements	(176,844)	(4,701)	-	(181,545)
Share of Profits from Associates	(804,228)	(188,773)	3,708	(989,293)
Provision against non-performing advances	547,613	(96,237)	-	451,376
Surplus / (deficit) on revaluation of 'held-for-trading' securities	-	253	-	253
(Deficit) / surplus on revaluation of 'available-for-sale' securities	(194,488)	-	64,317	(130,171)
	<u>(647,311)</u>	<u>(281,635)</u>	<u>71,108</u>	<u>(857,838)</u>

13.	OTHER ASSETS	Note	2016 (Rupees in '000)	2015
	Income / mark-up accrued in local currency		124,150	367,666
	Advances, deposits, prepayments and other receivables		133,187	170,349
	Advance taxation (payments less provisions)		141,969	315,379
	Non-current assets 'held-for-sale'	13.1	-	3,618
			<u>399,306</u>	<u>857,012</u>

13.1 Non-current assets 'held-for-sale'

In 2015, the Board of Directors decided to divest the Company's interest in one of its associate, 'Pak-Kuwait Takaful Company Limited' (PKTCL) (30%). In this regard, efforts to sell the associate have been initiated. Based on the Company's intention this associate has accordingly been classified as 'non-current asset held-for-sale'. As at December 31, 2016, this non-current asset held-for-sale is stated at the lower of carrying amount and fair value less costs to sell.

14.	BORROWINGS	Note	2016 (Rupees in '000)	2015
	In Pakistan		<u>2,661,764</u>	<u>6,246,955</u>
14.1	Particulars of borrowings with respect to currencies			
	In local currency		<u>2,661,764</u>	<u>6,246,955</u>
14.2	Details of borrowings secured / unsecured			
	Secured			
	Repurchase agreement borrowings - Government securities		-	1,725,636
	Borrowings from SBP			
	Under Long Term Facility - Export Oriented Project (LTF-EOP)		-	6,676
	Under Long Term Finance Facility (LTFF)	14.2.1	1,656,829	802,613
	Under Finance Facility for Storage of Agricultural Produce (FFSAP)	14.2.2	4,935	8,030
	Term Finance Facility	14.2.3	1,000,000	1,000,000
	Unsecured			
	Murabaha		-	2,704,000
			<u>2,661,764</u>	<u>6,246,955</u>

14.2.1 Borrowings from SBP under LTFF

This represents Long Term Finance Facility on concessional rates to promote industrial growth leading to exports. The loans availed under the facility shall be repayable within a maximum period of ten years including maximum grace period of two years with mark-up payable at maximum of 5 percent per annum. SBP allocates an overall yearly limit under the facility to individual PFI. The sanctioned limit was Rs. 1,000 million.

14.2.2 Borrowings from SBP under FFSAP

This represents Financing Facility for Storage of Agricultural Produce (FFSAP) on concessional rates to develop the agricultural produce marketing and enhance storage capacity. The loans availed under the facility shall be repayable within a maximum period of seven years including a maximum grace period of six months with mark-up payable at maximum of 6.50 percent per annum. SBP allocates an overall yearly limit to individual PFI. The sanction limit was Rs. 500 million.

14.2.3 Term Finance Facility

The Company has availed long term finance facilities from a bank. The interest rate on this facility is 6.61 (2015: 7.00) percent per annum and maturity date is June 25, 2018 (2015: June 25, 2018).

15. DEPOSITS AND OTHER ACCOUNTS

2016
2015
(Rupees in '000)

Certificates of investment (COI)		3,650	179,750
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15.1 Particulars of deposits

In local currency		3,650	179,750
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The profit rates on these COIs range between 5.65 and 5.70 (2015: 6.25 and 8.25) percent per annum. The COIs are due for maturity between May 8, 2017 and September 21, 2017 (2015: February 18, 2016 and June 24, 2016).

16. OTHER LIABILITIES

Note
2016
2015
(Rupees in '000)

Mark-up / return / interest payable in local currency		11,209	20,266
Accrued liabilities		315,542	321,225
Staff retirement gratuity	32.1.4	38,648	33,258
Security deposits against finance lease	10.2.2	74,112	76,363
Employees' compensated absences		10,583	9,962
Payable on account of purchase of marketable securities		-	1,535
Other liabilities		3,047	3,941
		<u>453,141</u>	<u>466,550</u>

17. SHARE CAPITAL

17.1 Authorised Share Capital

2016
2015
(Number of shares)

<u>400,000</u>	<u>400,000</u>	Ordinary shares of Rs. 25,000 each	<u>10,000,000</u>	<u>10,000,000</u>
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17.2 Issued, Subscribed and Paid-up Share Capital

2016
2015
(Number of shares)

25,950	25,950	Ordinary shares of Rs. 25,000 each issued for cash	648,750	648,750
<u>214,050</u>	<u>214,050</u>	Ordinary shares of Rs. 25,000 each issued as bonus shares	<u>5,351,250</u>	<u>5,351,250</u>
<u>240,000</u>	<u>240,000</u>		<u>6,000,000</u>	<u>6,000,000</u>

The SBP on behalf of the Government of Pakistan (GOP) and Kuwait Investment Authority (KIA) on behalf of Government of Kuwait each hold 120,000 (2015: 120,000) ordinary shares of the Company as at December 31, 2016.

17.3 Reserves

Note
2016
2015
(Rupees in '000)

Statutory reserve	17.3.1	5,145,183	4,454,684
Non-distributable reserve	17.3.2	935,264	843,263
Capital market equalization reserve	17.3.3	795,873	450,623
Total reserves		<u>6,876,320</u>	<u>5,748,570</u>

17.3.1 Statutory reserve

	2016	2015
	(Rupees in '000)	
At beginning of the year	4,454,684	4,088,974
Add: Transfer during the year	690,499	365,710
	<u>5,145,183</u>	<u>4,454,684</u>

According to BPD Circular No. 15 dated May 31, 2004 issued by the SBP, an amount not less than 20% of the after tax profits shall be transferred to create a reserve fund till such time the reserve fund equals the amount of the paid-up capital and after that a sum not less than 5% of profit after tax shall be credited to the statutory reserve. The Company has transferred 20% of its after tax profit for the year to this reserve amounting to Rs. 690.499 million (2015: Rs. 365.710 million).

17.3.2 Non-distributable reserve

	2016	2015
	(Rupees in '000)	
At beginning of the year	843,263	843,263
Add: Addition during the year	92,001	-
	<u>935,264</u>	<u>843,263</u>

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

17.3.3 Capital market equalization reserve

	2016	2015
	(Rupees in '000)	
At beginning of the year	450,623	267,768
Add: Transfer during the year	345,250	182,855
	<u>795,873</u>	<u>450,623</u>

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

18. SURPLUS ON REVALUATION
OF 'AVAILABLE-FOR-SALE' SECURITIES-NET OF TAX

	2016	2015
	(Rupees in '000)	
Federal government securities	100,755	269,244
Shares of listed companies	1,204,593	597,393
Listed / unlisted TFCs / sukuk	29,142	15,588
Share of surplus on revaluation of investments of associates	718,727	173,078
	<u>2,053,217</u>	<u>1,055,303</u>
Deferred tax	(188,217)	(166,217)
	<u>1,865,000</u>	<u>889,086</u>

19. CONTINGENCIES AND COMMITMENTS

19.1 Other Contingencies

19.1.1 The Income Tax Department has amended the deemed assessment orders for the tax years from 2003 to 2015, raising a tax demand of Rs. 2,986 million, mainly due to additions in respect of allocation of expenses against dividend income subject to tax at reduced rate / Final Tax Regime and capital gains.

In such orders, the taxation authority has not accepted the Company's contention on the matter of allocation of expenses on exempt capital gains and dividend income. The total additions made in tax years 2003 to 2015 under this head amounts to Rs 6,672 million.

In tax year 2003, the Appellate Tribunal Inland Revenue (ATIR) had directed the tax authorities for the allocation to be made taking into account the 'cost of investment' rather than 'gross turnover'. Subsequently, the action of the Taxation Officer in refusing to issue the appeal effect in view of the departmental appeal before the High Court was contested in appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)] for application of section 124A of the Income Tax Ordinance, 2001 (Ordinance). The CIR(A) adjudged the matter in favour of the Company directing the Officer to give effect to the directions which have been maintained by the ATIR in the subsequent departmental appeal.

Relying on the above decision of ATIR, the CIR(A) through orders dated September 23, 2011, November 30, 2012 and June 15, 2015 for tax years 2004 to 2007, tax year 2010 and tax years 2011 to 2013 respectively, directed for the application of provision of section 124A of the Ordinance. The action was, however, maintained by the CIR(A) in the tax years 2008 and 2009 and appeals are currently pending before the ATIR. The department has preferred appeals against the order of the CIR(A) in the years 2004 to 2007 and 2010 to 2013 which are currently pending before the ATIR.

Appeal effect orders for the years 2003 to 2007 and 2010 have been issued. These are to attain finality once the departmental appeals before the ATIR / High Court as the case may be, are decided. However, in the recent order for tax year 2003, the Officer has not followed the directions of the CIR(A) and allocated expenses on the basis of turnover for which the Company has preferred an appeal which has been heard. The order of the said appeal is pending.

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

The Company has made provision of Rs. 1,276 million against the demand for the abovementioned years based on cost of investment. The management is confident that the ultimate outcome of the appeals would be in favor of the Company inter alia on the basis of the advice of the tax consultants and the relevant law and the facts.

19.2	Other Commitments	2016	2015
		(Rupees in '000)	
	Undisbursed sanctions for financial assistance in the form of:		
	- loans and advances	1,235,359	2,452,764
		<u>1,235,359</u>	<u>2,452,764</u>
20.	MARK - UP / RETURN / INTEREST EARNED		
	On loans and advances	345,394	342,148
	On investments in:		
	- 'Available-for-sale' securities	644,670	868,003
	- 'Held-to-maturity' securities	3,108	17,566
	On deposits to financial institutions	544	917
	On securities purchased under resale agreements - government securities	34,016	896
		<u>1,027,732</u>	<u>1,229,530</u>
21.	MARK-UP / RETURN / INTEREST EXPENSED		
	Deposits / COIs'	18,741	18,381
	Borrowings	145,697	307,511
	Securities sold under repurchase agreements - government securities	79,574	39,335
		<u>244,012</u>	<u>365,227</u>

22.	GAIN ON SALE OF SECURITIES		2016	2015
			(Rupees in '000)	
	Shares - listed securities - net		318,077	366,683
	TFCs - unlisted		-	(13,812)
			318,077	352,871
<hr/>				
23.	OTHER INCOME			
	Gain on disposal of operating fixed assets		4	645
	Space / arrangement income		18,633	17,236
	Late payment charges		9,667	613
	Prepayment charges		4,200	-
	Nominee directors fee		4,378	6,197
	Others		513	149
			37,395	24,840
<hr/>				
24.	ADMINISTRATIVE EXPENSES	Note	2016	2015
			(Rupees in '000)	
	Salaries, allowances and employees' benefits		290,157	272,506
	Directors' remuneration (including remuneration of Chief Executive)		34,169	38,696
	Provision for gratuity	32.1.5	17,460	17,730
	Employer's contribution to the provident fund		15,681	17,658
	Travelling and conveyance		6,416	7,097
	Rent and rates		9,115	10,397
	Utilities		4,934	4,767
	Communication		5,763	5,500
	Professional training and staff welfare		1,283	3,951
	Advertisements, periodicals and membership dues		1,610	2,493
	Printing and stationery		1,937	2,297
	Depreciation	11.1	9,241	8,836
	Amortization	11.2	11,757	12,545
	Auditors' remuneration	24.1	3,765	5,661
	Legal, consultancy and other professional services		44,762	44,180
	Repairs and maintenance		18,219	18,885
	Motor vehicle expenses		699	745
	Insurance		598	600
	Donations	24.2	12,000	12,500
	Workers' Welfare Fund	24.3	(12,493)	51,091
	Entertainment		798	632
	Bank charges		188	156
	Miscellaneous		6,889	6,299
			484,948	545,222
<hr/>				
24.1	Auditors' remuneration			
	Audit fee		1,560	1,516
	Fee for half yearly review		624	613
	Special certifications and sundry advisory services		1,366	3,291
	Out of pocket expenses		215	241
			3,765	5,661
<hr/>				

24.2	During the year, the Company donated to the following recognized institutions:		2016 (Rupees in '000)	2015
	Donee			
	The Citizens Foundation		5,000	6,000
	The Kidney Centre		1,000	1,500
	Aziz Jehan Begum Trust for the Blind		1,000	1,000
	Centre for Development of Social Services		1,000	1,000
	Roshni Homes Trust		1,000	1,000
	Karigar Training Institute		1,000	-
	Layton Rehmatullah Benevolent Trust		500	1,000
	Shaukat Khanum Memorial Trust		500	1,000
	Child Aid Association		500	-
	Al Umeed Rehabilitation Association		500	-
			12,000	12,500
	None of the directors or their spouse had any interest in the donations made.			
24.3	During the current year, the Supreme Court of Pakistan has declared that the amendments in the Worker's Welfare Fund (WWF) Ordinance made through Finance Act 2008 are unconstitutional. Accordingly, the Company has reversed the provision for WWF from the years 2010 to 2013 amounting to Rs. 90.774 million.			
25.	REVERSAL OF PROVISION ON FIXED ASSETS AND NON-CURRENT ASSETS HELD FOR SALE - NET	Note	2016 (Rupees in '000)	2015
	Reversal of impairment provision on fixed assets	11.1	(45,724)	-
	Provision for diminution / impairment in the value of non-current asset held for sale		3,618	-
			(42,106)	-
26.	OTHER CHARGES			
	Penalties imposed by the SBP		-	30
27.	TAXATION			
	For the year			
	- Current		419,576	394,067
	- Prior years		-	-
	- Deferred		256,396	281,635
			675,972	675,702
27.1	Relationship between tax expense and accounting profit			
	Profit before taxation		4,128,466	2,504,252
	Tax at the applicable rate of 31% (2015: 32%)		1,279,824	801,361
	Net tax effect on income taxed at reduced rates		(704,176)	(283,782)
	Tax effect of supertax charge		68,679	57,597
	Tax effect of change in tax rates		-	101,852
	Tax effect of permanent difference		44,812	-
	Others		(13,167)	(1,326)
			675,972	675,702

28.	BASIC EARNINGS PER SHARE		2016	2015
			(Rupees in '000)	
	Profit for the year		3,452,494	1,828,550
			(Number in '000)	
	Weighted average number of ordinary shares		240	240
			(Rupees)	
	Basic earnings per share		14,385	7,619
29.	DILUTED EARNINGS PER SHARE		(Rupees in '000)	
	Profit for the year		3,452,494	1,828,550
			(Number in '000)	
	Weighted average number of ordinary shares		240	240
			(Rupees)	
	Diluted earnings per share		14,385	7,619
29.1	There were no convertible potential ordinary shares outstanding as on December 31, 2016 and December 31, 2015.			
30.	CASH AND CASH EQUIVALENTS	Note	2016	2015
			(Rupees in '000)	
	Cash and balances with treasury banks	6	61,995	63,957
	Balances with other banks	7	16,691	20,718
			78,686	84,675
31.	STAFF STRENGTH		(Number)	
	Permanent		61	61
	Temporary / on contractual basis		2	2
	Own staff strength at the end of the year		63	63
	Outsourced		25	25
	Total staff strength		88	88
32.	DEFINED BENEFIT PLAN			
32.1	Staff retirement gratuity			
32.1.1	The Company operates a funded gratuity scheme for all its eligible permanent employees. 'Projected unit credit method' has been used for actuarial valuation. The last actuarial valuation of the employees' defined benefit plan was conducted as of December 31, 2016.			
32.1.2	Principal actuarial assumptions		2016	2015
			(% per annum)	
	Discount rate		8.00	9.25
	Expected rate of increase in salaries:			
	For first two years		10.00	11.25
	For third year and onwards		8.00	9.25

32.1.3 Reconciliation of payable to defined benefit plan	Note	2016	2015
		(Rupees in '000)	
Present value of defined benefit obligations	32.1.6	139,990	156,643
Fair value of plan assets	32.1.7	(101,342)	(123,385)
		<u>38,648</u>	<u>33,258</u>
32.1.4 Movement in payable to defined benefit plan			
Opening balance		33,258	19,316
Expense charged in the current year	32.1.5	17,460	17,730
Company's contribution to gratuity fund		(14,392)	(14,064)
Remeasurements recognized in OCI during the year	32.1.5	2,322	10,276
Closing balance		<u>38,648</u>	<u>33,258</u>
32.1.5 Charge for defined benefit plan			
<i>Cost recognized in profit and loss account for the year</i>			
Current service cost		14,517	15,713
Interest cost		13,308	17,367
Expected return on plan assets		(10,365)	(15,350)
		<u>17,460</u>	<u>17,730</u>
<i>Remeasurements recognized in OCI during the year</i>			
Actuarial loss / (gain) on obligation		(891)	5,760
Actuarial loss on assets		3,213	4,516
		<u>2,322</u>	<u>10,276</u>
Total defined benefit cost recognized in profit and loss and OCI		<u>19,782</u>	<u>28,006</u>
32.1.6 Reconciliation of present value of defined benefit obligation			
Opening balance of defined benefit obligation		156,643	162,671
Current service cost		14,517	15,713
Interest cost		13,308	17,367
Benefits paid during the year		(43,587)	(44,868)
Remeasurements: Actuarial (gain) / loss on obligation		(891)	5,760
Closing balance of defined benefit obligation		<u>139,990</u>	<u>156,643</u>
32.1.7 Reconciliation of fair value of plan assets			
Opening fair value of plan assets		123,385	143,355
Expected return on plan assets during the year		10,365	15,350
Actual contributions made by the employer		14,392	14,064
Actual benefits paid during the year		(43,587)	(44,868)
Remeasurements: Actuarial loss on plan assets		(3,213)	(4,516)
Closing fair value of plan assets		<u>101,342</u>	<u>123,385</u>

Actual return on plan assets is 8.00 % as at December 31, 2016 (9.00% as at December 31, 2015).

32.1.8 Defined Benefit Cost for the following year

2016
(Rupees in '000)

Cost to be recognised in P&L for the following year

Service Cost

- (i) Current Service Cost
(ii) Prior Service Cost
Total Service Cost

15,100

-

15,100

Net Interest on the net defined benefit liability / (asset)

- (i) Interest on defined benefit obligation
(ii) Interest income on plan assets
Net Interest Cost

11,501

(8,403)

3,098

Cost to be recognised in P&L for the following year

18,198

Remeasurement for the following year would be calculated in that year.

32.1.9 Remeasurements recognized in other comprehensive income, expense / (income) during the year

2016 2015
(Rupees in '000)

Remeasurements: Actuarial gain / (loss) on obligation:

- Loss due to change in financial assumptions
(Gain) / loss due to change in experience adjustments
Total actuarial loss / (gain) on obligation

1,659

3,709

(2,550)

2,050

(891)

5,759

Remeasurements: Actuarial gain/ (loss) on assets:

- Actual net return on plan assets
less: Interest income on plan assets

7,075

10,754

10,365

15,350

3,290

4,596

77

79

Opening difference

Net return on plan assets

3,213

4,517

Total Remeasurements recognized in OCI during the year

2,322

10,276

32.1.10 Disaggregation of fair value of plan assets

Quoted:

- Cash and cash equivalents - after adjusting for current liabilities
Debt instruments
Mutual Funds

15,320

3,489

22,093

23,510

63,929

6,493

101,342

33,492

Unquoted:

- Debt instruments

-

89,893

Total (Quoted and Unquoted)

101,342

123,385

32.1.11 Maturity profile of defined benefit obligation

2016
Years

2015
Years

Weighted average duration of the present value of defined benefit obligation

8

7

Benefit Payments

Distribution of timing of benefit payments

2016
(Rupees in '000)

2015

Years

1

7,389

40,631

2

21,475

15,639

3

15,437

21,659

4

28,133

5,907

5

6,708

31,371

6 - 10

101,689

76,861

32.1.12 Sensitivity analysis on significant actuarial assumptions: Actuarial liability

Discount rate +1%

128,972

151,479

Discount rate -1%

152,715

162,186

Future salary increases +1%

150,555

168,751

Future salary increases -1%

130,624

145,947

33. DEFINED CONTRIBUTION PLAN

The Company operates an approved funded contributory provident fund for all its permanent employees to which monthly contributions are made both by the Company (at 10 % of Salary), and by the employees (at the rate of 10 % - 30 %) of Salary.

34. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2016	2015	2016	2015	2016	2015
	------(Rupees in '000)-----					
Fee	-	-	13,040	12,538	-	-
Managerial remuneration	17,280	17,280	-	-	209,298	229,204
Charge for defined benefit plan	-	-	-	-	17,461	17,511
Contribution to defined contribution plan	-	-	-	-	15,681	17,658
Rent and house maintenance	2,640	2,640	-	-	-	-
Utilities	268	223	-	-	-	-
Medical	279	264	-	-	2,476	3,596
Bonus paid	7,200	5,040	-	-	53,777	40,514
Others	693	711	-	-	-	-
	<u>28,360</u>	<u>26,158</u>	<u>13,040</u>	<u>12,538</u>	<u>298,693</u>	<u>308,483</u>
No. of persons	<u>1</u>	<u>1</u>	<u>5</u>	<u>5</u>	<u>62</u>	<u>62</u>

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

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

35.1 On balance sheet financial instruments

	2016									
	Held-for-trading	Available-for-sale	Held-to-maturity	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)										
Financial assets measured at fair value										
Investments										
- Market treasury bills	-	2,092,214	-	-	-	2,092,214	-	2,092,214	-	2,092,214
- Pakistan investment bonds	-	996,156	-	-	-	996,156	-	996,156	-	996,156
- Shares of listed companies	54,616	3,814,026	-	-	-	3,868,642	3,868,642	-	-	3,868,642
- Listed preference shares	-	44,200	-	-	-	44,200	44,200	-	-	44,200
- Listed sukuk / term finance certificates	-	881,375	-	-	-	881,375	-	881,375	-	881,375
- Unlisted term finance certificates	-	498,845	-	-	-	498,845	-	498,845	-	498,845
Financial assets not measured at fair value										
Cash and balances with treasury banks	-	-	-	61,995	-	61,995	-	-	-	-
Balances with other banks	-	-	-	16,691	-	16,691	-	-	-	-
Investments										
- Investments in associates - listed	-	11,557,055	-	-	-	11,557,055	25,864,523	-	-	25,864,523
- Shares in unlisted companies	-	17,446	-	-	-	17,446	-	-	-	-
- Shares of unlisted associates	-	1,250,235	-	-	-	1,250,235	-	-	-	-
Advances	-	-	-	4,422,496	-	4,422,496	-	-	-	-
Other assets	-	-	-	93,177	-	93,177	-	-	-	-
Financial liabilities not measured at fair value										
Borrowings	-	-	-	-	(2,661,764)	(2,661,764)	-	-	-	-
Deposits and other accounts	-	-	-	-	(3,650)	(3,650)	-	-	-	-
Other liabilities	-	-	-	-	(414,492)	(414,492)	-	-	-	-
	54,616	21,151,552	-	4,594,359	(3,079,906)	22,720,621	-	-	-	-

	2015									
	Held-for-trading	Available-for-sale	Held-to-maturity	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)										
Financial assets measured at fair value										
Investments										
- Market treasury bills	-	488,640	-	-	-	488,640	-	488,640	-	488,640
- Pakistan investment bonds	-	6,156,183	-	-	-	6,156,183	-	6,156,183	-	6,156,183
- Shares of listed companies	61,111	3,599,202	-	-	-	3,660,313	3,660,313	-	-	3,660,313
- Listed preference shares	-	44,200	-	-	-	44,200	44,200	-	-	44,200
- Listed sukuk / term finance certificates	-	864,311	-	-	-	864,311	-	864,311	-	864,311
Financial assets not measured at fair value										
Cash and balances with treasury banks	-	-	-	63,957	-	63,957	-	-	-	-
Balances with other banks	-	-	-	20,718	-	20,718	-	-	-	-
Lendings to financial institutions										
Investments										
- Listed shares / funds in associates	-	9,357,812	-	-	-	9,357,812	17,280,344	-	-	17,280,344
- Shares in unlisted companies	-	17,446	-	-	-	17,446	-	-	-	-
- Shares in unlisted preference shares	-	-	143,292	-	-	143,292	-	-	-	-
- Shares of unlisted associates	-	836,585	-	-	-	836,585	-	-	-	-
- Unlisted term finance certificates	-	573,840	-	-	-	573,840	-	-	-	-
Advances	-	-	-	5,113,644	-	5,113,644	-	-	-	-
Other assets	-	-	-	371,284	-	371,284	-	-	-	-
Financial liabilities not measured at fair value										
Borrowings	-	-	-	-	(6,246,955)	(6,246,955)	-	-	-	-
Deposits and other accounts	-	-	-	-	(179,750)	(179,750)	-	-	-	-
Other liabilities	-	-	-	-	(433,292)	(433,292)	-	-	-	-
	61,111	21,938,219	143,292	5,569,603	(6,859,997)	20,852,228	-	-	-	-

The fair value of financial assets and liabilities not carried at fair value are not significantly different from their carrying values since assets and liabilities are either short term in nature or in case of loans are frequently repriced.

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair values estimates.

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

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

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

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

36. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2016					Total
	Corporate Finance	Treasury	Investment Banking	Capital Markets	Others	
	(Rupees in '000)					
Total income - gross	488,952	552,422	1,500	3,742,897	26,627	4,812,398
Total mark-up / return / interest expense	(100,690)	(143,322)	-	-	-	(244,012)
Segment provision / impairment / unrealised gains	66,941	-	-	(64,019)	-	2,922
	<u>(33,749)</u>	<u>(143,322)</u>	<u>-</u>	<u>(64,019)</u>	<u>-</u>	<u>(241,090)</u>
Net operating income	<u>455,203</u>	<u>409,100</u>	<u>1,500</u>	<u>3,678,878</u>	<u>26,627</u>	<u>4,571,308</u>
Administrative expenses and other charges						(442,842)
Profit before taxation						<u>4,128,466</u>
Segment assets - net	7,000,662	5,838,126	-	15,578,636	523,988	28,941,412
Segment non-performing loans	1,546,078	-	-	-	-	1,546,078
Segment provision required and held	1,437,645	-	-	-	-	1,437,645
Segment liabilities	2,748,926	3,781	-	583	1,500,802	4,254,092
Segment return on net assets (ROA) %	6.54	9.50	-	27.42	5.08	-
Segment cost of funds (%)	4.32	6.18	-	-	-	-

	2015					Total
	Corporate Finance	Treasury	Investment Banking	Capital Markets	Others	
	(Rupees in '000)					
Total income - gross	482,401	744,246	862	2,597,107	26,861	3,851,477
Total mark-up / return / interest expense	(197,044)	(168,183)	-	-	-	(365,227)
Segment provision / impairment / unrealised losses	(77,370)	-	-	(359,376)	-	(436,746)
	(274,414)	(168,183)	-	(359,376)	-	(801,973)
Net operating income	207,987	576,063	862	2,237,731	26,861	3,049,504
Administrative expenses and other charges						(545,252)
Profit before taxation						2,504,252
Segment assets - net	7,494,245	7,022,232	-	13,179,550	670,960	28,366,987
Segment non-performing loans	1,621,319	-	-	-	-	1,621,319
Segment provision required and held	1,504,586	-	-	-	-	1,504,586
Segment liabilities	1,904,222	4,621,366	-	1,984	1,223,521	7,751,093
Segment return on net assets (ROA) %	8.25	10.81	-	20.83	4.10	-
Segment cost of funds (%)	7.81	6.74	-	-	-	-

36.1 Under the Company policy, capital market department assets are financed through equity funds.

37. RELATED PARTY TRANSACTIONS

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

The Company enters into transactions with related parties in the normal course of business. These transactions were carried out on commercial terms and at market rates.

	2016	2015
	(Rupees in '000)	
Expenses charged to related parties	27,584	23,154
Expenses charged by		
- associates	378	376
- other related party	24,120	18,990
Dividend income from		
- associates	1,056,826	1,173,914
- other related party	-	10,839
Gain on disposal/redemption of shares/units of related parties	8,514	136,064
Mark-up earned on bank deposit with an associate	259	450
Mark-up earned on loans and advances		
- other related parties	-	21,157
- key management personnel	464	260
Loans and advances to key management personnel		
Balance as at January 1,	10,350	24,004
Disbursement during the year	21,600	2,442
(Deletion) / addition during the year	-	(8,117)
Recovery during the year	(8,397)	(7,979)
	13,203	(13,654)
Balance as at December 31,	23,553	10,350

	2016 (Rupees in '000)	2015
Loans and advances to other related parties	-	600,000
Mark-up expense on COI - other related party	163	228
Deposits / COIs - other related party	2,500	2,500
Bank balances with an associate - Meezan Bank	13,717	18,081
Mark-up receivable on bank deposit with an associate - Meezan Bank	30	40
Mark-up payable to related party - other related party	40	161
Investments in - associates	12,807,290	10,194,397
- other related party	500	414,164
Contribution made to provident fund	15,681	17,658
Contribution made to gratuity fund	14,392	14,064
Key management personnel		

Key management personnel include the Managing Director, Deputy General Manager / Chief Financial Officer, Head of Corporate Finance & Investment Banking, Head of Risk Management, Head of Capital Markets & Treasury, Head of Compliance, Head of Internal Audit and Head of Human Resources. Their salaries and other benefits amount to Rs. 81.350 million (2015: Rs. 99.334 million) and staff retirement benefits amount to Rs. 11.984 million (2015: Rs. 11.422 million).

38. CAPITAL ADEQUACY

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

Objectives of Capital Management

The capital management objectives of the Company are as follows:

- To maintain sufficient capital to support overall business strategy, expansion and growth;
- To integrate capital allocation decisions with the strategic and financial planning process;
- To meet the regulatory capital adequacy ratios as defined by SBP;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide adequate return to shareholders; and
- To have a prudent buffer to protect the Company under different economic and stress scenarios caused by unexpected and unforeseeable events.

Statutory Capital Requirement

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

Sr. #	Ratio	2013	2014	2015	2016	2017	2018	2019
1	CET1	5.00%	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%
2	ADT1	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
3	Tier1	6.50%	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%
4	Total Capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
5	Capital Conservation Buffer (CCB)	0.00%	0.00%	0.25%	0.65%	1.28%	1.90%	2.50%
6	Total Capital Plus CCB	10.00%	10.00%	10.25%	10.65%	11.28%	11.90%	12.50%

Capital Management

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

- Common Equity Tier 1 Capital (CET1), which includes fully paid up capital, general reserves, statutory reserves as per the financial statements and net un-appropriated profits. Goodwill and other intangibles are deducted from Tier 1 Capital.
- Additional Tier 1 Capital (ADT1), which includes perpetual non-cumulative preference shares and share premium resulting from the same. The Company did not have any ADT1 as of December 31, 2016.
- Tier 2 Capital, which includes surplus on revaluation of AFS securities after all regulatory adjustments applicable on Tier 2.

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

38.2 CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2016

Rows #	Common Equity Tier 1 capital (CET1): Instruments and reserves	2016	2015
		Amount	Amount
		(Rupees in '000)	
1	Fully Paid-up Capital/ Capital deposited with SBP	6,000,000	6,000,000
2	Balance in Share Premium Account		
3	Reserve for issue of Bonus Shares		
4	Discount on Issue of shares		
5	General/ Statutory Reserves	6,876,320	5,748,570
6	Gain/(Losses) on derivatives held as Cash Flow Hedge		
7	Unappropriated/unremitted profits/ (losses)	9,946,000	7,978,238
8	Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		
9	CET 1 before Regulatory Adjustments	22,822,320	19,726,808
10	Total regulatory adjustments applied to CET1	7,547,144	6,415,042
11	Common Equity Tier 1	15,275,176	13,311,766
	Additional Tier 1 (AT 1) Capital		
12	Qualifying Additional Tier-1 capital instruments plus any related share premium		
13	of which: Classified as equity		
14	of which: Classified as liabilities		
15	Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)		
16	of which: instrument issued by subsidiaries subject to phase out		
17	AT1 before regulatory adjustments		
18	Total regulatory adjustment applied to AT1 capital	-	-
19	Additional Tier 1 capital after regulatory adjustments		
20	Additional Tier 1 capital recognized for capital adequacy	-	-
21	Tier 1 Capital (CET1 + admissible AT1)	15,275,176	13,311,766
	Tier 2 Capital		
22	Qualifying Tier 2 capital instruments under Basel III plus any related share premium		
23	Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules		
24	Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)		
25	of which: instruments issued by subsidiaries subject to phase out		
26	General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets		
27	Revaluation Reserves (net of taxes)		
28	of which: Revaluation reserves on fixed assets		
29	of which: Unrealized gains/losses on AFS	1,488,579	595,688
30	Foreign Exchange Translation Reserves		
31	Undisclosed/Other Reserves (if any)		
32	T2 before regulatory adjustments	1,488,579	595,688
33	Total regulatory adjustment applied to T2 capital	1,488,579	595,688
34	Tier 2 capital (T2) after regulatory adjustments		
35	Tier 2 capital recognized for capital adequacy		
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital		
37	Total Tier 2 capital admissible for capital adequacy		
38	TOTAL CAPITAL (T1 + admissible T2)	15,275,176	13,311,766
39	Total Risk Weighted Assets (RWA)	38,409,108	34,226,469

	2016	2015	
Capital Ratios and buffers (in percentage of risk weighted assets)			
40	CET1 to total RWA	39.77%	38.89%
41	Tier-1 capital to total RWA	39.77%	38.89%
42	Total capital to total RWA	39.77%	38.89%
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	6.65%	6.25%
44	of which: capital conservation buffer requirement	0.65%	0.25%
45	of which: countercyclical buffer requirement		
46	of which: D-SIB or G-SIB buffer requirement		
47	CET1 available to meet buffers (as a percentage of risk weighted assets)	33.77%	32.89%
National minimum capital requirements prescribed by SBP			
48	CET1 minimum ratio	6.00%	6.00%
49	Tier 1 minimum ratio	7.50%	7.50%
50	Total capital minimum ratio	10.65%	10.25%

Regulatory Adjustments and Additional Information

	2016		2015
		(Rupees in '000)	
		Amounts subject to Pre- Basel III treatment*	
38.2.1	Common Equity Tier 1 capital: Regulatory adjustments		
1	Goodwill (net of related deferred tax liability)		
2	All other intangibles (net of any associated deferred tax liability)	12,099	20,641
3	Shortfall in provisions against classified assets		
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)		
5	Defined-benefit pension fund net assets		
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities		
7	Cash flow hedge reserve		
8	Investment in own shares/ CET1 instruments		
9	Securitization gain on sale		
10	Capital shortfall of regulated subsidiaries		
11	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS		
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	5,414,174	3,609,449
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		
15	Amount exceeding 15% threshold		
16	of which: significant investments in the common stocks of financial entities		
17	of which: deferred tax assets arising from temporary differences		
18	National specific regulatory adjustments applied to CET1 capital		
19	Investments in TFCs of other banks exceeding the prescribed limit		
20	Any other deduction specified by SBP (mention details)		
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	2,120,871	3,598,366
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	7,547,144	6,415,042

2016

2015

(Rupees in '000)
Amounts subject to
Pre- Basel III
treatment

38.2.2 Additional Tier-1 & Tier-1 Capital: regulatory adjustments

23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]		
24	Investment in own AT1 capital instruments		
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities		
26	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation		
28	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	1,804,725	2,097,027
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	316,146	1,501,339
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	2,120,871	3,598,366

38.2.3 Tier 2 Capital: regulatory adjustments

31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	1,804,725	2,097,027
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities		
33	Investment in own Tier 2 capital instrument		
34	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation		
36	Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	1,804,725	2,097,027

2016 2015
(Rupees in '000)

38.2.4 Additional Information

	Risk Weighted Assets subject to pre-Basel III treatment		
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)		
	(i) of which: deferred tax assets		
	(ii) of which: Defined-benefit pension fund net assets		
	(iii) 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		
	(iv) 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	3,609,449	6,990,087
	Amounts below the thresholds for deduction (before risk weighting)		
38	Non-significant investments in the capital of other financial entities	1,216,407	869,086
39	Significant investments in the common stock of financial entities	2,281,022	1,970,616
40	Deferred tax assets arising from temporary differences (net of related tax liability)		
	Applicable caps on the inclusion of provisions in Tier 2		
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)		
42	Cap on inclusion of provisions in Tier 2 under standardized approach		
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		

38.3 Capital Structure Reconciliation

Step 1		
Table: 38.3.1	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	2016	2016

(Rupees in '000)

Assets

Cash and balances with treasury banks	61,995	61,995
Balances with other banks	16,691	16,691
Lending to financial institutions	2,632,880	2,632,880
Investments	21,206,169	21,206,169
Advances	4,422,496	4,422,496
Operating fixed assets	201,875	201,875
Deferred tax assets	-	-
Other assets	399,306	399,306
Total assets	28,941,412	28,941,412

Liabilities & Equity

Bills payable	-	-
Borrowings	2,661,764	2,661,764
Deposits and other accounts	3,650	3,650
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	1,135,537	1,135,537
Other liabilities	453,141	453,141
Total liabilities	4,254,092	4,254,092
Share capital	6,000,000	6,000,000
Reserves	6,876,320	6,876,320
Unappropriated profits	9,946,000	9,946,000
Minority Interest	-	-
Surplus on revaluation of assets	1,865,000	1,865,000
Total liabilities & equity	28,941,412	28,941,412

Step 2			
Table: 38.3.2	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	2016	2016	
(Rupees in '000)			
Assets			
Cash and balances with treasury banks	61,995	61,995	
Balances with other banks	16,691	16,691	
Lending to financial institutions	2,632,880	2,632,880	
Investments	21,206,169	21,206,169	
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	5,414,174	5,414,174	b
of which: Mutual Funds exceeding regulatory threshold			c
of which: reciprocal crossholding of capital instrument			d
of which: others (mention details)			e
Advances	4,422,496	4,422,496	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB			f
general provisions reflected in Tier 2 capital			g
Fixed Assets	201,875	201,875	
Deferred Tax Assets	-	-	
of which: DTAs excluding those arising from temporary differences			h
of which: DTAs arising from temporary differences exceeding regulatory threshold			i
Other assets	399,306	399,306	
of which: Goodwill			j
of which: Intangibles	12,099	12,099	k
of which: Defined-benefit pension fund net assets			l
Total assets	28,941,412	28,941,412	
Liabilities & Equity			
Bills payable	-	-	
Borrowings	2,661,764	2,661,764	
Deposits and other accounts	3,650	3,650	
Sub-ordinated loans			
of which: eligible for inclusion in AT1			m
of which: eligible for inclusion in Tier 2			n
Liabilities against assets subject to finance lease			
Deferred tax liabilities	1,135,537	1,135,537	
of which: DTLs related to goodwill			o
of which: DTLs related to intangible assets			p
of which: DTLs related to defined pension fund net assets			q
of which: other deferred tax liabilities			r
Other liabilities	453,141	453,141	
Total liabilities	4,254,092	4,254,092	
Share capital	6,000,000	6,000,000	
of which: amount eligible for CET1	6,000,000	6,000,000	s
of which: amount eligible for AT1			t
Reserves	6,876,320	6,876,320	
of which: portion eligible for inclusion in CET1(provide breakup)	6,876,320	6,876,320	u
of which: portion eligible for inclusion in Tier 2			v
Unappropriated profit/ (losses)	9,946,000	9,946,000	w
Minority Interest			
of which: portion eligible for inclusion in CET1			x
of which: portion eligible for inclusion in AT1			y
of which: portion eligible for inclusion in Tier 2			z
Surplus on revaluation of assets	1,865,000	1,865,000	
of which: Revaluation reserves on Property			aa
of which: Unrealized Gains/Losses on AFS	1,865,000	1,865,000	
In case of Deficit on revaluation (deduction from CET1)			ab
Total liabilities & Equity	28,941,412	28,941,412	

Step 3

Basel III Disclosure Template (with added column)		
Table: 38.3.3	Component of regulatory capital reported by bank	Source based on reference number from step 2
	(Rupees in '000)	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital/ Capital deposited with SBP	6,000,000	(s)
2 Balance in Share Premium Account		
3 Reserve for issue of Bonus Shares		
4 General/ Statutory Reserves	6,876,320	(u)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge		
6 Unappropriated/unremitted profits/(losses)	9,946,000	(w)
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		(x)
8 CET 1 before Regulatory Adjustments	22,822,320	
Common Equity Tier 1 capital: Regulatory adjustments		
9 Goodwill (net of related deferred tax liability)		(j) - (o)
10 All other intangibles (net of any associated deferred tax liability)	12,099	(k) - (p)
11 Shortfall of provisions against classified assets		(f)
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{(h) - (r)} * x%
13 Defined-benefit pension fund net assets		{(l) - (q)} * x%
14 Reciprocal cross holdings in CET1 capital instruments		(d)
15 Cash flow hedge reserve		
16 Investment in own shares/ CET1 instruments		
17 Securitization gain on sale		
18 Capital shortfall of regulated subsidiaries		
19 Deficit on account of revaluation from bank's holdings of property/ AFS		(ab)
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ac) - (ae)
21 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)	5,414,174	(b) - (ad) - (af)
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23 Amount exceeding 15% threshold		
24 of which: significant investments in the common stocks of financial entities		
25 of which: deferred tax assets arising from temporary differences		
26 National specific regulatory adjustments applied to CET1 capital		
27 Investment in TFCs of other banks exceeding the prescribed limit		
28 Any other deduction specified by SBP (mention details)		
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	2,120,871	
30 Total regulatory adjustments applied to CET1	7,547,144	
Common Equity Tier 1	15,275,176	
Additional Tier 1 (AT 1) Capital		
31 Qualifying Additional Tier-1 instruments plus any related share premium		
32 of which: Classified as equity		(t)
33 of which: Classified as liabilities		(m)
34 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)		(Y)
35 of which: instrument issued by subsidiaries subject to phase out		
36 AT1 before regulatory adjustments		

Table: 38.3.3		Component of regulatory capital reported by bank	Source based on reference number from step 2
		(Rupees in '000)	
	Additional Tier 1 Capital: regulatory adjustments		
37	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		
38	Investment in own AT1 capital instruments		
39	Reciprocal cross holdings in Additional Tier 1 capital instruments		
40	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		(ac)
41	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation		(ad)
42	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	1,804,725	
43	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	316,146	
44	Total of Regulatory Adjustment applied to AT1 capital	2,120,871	
45	Additional Tier 1 capital	-	
46	Additional Tier 1 capital recognized for capital adequacy		
	Tier 1 Capital (CET1 + admissible AT1)	15,275,176	
	Tier 2 Capital		
47	Qualifying Tier 2 capital instruments under Basel III		
48	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)		(n)
49	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)		(z)
50	of which: instruments issued by subsidiaries subject to phase out		
51	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets		(g)
52	Revaluation Reserves eligible for Tier 2		
53	of which: portion pertaining to Property		
54	of which: portion pertaining to AFS securities	1,488,579	portion of (aa)
55	Foreign Exchange Translation Reserves		(v)
56	Undisclosed/Other Reserves (if any)		
57	T2 before regulatory adjustments	1,488,579	
	Tier 2 Capital: regulatory adjustments		
58	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	1,804,725	
59	Reciprocal cross holdings in Tier 2 instruments		
60	Investment in own Tier 2 capital instrument		
61	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		(ae)
62	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation		(af)
63	Amount of Regulatory Adjustment applied to T2 capital	1,804,725	
64	Tier 2 capital (T2)		
65	Tier 2 capital recognized for capital adequacy		
66	Excess Additional Tier 1 capital recognized in Tier 2 capital		
67	Total Tier 2 capital admissible for capital adequacy		
	TOTAL CAPITAL (T1 + admissible T2)	15,275,176	

38.4 Main Features Template of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments		
	Main Features	Common Shares
1	Issuer	Pakistan Kuwait Investment Company (Private) Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	NA
3	Governing law(s) of the instrument	Government of Pakistan
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/ group/ group&solo	Solo
7	Instrument type	Ordinary Shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	6,000,000
9	Par value of instrument	PKR 25,000 per share
10	Accounting classification	Share Holder's Equity
11	Original date of issuance	1979
12	Perpetual or dated	NA
13	Original maturity date	NA
14	Issuer call subject to prior supervisory approval	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	NA
18	coupon rate and any related index/ benchmark	NA
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially discretionary or mandatory	NA
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	NA
23	Convertible or non-convertible	NA
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	NA
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)	NA
36	Non-compliant transitioned features	NA
37	If yes, specify non-compliant features	NA

38.5 Capital Adequacy Ratio

	Capital Requirements		Risk Weighted Assets	
	2016	2015	2016	2015
	(Rupees in '000)			
Credit Risk on On-Balance Sheet				
PSE's	631	1,093	6,310	10,931
Banks	61,456	13,136	614,555	131,356
Corporates	395,299	367,660	3,952,991	3,676,599
Retail portfolio	3,973	3,814	39,731	38,144
Secured by residential property	2,509	2,711	25,094	27,111
Past due loans	13,032	13,862	130,318	138,618
Commercial Entity	1,120,513	702,745	11,205,129	7,027,450
Significant Investment & DTA	570,256	492,654	5,702,555	4,926,542
Listed equity investments	105,354	109,475	1,053,540	1,094,747
Unlisted equity investments	2,617	38,173	26,169	381,730
Investments in fixed assets	18,978	14,839	189,776	148,393
Other assets	16,416	17,035	164,160	170,350
	<u>2,311,034</u>	<u>1,777,197</u>	<u>23,110,328</u>	<u>17,771,971</u>
Credit risk on Off-Balance Sheet				
Non market related	24,772	252,073	247,719	2,520,734
Market Risk				
Interest rate risk	-	19,759	-	246,988
Equity position risk	673,513	638,955	8,418,909	7,986,938
	<u>673,513</u>	<u>658,714</u>	<u>8,418,909</u>	<u>8,233,926</u>
Operational Risk	530,572	455,987	6,632,152	5,699,838
TOTAL	<u><u>3,539,891</u></u>	<u><u>3,143,971</u></u>	<u><u>38,409,108</u></u>	<u><u>34,226,469</u></u>
Capital Adequacy Ratio			2016	2015
			(Rupees in '000)	
Total eligible regulatory capital held	(e)	15,275,176	13,311,766	
Total Risk Weighted Assets	(i)	38,409,108	34,226,469	
Capital Adequacy Ratio (e) / (i)		39.77%	38.89%	
Leverage Ratio				
Tier 1 Capital	(f)	15,275,176	13,311,766	
Total Exposure	(g)	22,629,628	25,555,300	
Leverage Ratio (f) / (g)		67.50%	52.09%	

Capital Adequacy Ratios	2016		2015	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	39.77%	6.00%	38.89%
Tier-1 capital to total RWA	7.50%	39.77%	7.50%	38.89%
Total capital to total RWA	10.65%	39.77%	10.25%	38.89%
Leverage Ratio	3.00%	67.50%	3.00%	52.09%

39. RISK MANAGEMENT

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

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

The risk management framework is based on prudent risk identification, measurement, monitoring and management process which are closely aligned with all activities of the Company so as to ensure that risks are kept within an acceptable level.

39.1 Credit risk

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

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

Internal Credit Risk Rating System developed by the Company is capable of quantifying credit risk pertinent to specific counterparty as well as the risk inherent in the facility structure. It takes into consideration various qualitative and quantitative factors and generates an internal rating. The rating models have been internally tested, validated and checked for compliance with SBP guidelines for Internal Credit Rating System. The Risk Rating Models, both Obligor Risk Rating (ORR) and Facility Risk Rating (FRR), are regularly reviewed based on day to day working experience and changes in market dynamics. The Internal Risk Rating Policy is also in place which was approved by Board of Directors.

Credit risk management process adopted various concentration limits, counterparty and group level limits. Sectoral concentration limits are set for extending credit to a specific industry sector. The Company monitors the concentration to any given sector to ensure that the loan portfolio is well diversified. ORR is also used on aggregate group level to determine the amount of credit exposure the Company is willing to take on a particular group.

Various analysis and reports are also performed on periodic basis and are reported to the Risk Management Committee of the Board. These analysis mainly include migration analysis, sector-wise and rating-wise portfolio distribution analysis etc. The Company performs stress testing on its credit portfolio as per SBP stress testing guidelines.

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

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

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

39.1.1 Segment Information

39.1.1.1 Segment by class of business

	2016					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Textile	2,848,524	48.61	-	-	329,109	26.64
Chemical and pharmaceutical	118,229	2.02	-	-	700,000	56.66
Cement	93,333	1.59	-	-	-	-
Sugar	35,822	0.61	-	-	-	-
Electronics and electrical appliances	11,111	0.19	-	-	-	-
Construction	410,184	7.00	-	-	-	-
Transport, storage and communication	305,679	5.22	-	-	206,250	16.70
Financial and Insurance	166,667	2.84	-	-	-	-
Power	1,093,004	18.65	-	-	-	-
Trusts	-	-	1,150	31.51	-	-
Services	4,935	0.08	2,500	68.49	-	-
Individuals	124,672	2.13	-	-	-	-
Petroleum	537,512	9.17	-	-	-	-
Others	110,469	1.89	-	-	-	-
	<u>5,860,141</u>	<u>100.00</u>	<u>3,650</u>	<u>100.00</u>	<u>1,235,359</u>	<u>100.00</u>

	2015					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Textile	2,152,915	32.53	-	-	984,447	40.14
Chemical and pharmaceutical	608,812	9.20	-	-	-	-
Cement	93,333	1.41	-	-	-	-
Sugar	473,762	7.16	-	-	300,000	12.23
Electronics and electrical appliances	11,111	0.17	-	-	-	-
Construction	527,933	7.98	-	-	-	-
Transport, storage and communication	243,991	3.69	-	-	281,250	11.47
Financial and Insurance	250,000	3.78	-	-	-	-
Power	1,108,191	16.74	-	-	700,000	28.54
Trusts	-	-	27,250	15.16	-	-
Services	508,223	7.68	2,500	1.39	-	-
Individuals	128,320	1.94	-	-	-	-
Petroleum	371,574	5.61	-	-	187,067	7.62
Others	140,065	2.11	150,000	83.45	-	-
	<u>6,618,230</u>	<u>100.00</u>	<u>179,750</u>	<u>100.00</u>	<u>2,452,764</u>	<u>100.00</u>



39.1.1.2 Segment by sector

	2016					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / government	12,512	0.21	-	-	-	-
Private	5,847,629	99.79	3,650	100.00	1,235,359	100.00
	<u>5,860,141</u>	<u>100.00</u>	<u>3,650</u>	<u>100.00</u>	<u>1,235,359</u>	<u>100.00</u>

	2015					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / government	21,710	0.33	-	-	-	-
Private	6,596,520	99.67	179,750	100.00	2,452,764	100.00
	<u>6,618,230</u>	<u>100.00</u>	<u>179,750</u>	<u>100.00</u>	<u>2,452,764</u>	<u>100.00</u>

39.1.1.3 Details of non-performing advances and specific provisions by class of business segment

	2016		2015	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	----- (Rupees in '000) -----			
Textile	913,160	913,160	940,809	940,809
Chemical and pharmaceutical	17,898	17,898	31,960	31,960
Construction	169,111	169,111	169,111	169,111
Cement	93,333	93,333	93,333	93,333
Sugar	35,822	35,822	35,822	35,822
Electronics and electrical appliances	11,111	11,111	11,111	11,111
Transport, storage and communication	211,929	105,964	225,241	125,000
Services	4,935	2,468	8,223	5,756
Others	88,779	88,778	105,709	91,684
	<u>1,546,078</u>	<u>1,437,645</u>	<u>1,621,319</u>	<u>1,504,586</u>

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

	2016		2015	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	----- (Rupees in '000) -----			
Public / government	-	-	-	-
Private	1,546,078	1,437,645	1,621,319	1,504,586
	<u>1,546,078</u>	<u>1,437,645</u>	<u>1,621,319</u>	<u>1,504,586</u>

39.2 Liquidity risk

Liquidity Risk is the risk that the Company is unable to fund its current obligations and operations in the most cost effective manner.

This risk arises from mismatches in the timing of cashflows. The objective of the company's liquidity management is to ensure that all foreseeable funding commitments can be met when due. The company's Asset and Liability Committee (ALCO) is primarily responsible for the formulation of the overall strategy and oversight of the liquidity management. To limit this risk the Company maintains statutory deposits with the central bank. The Company's key funding source is the inter-bank money market. Comprehensive gap analysis is done on monthly basis to evaluate match/mismatch between assets and liabilities. ALCO reviews gap analysis and devise the liquidity management strategy. For effective monitoring of liquidity position gap limits for each maturity bucket are in place, monitored by Risk Management Department and reviewed by ALCO on monthly basis. Moreover, Contingency Funding Plan is in place to address liquidity issues in times of crisis situations.

The maturity profile of assets and liabilities is prepared based on their contractual maturities, except for assets and liabilities that do not have contractual maturity. In this regard, assumptions for the Company's maturity profile in respect of allocation of non-contractual items based on their expected maturities were deliberated and approved by the ALCO. The ALCO agreed upon various assumptions for such allocation including the Company's historical trend and past experience, expected utilization of assets, expected useful lives of fixed assets, statutory requirements and variance approach.

39.2.1 Maturities of assets and liabilities based on Asset and Liability Committee (ALCO) of the Company

		2016									
		Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Above ten years
		------(Rupees in '000)-----									
Assets											
Cash and balances with treasury banks	61,995	61,995	-	-	-	-	-	-	-	-	-
Balances with other banks	16,691	16,691	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,632,880	2,632,880	-	-	-	-	-	-	-	-	-
Investments	21,206,169	1,495,539	651,473	-	4,003,533	2,047,267	10,838,653	1,267,705	901,999	-	-
Advances	4,422,496	117,471	97,150	1,120,128	286,387	617,858	475,771	659,020	1,013,902	34,809	-
Operating fixed assets	201,875	765	1,532	2,298	4,596	9,192	9,192	15,990	22,616	135,694	-
Other assets	399,306	178,746	59,074	15,410	316	142,496	-	3,264	-	-	-
	<u>28,941,412</u>	<u>4,504,087</u>	<u>809,229</u>	<u>1,137,836</u>	<u>4,294,832</u>	<u>2,816,813</u>	<u>11,323,616</u>	<u>1,945,979</u>	<u>1,938,517</u>	<u>170,503</u>	
Liabilities											
Borrowings	2,661,764	2,052	22,177	24,949	51,542	1,190,338	256,019	416,002	698,685	-	-
Deposits and other accounts	3,650	-	-	1,150	2,500	-	-	-	-	-	-
Deferred tax liabilities	1,135,537	237,007	(18)	-	-	133,214	891,445	-	(126,111)	-	-
Other liabilities	453,141	295,370	106,375	10	40	21,845	-	29,501	-	-	-
	<u>4,254,092</u>	<u>534,429</u>	<u>128,534</u>	<u>26,109</u>	<u>54,082</u>	<u>1,345,397</u>	<u>1,147,464</u>	<u>445,503</u>	<u>572,574</u>	<u>-</u>	
Net assets	<u>24,687,320</u>	<u>3,969,658</u>	<u>680,695</u>	<u>1,111,727</u>	<u>4,240,750</u>	<u>1,471,416</u>	<u>10,176,152</u>	<u>1,500,476</u>	<u>1,365,943</u>	<u>170,503</u>	
Share capital	6,000,000										
Reserves	6,876,320										
Un-appropriated profit	9,946,000										
Surplus on revaluation of 'available-for-sale' securities – net of tax	<u>1,865,000</u>										
	<u>24,687,320</u>										
2015											
		Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Above ten years
		------(Rupees in '000)-----									
Assets											
Cash and balances with treasury banks	63,957	63,957	-	-	-	-	-	-	-	-	-
Balances with other banks	20,718	20,718	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-
Investments	22,142,622	89	61,111	488,640	8,858,978	1,567,685	8,843,820	1,555,604	766,695	-	-
Advances	5,113,644	271,804	83,871	345,239	1,025,948	961,648	914,338	880,666	555,806	74,324	-
Operating fixed assets	169,034	817	1,635	2,452	4,905	9,810	9,810	17,359	17,464	104,782	-
Other assets	857,012	157,815	348,658	26,025	6,017	315,377	-	3,120	-	-	-
	<u>28,366,987</u>	<u>515,200</u>	<u>495,275</u>	<u>862,356</u>	<u>9,895,848</u>	<u>2,854,520</u>	<u>9,767,968</u>	<u>2,456,749</u>	<u>1,339,965</u>	<u>179,106</u>	
Liabilities											
Borrowings	6,246,955	4,436,324	21,001	26,907	51,135	96,698	1,131,423	223,794	259,673	-	-
Deposits and other accounts	179,750	-	3,750	176,000	-	-	-	-	-	-	-
Deferred tax liabilities	857,838	204,212	-	1,450	14,537	95,442	687,116	1,160	(146,079)	-	-
Other liabilities	466,550	256,579	162,408	9,968	-	717	21,845	15,033	-	-	-
	<u>7,751,093</u>	<u>4,897,115</u>	<u>187,159</u>	<u>214,325</u>	<u>65,672</u>	<u>192,857</u>	<u>1,840,384</u>	<u>239,987</u>	<u>113,594</u>	<u>-</u>	
Net assets	<u>20,615,894</u>	<u>(4,381,915)</u>	<u>308,116</u>	<u>648,031</u>	<u>9,830,176</u>	<u>2,661,663</u>	<u>7,927,584</u>	<u>2,216,762</u>	<u>1,226,371</u>	<u>179,106</u>	
Share capital	6,000,000										
Reserves	5,748,570										
Un-appropriated profit	7,978,238										
Surplus on revaluation of 'available-for-sale' securities – net of tax	<u>889,086</u>										
	<u>20,615,894</u>										

39.2.2 Maturities of assets and liabilities based on contractual maturities

In accordance with BSD Circular No. 02 dated January 14, 2013, issued by SBP, the Company is required to report maturity gaps of assets and liabilities on contractual basis which are as follows:

	2016									
	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Above ten years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	61,995	61,995	-	-	-	-	-	-	-	-
Balances with other banks	16,691	16,691	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,632,880	2,632,880	-	-	-	-	-	-	-	-
Investments	21,206,169	17,265,867	2,092,214	-	-	544,607	668,731	-	634,750	-
Advances	4,422,496	117,471	97,150	1,120,128	286,387	617,858	475,771	659,020	1,013,902	34,809
Operating fixed assets	201,875	765	1,532	2,298	4,596	9,192	9,192	15,990	22,616	135,694
Other assets	399,306	320,715	59,074	15,410	316	527	-	3,264	-	-
	<u>28,941,412</u>	<u>20,416,384</u>	<u>2,249,970</u>	<u>1,137,836</u>	<u>291,299</u>	<u>1,172,184</u>	<u>1,153,694</u>	<u>678,274</u>	<u>1,671,268</u>	<u>170,503</u>
Liabilities										
Borrowings	2,661,764	2,052	22,177	24,949	51,542	1,190,338	256,019	416,002	698,685	-
Deposits and other accounts	3,650	-	-	1,150	2,500	-	-	-	-	-
Deferred tax liabilities	1,135,537	1,135,537	-	-	-	-	-	-	-	-
Other liabilities	453,141	317,932	106,375	10	40	-	-	28,784	-	-
	<u>4,254,092</u>	<u>1,455,521</u>	<u>128,552</u>	<u>26,109</u>	<u>54,082</u>	<u>1,190,338</u>	<u>256,019</u>	<u>444,786</u>	<u>698,685</u>	<u>-</u>
Net assets	<u>24,687,320</u>	<u>18,960,863</u>	<u>2,121,418</u>	<u>1,111,727</u>	<u>237,217</u>	<u>(18,154)</u>	<u>897,675</u>	<u>233,488</u>	<u>972,583</u>	<u>170,503</u>
Share capital	6,000,000									
Reserves	6,876,320									
Un-appropriated profit	9,946,000									
Surplus on revaluation of 'available-for-sale' securities – net of tax	1,865,000									
	<u>24,687,320</u>									
	2015									
	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Above ten years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	63,957	63,957	-	-	-	-	-	-	-	-
Balances with other banks	20,718	20,718	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	22,142,622	14,633,488	-	488,640	5,143,257	-	557,926	701,967	617,344	-
Advances	5,113,644	271,804	83,871	345,239	1,025,948	961,648	914,338	880,666	555,806	74,324
Operating fixed assets	169,034	817	1,635	2,452	4,905	9,810	9,810	17,359	17,464	104,782
Other assets	857,012	473,192	348,658	26,025	6,017	-	-	3,120	-	-
	<u>28,366,987</u>	<u>15,463,976</u>	<u>434,164</u>	<u>862,356</u>	<u>6,180,127</u>	<u>971,458</u>	<u>1,482,074</u>	<u>1,603,112</u>	<u>1,190,614</u>	<u>179,106</u>
Liabilities										
Borrowings	6,246,955	4,436,324	21,001	26,907	51,135	96,698	1,131,423	223,794	259,673	-
Deposits and other accounts	179,750	-	3,750	176,000	-	-	-	-	-	-
Deferred tax liabilities	857,838	857,838	-	-	-	-	-	-	-	-
Other liabilities	466,550	280,302	161,247	9,968	-	717	-	14,316	-	-
	<u>7,751,093</u>	<u>5,574,464</u>	<u>185,998</u>	<u>212,875</u>	<u>51,135</u>	<u>97,415</u>	<u>1,131,423</u>	<u>238,110</u>	<u>259,673</u>	<u>-</u>
Net assets	<u>20,615,894</u>	<u>9,889,512</u>	<u>248,166</u>	<u>649,481</u>	<u>6,128,992</u>	<u>874,043</u>	<u>350,651</u>	<u>1,365,002</u>	<u>930,941</u>	<u>179,106</u>
Share capital	6,000,000									
Reserves	5,748,570									
Un-appropriated profit	7,978,238									
Surplus on revaluation of 'available-for-sale' securities – net of tax	889,086									
	<u>20,615,894</u>									

39.3 Market risk

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

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

Market Risk is pertinent to the Trading Book which consists of positions in financial instruments held either with trading intent or in order to hedge other elements of the trading book. The trading book includes equity and money market securities classified as 'Held for Trading'. These positions are actively managed by the capital market and money market desks.

All investments excluding trading book are considered as part of banking book. Banking book includes:

- Available-for-sale Securities
- Held-to-maturity Securities
- Other Strategic Investments

Due to diversified nature of investments in banking book, it is subject to interest rate risk and equity price risk.

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

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

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

39.3.1 Interest rate risk

Interest Rate Risk arises when there is a mismatch between positions, which are subject to interest rate adjustment within a specific period. The Company manages its interest rate risk by entering into floating rate agreements with its customers. The interest rate risk strategy is discussed in ALCO meetings on periodic basis. The Risk Management Function carries out stress testing to ascertain the interest rate risk on the statement of financial position and also prepares the interest rate risk profile on monthly basis.

2016

Effective yield / interest rate %	Total	Exposed to yield / profit risk									Not exposed to yield / interest rate risk	
		Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Above ten years		
(Rupees in '000)												
On balance sheet financial instruments												
Financial Assets												
Cash and balances with												
	treasury banks	-	61,995	-	-	-	-	-	-	-	-	61,995
3.00	Balances with other banks	16,691	16,412	-	-	-	-	-	-	-	-	279
Lendings to financial institutions												
5.83		2,632,880	2,632,880	-	-	-	-	-	-	-	-	-
7.41	Investments	21,206,169	1,942,943	1,298,844	230,688	-	544,340	451,816	-	-	-	16,737,538
5.88	Advances	4,422,496	782,498	306,975	1,466,684	182,844	197,282	264,044	427,036	716,402	21,412	57,319
-	Other assets	124,150	-	-	-	-	-	-	-	-	-	124,150
		28,464,381	5,374,733	1,605,819	1,697,372	182,844	741,622	715,860	427,036	716,402	21,412	16,981,281
Financial Liabilities												
6.54	Borrowings	2,661,764	2,052	1,022,177	24,949	51,542	190,338	256,019	416,002	698,685	-	-
5.68	Deposits and other accounts	3,650	-	-	1,150	2,500	-	-	-	-	-	-
-	Other liabilities	414,493	-	-	-	-	-	-	-	-	-	414,493
		3,079,907	2,052	1,022,177	26,099	54,042	190,338	256,019	416,002	698,685	-	414,493
On balance sheet gap												
		25,384,474	5,372,681	583,642	1,671,273	128,802	551,284	459,841	11,034	17,717	21,412	16,566,788

2015

Effective yield / interest rate %	Total	Exposed to yield / profit risk									Not exposed to yield / interest rate risk	
		Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Above ten years		
(Rupees in '000)												
On balance sheet financial instruments												
Financial Assets												
Cash and balances with												
	treasury banks	-	63,957	-	-	-	-	-	-	-	-	63,957
6.00	Balances with other banks	20,718	20,521	-	-	-	-	-	-	-	-	197
Lendings to financial institutions												
-		-	-	-	-	-	-	-	-	-	-	-
10.97	Investments	22,142,622	380,394	433,648	1,062,480	5,143,257	-	558,171	454,754	-	-	14,109,918
7.87	Advances	5,113,644	918,320	2,130,435	1,166,165	55,729	106,627	136,608	235,540	282,771	30,591	50,858
-	Other assets	367,666	-	-	-	-	-	-	-	-	-	367,666
		27,708,607	1,319,235	2,564,083	2,228,645	5,198,986	106,627	694,779	690,294	282,771	30,591	14,592,596
Financial Liabilities												
6.44	Borrowings	6,246,955	4,436,324	1,021,001	26,907	51,135	96,698	131,423	223,794	259,673	-	-
7.75	Deposits and other accounts	179,750	-	3,750	176,000	-	-	-	-	-	-	-
-	Other liabilities	433,292	-	-	-	-	-	-	-	-	-	433,292
		6,859,997	4,436,324	1,024,751	202,907	51,135	96,698	131,423	223,794	259,673	-	433,292
On balance sheet gap												
		20,848,610	(3,117,089)	1,539,332	2,025,738	5,147,851	9,929	563,356	466,500	23,098	30,591	14,159,304

39.3.2 Currency risk

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

	2016			
	Assets	Liabilities	Off balance sheet items	Net currency exposure
	------(Rupees in '000)-----			
Pakistan Rupees	28,941,412	4,254,092	1,235,359	23,451,961
United States Dollars	-	-	-	-
	<u>28,941,412</u>	<u>4,254,092</u>	<u>1,235,359</u>	<u>23,451,961</u>

	2015			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	------(Rupees in '000)-----			
Pakistan Rupees	28,366,987	7,751,093	2,452,764	18,163,130
United States Dollars	-	-	-	-
	<u>28,366,987</u>	<u>7,751,093</u>	<u>2,452,764</u>	<u>18,163,130</u>

39.3.3 Equity price risk

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

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

39.4 Operational risk

Operational Risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events. It is an inherent risk faced by all businesses and covers a large number of operational risk events including business interruption and system failure, internal and external fraud, employment practices and workplace safety, customer and business practices, transaction execution and process management, and damage to physical assets etc.

Risk Management Policy sets out the guidelines to identify, assess, monitor, control and report operational risk. Risk Management Department is in the process of implementing operational risk assessment tools, risk controls and reporting framework. Operational Risk Loss Data including Loss Events, Near Misses and Transactions in Difficulty are being collected, throughout the year, from all the respective departments / units on monthly basis. These operational losses occurring across the Company are reported to Risk Management Department where they are aggregated into an internally developed Operational Loss Database.

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

Business Continuity Plan

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

40. ACCOUNTING ESTIMATES AND JUDGEMENTS

40.1 Provision against non-performing advances

The management reviews the loan and lease portfolio to assess non-performing accounts and expected recovery on a monthly basis. In determining the non-performing accounts and provision requirements, the relevant Prudential Regulations issued by the State Bank of Pakistan, payment status of mark-up and principal, expected future cash flows of the business, security position and personal wealth of the directors and owners are taken into account.

40.2 Classification of investments

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

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

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

40.3 Impairment of 'available-for-sale' equity instruments

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

40.4 Income taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues as described in note 19 and the appeals of the department pending at various levels of authorities.

40.5 Useful life and residual value of property and equipment

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

41. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue in the Board of Directors meeting held on March 5, 2017.

42. GENERAL AND NON-ADJUSTING EVENT

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

42.2 The Board of Directors of the Company has proposed cash dividend of Rs. 500 million (2015: Rs. 455 million) for the year ended December 31, 2016 in their meeting held on March 5, 2017. These financial statements do not include the effect of this appropriation which will be accounted for subsequent to the year end.

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



Chairman



Chief Executive



Director

QUALITY OF AVAILABLE FOR SALE SECURITIES

As Referred to in Note 9.4 to the financial statements

Sr. No.	Name of Company	2016		2015	
		Market Value	Rating	Market Value	Rating
		(Rupees in '000)		(Rupees in '000)	
	AVAILABLE FOR SALE PORTFOLIO				
	STRATEGIC PORTFOLIO				
1	THE HUB POWER COMPANY LIMITED	85,522	AA+/A1+	71,061	AA+/A1+
	TOTAL	<u>85,522</u>		<u>71,061</u>	
	GENERAL PORTFOLIO				
	OIL AND GAS				
2	OIL AND GAS DEVELOPMENT COMPANY LIMITED	141,110	AAA/A-1+	145,901	AAA/A-1+
3	ATTOCK PETROLEUM LIMITED	68,462	Unrated	88,396	Unrated
4	PAKISTAN STATE OIL COMPANY LIMITED	260,526	AA/A1+	130,308	AA/A1+
5	PAKISTAN OILFIELDS LIMITED	346,540	Unrated	190,482	Unrated
6	PAKISTAN PETROLEUM LIMITED	176,024	Unrated	162,787	Unrated
	TOTAL	<u>992,662</u>		<u>717,874</u>	
	CHEMICALS				
7	ENGRO CORPORATION LIMITED	215,099	AA/A1+	279,390	AA/A1+
8	FAUJI FERTILIZER COMPANY LIMITED	157,442	AA/A1+	188,769	Unrated
9	ENGRO FERTILIZER LIMITED	259,684	AA-/A1+	123,671	AA-/A1+
	TOTAL	<u>632,225</u>		<u>591,830</u>	
	CONSTRUCTION AND MATERIALS				
10	LUCKY CEMENT LIMITED	-	-	99,008	Unrated
	TOTAL	<u>-</u>		<u>99,008</u>	
	ELECTRICITY				
11	KOT ADDU POWER COMPANY LIMITED	389,390	AA+/A-1+	400,262	AA+/A-1+
12	K-ELECTRIC LIMITED	131,822	AA/A-1	78,630	AA-/A1
13	NISHAT CHUNIAN POWER LIMITED	747,277	A+/A-2	741,485	A+/A-2
	TOTAL	<u>1,268,489</u>		<u>1,220,377</u>	
	BANKS				
14	NATIONAL BANK OF PAKISTAN	-	-	205,352	AAA/A1+
15	BANK AL FALAH LIMITED	132,860	AA/A1+	100,870	AA/A1+
16	BANK AL HABIB LIMITED	52,235	AA+/A1+	35,360	AA+/A1+
17	FAYSAL BANK LIMITED	-	-	158,254	AA/A1+
18	UNITED BANK LIMITED	274,735	AAA/A-1+	154,950	AA+/A-1+
19	HABIB BANK LIMITED	374,443	AAA/A-1+	244,213	AAA/A-1+
	TOTAL	<u>834,273</u>		<u>898,999</u>	
	FINANCIAL SERVICES				
20	SME LEASING LIMITED	855	B/B	56	BB-/B
	TOTAL	<u>855</u>		<u>56</u>	
	PREFERENCE SHARES				
21	MASOOD TEXTILE MILLS LIMITED (CUMULATIVE PREFERENCE SHARES) 12.1%	44,200	Unrated	44,200	Unrated
	PREFERENCE SHARES TOTAL	<u>44,200</u>		<u>44,200</u>	
	GRAND TOTAL	<u>3,858,226</u>		<u>3,643,405</u>	

QUALITY OF AVAILABLE FOR SALE SECURITIES

As Referred to in Note 9.4 to the financial statements

Sr. No.	Particulars	2016		2015	
		Market Value	Rating	Market Value	Rating
		(Rupees in '000)		(Rupees in '000)	
	Government Securities				
1	MARKET TREASURY BILLS - Six months	2,092,214	GOVERNMENT SECURITIES	488,640	GOVERNMENT SECURITIES
2	PAKISTAN INVESTMENT BONDS - Three years - Five years - Ten years	- - 996,156	GOVERNMENT SECURITIES	5,128,925 14,332 1,012,926	GOVERNMENT SECURITIES
	Sub Total	3,088,370		6,644,823	
	Listed Sukuk Certificates				
1	K-ELECTRIC Certificate of Rs. 5,000 each Mark up : 8.85% (3-Months KIBOR Ask Rate + 2.75%) Redemption : Bullet on March-2019 Maturity : March, 2019 CEO of the company : Mr. Tayyab Tareen	246,624	AA	246,967	AA
2	K-ELECTRIC Certificate of Rs. 5,000 each Mark up : 7.10% (3-Months KIBOR Ask Rate + 1.00%) Redemption : Quarterly Installments from Sep -2017 Maturity : June, 2022 CEO of the company : Mr. Tayyab Tareen	187,258	AA+	186,681	AA+
	Sub Total	433,882		433,648	
	Listed Term Finance Certificates				
1	SONERI BANK LIMITED Certificate of Rs. 5,000 each Mark up : 7.41% (KIBOR 6-Month (s) Ask Rate + 1.35%) Redemption : Half yearly commencing from Jan-2016 Maturity : July, 2023 CEO of the company : Mr. Mohammad Aftab Manzoor	447,492	A+	430,663	A+
	Sub Total	447,492		430,663	

QUALITY OF AVAILABLE FOR SALE SECURITIES

As Referred to in Note 9.4 to the financial statements

Sr. No.	Name of Securities	2016		2015	
		Cost	Rating	Cost	Rating
		(Rupees in '000)		(Rupees in '000)	
1	Unlisted Term Finance Certificates BANK AL FALAH LIMITED Certificate of Rs. 5,000 each Mark up : 8.62% (6-Months KIBOR Ask Rate + 2.50%) Redemption : Half yearly from Dec - 2009 Maturity : Dec, 2017 CEO of the company : Mr. Atif Bajwa	66,493	AA-	99,760	AA-
2	NEW ALLIED ELECTRONICS INDUSTRIES (PRIVATE) LIMITED * Certificate of Rs. 5,000 each Mark up : 16.37% (KIBOR 3-Months Ask Rate + 2.75%) Redemption : Quarterly Installments commencing from Aug - 2007 Maturity : May, 2011 CEO of the company : Mr. Mian Pervez Akhtar	21,138	Unrated	21,138	Unrated
3	DEWAN FAROQUE SPINNING MILLS LIMITED * Certificate of Rs. 5,000 each Mark up : 16.66% (KIBOR 6-Months Ask Rate + 3.75%) Redemption : Half yearly Installments commencing from Dec - 2004 Maturity : Dec , 2009 CEO of the company : Mr. Ishtiaq Ahmed	12,500	Unrated	12,500	Unrated
4	FAYSAL BANK LIMITED Certificate of Rs. 5,000 each Mark up : 8.40% (KIBOR 6-Month (s) Ask Rate + 2.25%) Redemption : Half yearly Installments commencing from Dec -2010 Maturity : Dec, 2017 CEO of the company : Mr. Nauman Ansari	162,175	AA-	324,350	AA-
5	BANK AL HABIB LIMITED Certificate of Rs. 5,000 each Mark up : 15.00% - 15.50% Redemption : Half yearly Maturity : Prepaid in June-2016 CEO of the company : Mr. Mansoor Ali Khan	-	-	149,730	AA
6	BANK AL HABIB LIMITED Certificate of Rs. 5,000 each Mark up : 6.80% (KIBOR 6-Month (s) Ask Rate + 0.75%) Redemption : Half yearly commencing from Sep-2016 Maturity : Mar, 2026 CEO of the company : Mr. Mansoor Ali Khan	264,947	AA	-	-
	Sub Total	527,253		607,478	

* These TFCs are fully provided in the books of PKIC

PARTICULARS OF INVESTMENT IN UNLISTED COMPANIES

As Referred to in Note 9.4 to the financial statements

Sr. No.	Investments in unlisted companies	2016	2015	2016	2015
		NUMBER OF SHARES		COST (Rupees in '000)	
	Particulars of investments held in unlisted companies				
1	Arabian Sea Country Club Chief Executive: Mr. Arif Ali Khan Abbasi Breakup value per share: Rs. (2.49) Date of Financial statements: 30-June-2015	215,000	215,000	2,150	2,150
2	Axle Products Limited Chief Executive: Mr. Muzzamil Niazi Breakup value per share: Not Available Date of Financial statements: Not Available	404,350	404,350	4,043	4,043
3	Engine Systems Limited Chief Executive: Mr. Muzzamil Niazi Breakup value per share: Not Available Date of Financial statements: Not Available	1,000,000	1,000,000	10,000	10,000
4	FTC Management Company (Private) Limited Chief Executive: Engr. Commander ® Muhammad Kaleem Sheikh Breakup value per share: Rs. 712.46 Date of Financial statements: 30-June-2015	50,000	50,000	500	500
5	Rays Shipping Limited Chief Executive: Mr. Farooq H. Rahimtoola Breakup value per share: Rs. 9.57 Date of Financial statements: 30-June-2014	1,000,000	1,000,000	6,500	6,500
6	Transmobile Limited Chief Executive: Mr. Muzzamil Niazi Breakup value per share: Not Available Date of Financial statements: Not Available	1,000,000	1,000,000	10,000	10,000
7	Islamic International Rating Agency Chief Executive: Ms. Sabeen Saleem Breakup value per share: Rs. 3,820.11 Date of Financial statements: 31-December-2013	100	100	10,290	10,290
8	Pakistan Textile City Limited Chief Executive: Mr. Muhammad Hanif Kasbati Breakup value per share: Rs. 3.38 Date of Financial statements: 30-June-2015	5,000,000	5,000,000	50,000	50,000
9	Innovative Investment Bank (Formerly Crescent Standard Investment Bank Limited) Chief Executive: Not Available Breakup value per share: Not Available Date of Financial statements: Not Available	4,770	4,770	4,770	4,770
10	Pakistan Mercantile Exchange Limited Chief Executive: Mr. Ejaz Ali Shah Breakup value per share: Rs. (3.14) Date of Financial statements: 30-June-2014	909,090	909,090	11,773	11,773
11	Dada Bhoj Padube Limited Chief Executive: Not Available Breakup value per share: Not Available Date of Financial statements: Not Available	100,000	100,000	200	200
	TOTAL	9,683,310	9,683,310	110,226	110,226

PARTICULARS OF INVESTMENT HELD IN SHARES OF LISTED COMPANIES

As Referred to in Note 9.4 to the financial statements

Sr. No.	Name of Company	2016	2015	2016			2015		
		Total Shares		Cost	Impairment	Cost after Impairment	Cost	Impairment	Cost after Impairment
------(Rupees in '000)-----									
AVAILABLE FOR SALE PORTFOLIO									
STRATEGIC PORTFOLIO									
1	THE HUB POWER COMPANY LIMITED	692,602	692,602	23,850	-	23,850	23,850	-	23,850
	TOTAL	692,602	692,602	23,850	-	23,850	23,850	-	23,850
GENERAL PORTFOLIO									
OIL AND GAS									
2	OIL AND GAS DEVELOPMENT COMPANY LIMITED	853,400	1,243,400	158,435	50,776	107,659	271,574	125,673	145,901
3	ATTOCK PETROLEUM LIMITED	100,000	175,000	52,454	-	52,454	91,794	-	91,794
4	PAKISTAN STATE OIL COMPANY LIMITED	600,000	400,000	241,309	-	241,309	142,742	-	142,742
5	PAKISTAN OILFIELDS LIMITED	648,200	710,700	269,717	102,475	167,242	295,723	105,242	190,481
6	PAKISTAN PETROLEUM LIMITED	935,400	1,336,400	171,177	46,034	125,143	271,290	111,214	160,076
	TOTAL	3,137,000	3,865,500	893,092	199,285	693,807	1,073,123	342,129	730,994
CHEMICALS									
7	ENGRO CORPORATION LIMITED	680,500	1,000,000	191,483	-	191,483	278,548	-	278,548
8	FAUJI FERTILIZER COMPANY LIMITED	1,508,500	1,600,000	177,449	20,007	157,442	206,200	-	206,200
9	ENGRO FERTILIZER COMPANY LIMITED	3,820,000	1,470,000	288,078	28,395	259,683	121,251	-	121,251
	TOTAL	6,009,000	4,070,000	657,010	48,402	608,608	605,999	-	605,999
CONSTRUCTION AND MATERIALS									
10	LUCKY CEMENT LIMITED	-	200,000	-	-	-	104,168	-	104,168
	TOTAL	-	200,000	-	-	-	104,168	-	104,168
ELECTRICITY									
11	KOT ADDU POWER CO. LIMITED	4,941,500	4,941,500	294,770	-	294,770	294,770	-	294,770
12	K-ELECTRIC LIMITED	14,068,500	10,568,500	115,476	-	115,476	83,871	-	83,871
13	NISHAT CHUNIAN POWER LIMITED	13,469,302	13,469,302	282,000	-	282,000	282,000	-	282,000
	TOTAL	32,479,302	28,979,302	692,246	-	692,246	660,641	-	660,641
BANKS									
14	NATIONAL BANK OF PAKISTAN	-	3,800,000	-	-	-	237,870	32,517	205,353
15	BANK AL-FALAH LIMITED	3,500,000	3,500,000	103,649	-	103,649	103,649	-	103,649
16	BANK AL-HABIB LIMITED	885,500	850,000	28,706	-	28,706	27,084	-	27,084
17	FAYSAL BANK LIMITED	-	10,256,275	-	-	-	153,723	-	153,723
18	UNITED BANK LIMITED	1,150,000	1,000,000	206,792	-	206,792	168,546	-	168,546
19	HABIB BANK LIMITED	1,370,330	1,220,330	245,919	-	245,919	203,029	-	203,029
	TOTAL	6,905,830	20,626,605	585,066	-	585,066	893,901	32,517	861,384

Sr. No.	Name of Company	2016	2015	2016			2015		
		Total Shares		Cost	Impairment	Cost after Impairment	Cost	Impairment	Cost after Impairment
------(Rupees in '000)-----									
FINANCIAL SERVICES									
20	SME LEASING LIMITED	225,000	225,000	2,475	2,419	56	2,475	2,419	56
21	DADABHOY LEASING COMPANY LIMITED	10,750	10,750	14	14	-	14	14	-
	TOTAL	235,750	235,750	2,489	2,433	56	2,489	2,433	56
PREFERENCE SHARES									
22	MASOOD TEXTILE MILLS LIMITED (CUMULATIVE PREFERENCE SHARES) 12.1%	5,000,000	5,000,000	50,000	-	50,000	50,000	-	50,000
23	SECURITY LEASING CORPORATION LIMITED (PREF.SHARES) 9.1%	500,000	500,000	5,029	5,029	-	5,029	5,029	-
	PREFERENCE SHARES TOTAL	5,500,000	5,500,000	55,029	5,029	50,000	55,029	5,029	50,000
	TOTAL - AVAILABLE FOR SALE PORTFOLIO	54,959,484	64,169,759	2,908,782	255,149	2,653,633	3,419,200	382,108	3,037,092

PARTICULARS OF INVESTMENT IN LISTED SUKUK / TFCs

As Referred to in Note 9.4 to the financial statements

Sr. No.	Particulars	2016	2015	2016	2015
		NUMBER OF SUKUK / TFCs		COST (Rupees in '000)	
	Particulars of investments held in listed Sukuk				
1	K-ELECTRIC SUKUK Certificate of Rs. 5,000 each Mark up : 8.85% (3-Months KIBOR Ask Rate + 2.75%) Redemption : Bullet on March, 2019 Maturity : March, 2019	47,275	47,275	236,375	236,375
2	K-ELECTRIC SUKUK Certificate of Rs. 5,000 each Mark up : 7.10% (3-Months KIBOR Ask Rate + 1.00%) Redemption : Quarterly Installments from September, 2017 Maturity : June, 2022	36,337	36,337	181,685	181,685
	TOTAL	83,612	83,612	418,060	418,060
	Particulars of investments held in listed TFCs				
1	SONERI BANK LIMITED Certificate of Rs. 5,000 each Mark up : 7.41% (6-Months KIBOR Ask Rate + 1.35%) Redemption : Half yearly from January, 2016 Maturity : July, 2023	87,881	87,916	439,404	439,580
	TOTAL	87,881	87,916	439,404	439,580

PARTICULARS OF INVESTMENT IN TERM FINANCE CERTIFICATES

As Referred to in Note 9.4 to the financial statements

Sr. No.	Name of TFCs	2016	2015	2016	2015
		NUMBER OF TFCs		COST (Rupees in '000)	
	Particulars of investments held in unlisted term finance certificates (TFCs)				
1	BANK AL FALAH LIMITED (02-12-2009) Certificate of Rs. 5,000 each Mark up : 8.62% (6-Months KIBOR + 2.50%) Redemption : Half yearly from Dec - 2009 Maturity : Dec - 2017	13,299	19,952	66,493	99,760
2	NEW ALLIED ELECTRONICS INDUSTRIES (PRIVATE) LIMITED * Certificate of Rs. 5,000 each Mark up : 16.37% (3-Months KIBOR Ask Rate + 2.75%) Redemption : Quarterly Installments commencing from Aug - 2007 Maturity : May , 2011	4,228	4,228	21,138	21,138
3	DEWAN FAROOQUE SPINNING MILLS LIMITED * Certificate of Rs. 5,000 each Mark up : 16.66% (6-Months KIBOR Ask Rate + 3.75%) Redemption : Half yearly Installments commencing from Dec - 2004 Maturity : Dec , 2009	2,500	2,500	12,500	12,500
4	FAYSAL BANK LIMITED Certificate of Rs. 5,000 each Mark up : 8.40% (6-Months KIBOR Ask Rate + 2.25%) Redemption : Half yearly Installments commencing from December - 2010 Maturity : Dec , 2017	32,435	64,870	162,175	324,350
5	BANK AL HABIB Certificate of Rs. 5,000 each Mark up : 15.00% - 15.50% Redemption : Half yearly Maturity : Prepaid in Jun-2016	-	29,946	-	149,730
6	BANK AL HABIB Certificate of Rs. 5,000 each Mark up : 6.80% (6-Months KIBOR Ask Rate + 0.75%) Redemption : Half yearly commencing from Sep-2016 Maturity : Mar, 2026	52,989	-	264,947	-
	TOTAL	105,451	121,496	527,253	607,478

* These TFCs are fully provided in the books of PKIC

**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED
DURING THE YEAR ENDED DECEMBER 31, 2016**

S. No.	Name and address of the borrower	Name of individuals/ partners/ directors (with NIC No.)	NIC / CNIC Nos.	Father's/ Husband's name	Outstanding Liabilities at beginning of year				Principal written-off	Interest/ Mark-up written-off	Other financial relief provided	Total (9+10+11)
					Principal	Interest/ Mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12	
Rupees in '000												
2016												
NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	
				Sub Total (2016) :	-	-	-	-	-	-	-	

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