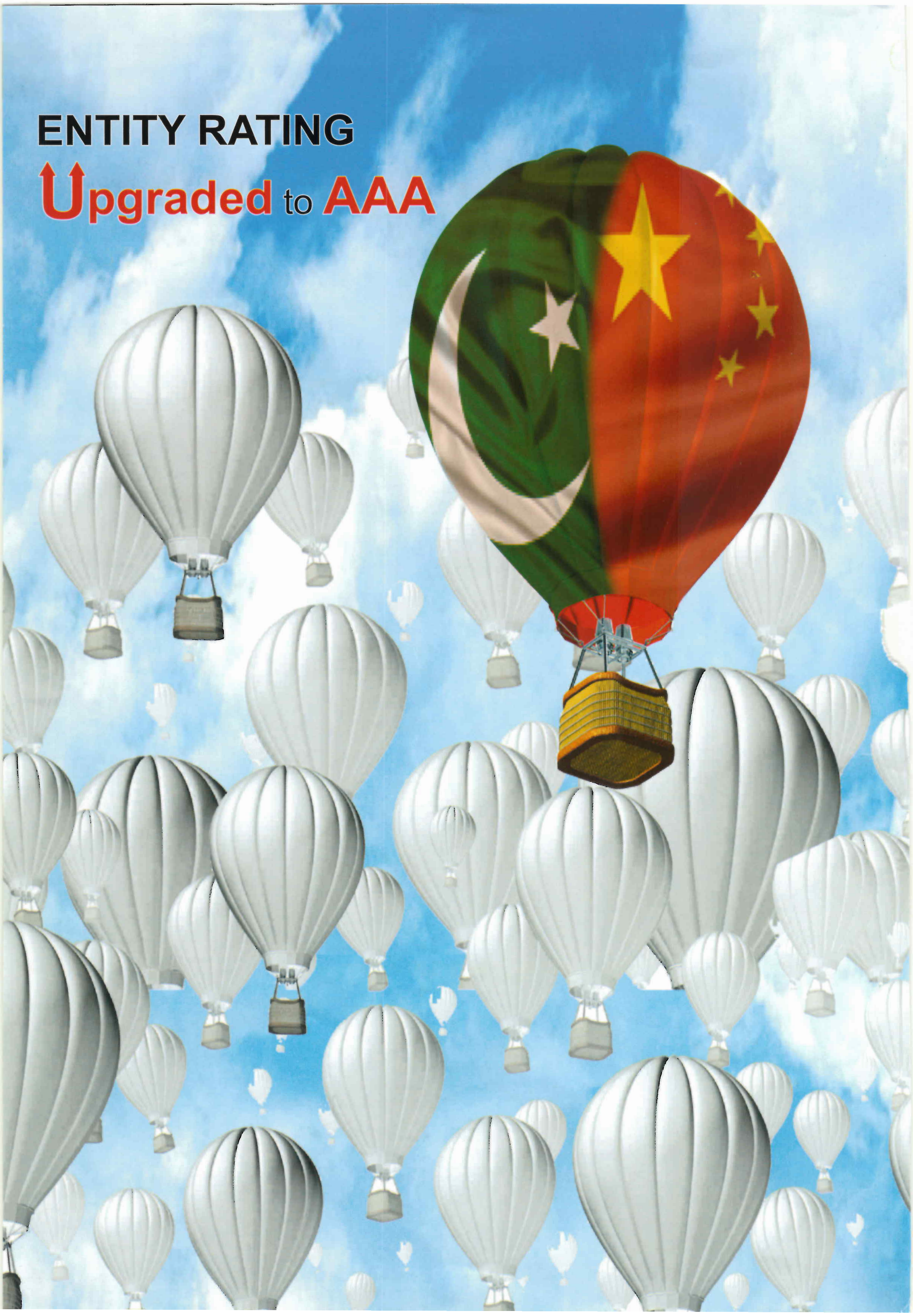
ANNUAL REPORT

2015

PAKCHINA
INVESTMENT COMPANY LIMITED


ENTITY RATING
Upgraded to AAA

CONTENTS

VISION, MISSION & CORE VALUES

VISION

To become a leading DFI as HUB of investment activities for Pakistan & Chinese entrepreneurs through our in depth market knowledge providing innovative financial solutions through exceptional people, efficient processes. Innovative solutions and customer relationship.

Focus on bringing Chinese investment, Technology and know how to Pakistan by conducting Road Shows and preparing Pitch books. Allowing Pak China investment Company to be use as platform for investment decisions in entering the Pakistani market.

MISSION STATEMENT

As a Focused Development Financial institution we excel in our mission. Our business spans over Financial Manufacturing. Real Estate, Infrastructure, information Technology and Agriculture Sectors.

Our Mission is to:

Be a Channel of Investment flow by becoming prime advisors from Pakistan and China Identify and capitalize on opportunities in Pakistan by leveraging on Chinese technology, financial resources and entrepreneurial expertise.

Act as a catalyst of success for our customers-by responding to their needs and develop a lasting Relationship. Create a culture of performance integrity and efficiency where productivity performance and innovations are the hall marks.

Build state-of the-art technology platform and applications.
Produce exceptional results while keeping within acceptable risk levels.

CORE VALUES

At Pak China Investment Company Limited. We Live by our Values. Which determine our business and personal conduct.

We ensure that these values are siserminated and are understood by each one of us in their letter and spirit.

We work with integrity, Professionalism, passion, dedication, creativity and have one point agenda of desired results.

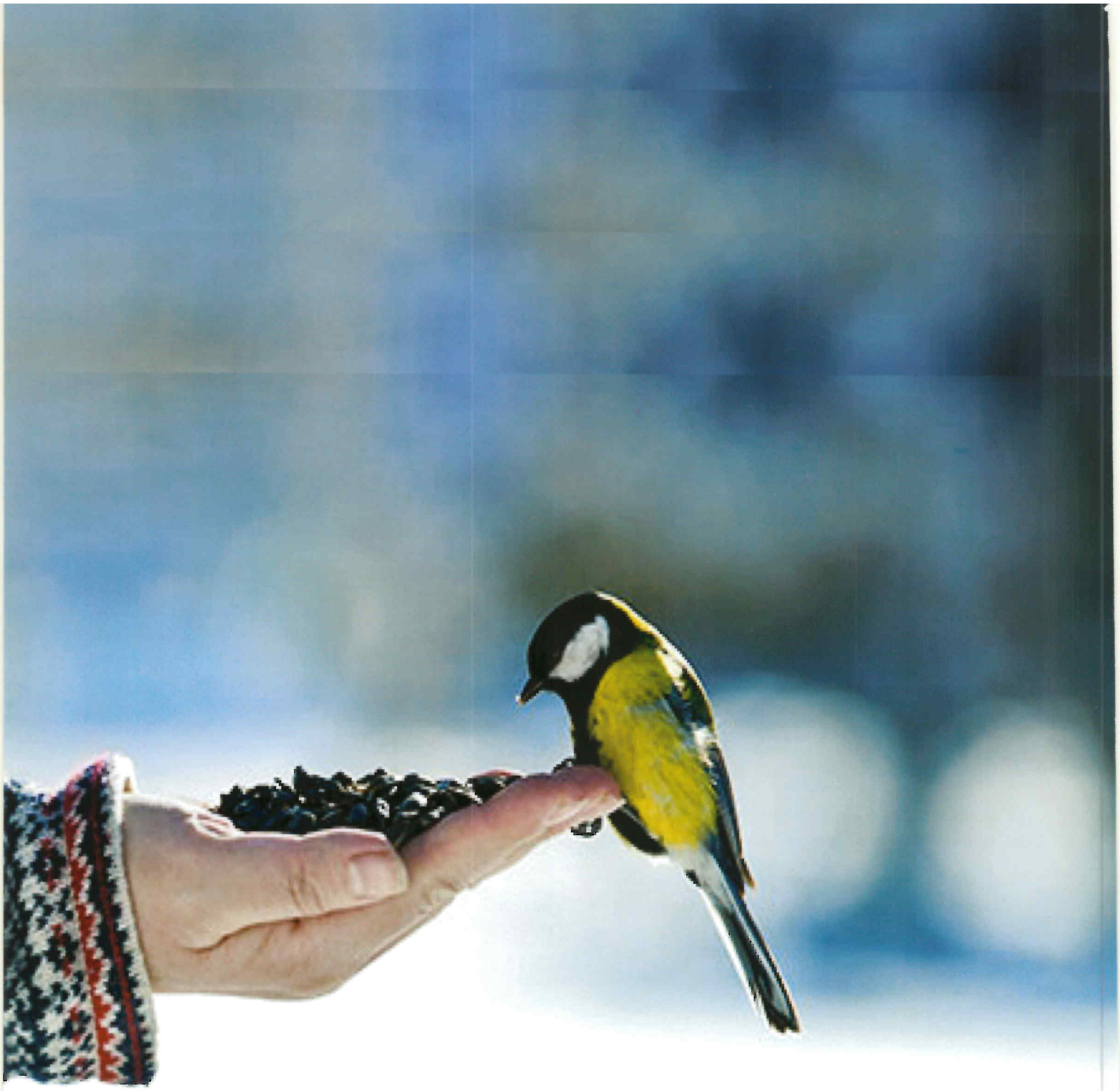
We respect individuals and their views and understand diversity of our culture.

We are honest in our communication, we mean what we say and we don't say what we don't mean.

We regard success and satisfaction of our customers as our reward.

We value of Leadership and foster its development.

We put team's interest of ours and work as a cohesive team.



Corporate Information

Board of Directors

Mr. Waqar Masood Khan	- Chairman
Mr. Li Peng	- Deputy Chairman / Managing Director (CEO)
Mr. Tariq Bajwa	- Director
Mr. Zuo Kun	- Director
Mr. Shahnawaz Mahmood	- Deputy Managing Director
Ms. Liu Hui	- Director

Management

Mr. Li Peng	Deputy Chairman / Managing Director (CEO)

Acting Chief Financial Officer

Mr. Zhang Yanzhi

Company Secretary

Ms. Shazia Khan

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisors

Mohsin Tayebali & Co.


SUCCESS

COMPANY INFORMATION

Registered Head Office

Saudi Pak Tower 13th Floor
61-A Jinnah Avenue
Islamabad-44000 Pakistan
T: +92 51 2800281, 2099666
F: +92 51 2800297, 2800279

Karachi Office

4th Floor, C-14-C, Touheed Commercial
26th Street, Phase-V DHA
Karachi-75600
T: +92 21 35379888, 35377222, 35377888
F: +92 21 35810666

DIRECTOR'S PROFILE

DR. WAQAR MASOOD KHAN
CHAIRMAN
PAK-CHINA INVESTMENT COMPANY LTD
FEDERAL SECRETARY FINANCE
GOVERNMENT OF PAKISTAN

Mr. Li Peng
Deputy Chairman
Managing Director (CEO)

Mr. Shahnawaz Mahmood
Deputy Managing Director

Mr. Zuo Kun
Director

Mr. Tariq Bajwa
Director

Ms. Liu Hui
Director

Ms. Shazia Khan
Company Secretary

CHAIRMAN'S REVIEW

I am pleased to present the seventh Annual Report of the Company for the year ended December 31, 2015.

Key highlights for the year 2015 are as under:-

- Advances decreased from Rs. 5,956 Million to 5,708 Million.
- Borrowings increased from Rs. 6,742 Million to 6,903 Million.
- Net interest income increased from 1,111 Million to 1,144 Million.
- Non Net interest income increased from Rs. 19 Million to 238 Million.
- Credit rating was maintained at AAA by JCR-VIS Credit Rating Company Limited.

ECONOMIC OUTLOOK

With the implementation of stabilization policies during the past two years and ensuing marked improvement in macroeconomic indicators in this fiscal year, Pakistan's economy is set to embark on a higher growth trajectory. Positive business sentiments are likely to strengthen real GDP growth in FY16. As envisaged in the Annual Plan for FY16, with some improvement in agriculture, major contribution is likely to come from the industrial and services sectors. In this context, four points are worth noting:

- SBP has already cut the policy rate to a historic low during the past seven months to support economic activity. The rate cuts are supplemented with liquidity injections to ensure adequate supply of credit to the private sector at a lower cost.
- With the import of LNG and completion of few energy related projects, energy supply is expected to improve. Persistently low international oil price would also facilitate energy supplies by reducing the cost of tariff rationalization, and energy related expenses of the businesses.
- Construction activity is set to gain from mega infrastructure projects and growing private sector residential projects. Moreover, work on road construction under China-Pakistan

  Economic Corridor (CPEC) is likely to gather pace during the next fiscal year. Manufacturing sector would be a major beneficiary as the construction and allied industries are likely to gain from this increasing activity.
- After a long time, the investments are expected to revive because: (a) energy shortage is likely to ease further (b) as a result of the on-going campaign to eradicate terrorism, law and order situation has significantly improved © positive assessment of the economy by IFIs and credit rating agencies, would help improve investors' confidence (d) foreign direct investment would gain from inflows under CPEC and (e) historic low interest rates will also support investment activity.

While above developments are encouraging, the persistence of structural reforms would remain a challenge. In this context, although the government is pursuing a well-defined reform process (as a part of the IMF program), there is a need to capitalize on this opportunity by consolidating gains and purchasing the reforms effort in order to promote sustainable economic growth. Three key areas are of particular importance.

First, even though it is encouraging to note recent improvements in tax collections, revenue generation would continue to remain a challenge given the low tax base and difficulties faced by tax payers in compliance.

Second, loss making PSEs remain a contingent liability. The privatization process of these PSEs is yet to start in earnest. So far, the government has divested its share in profitable financial institutions (UBL, ABL, and HBL) through capital market transactions. Except for National Power Construction Corporation (NPCCL),shift of management control at other PSEs could not take place as privatization of energy related PSEs is still at its initial stages. Given the fact that profitable entities were the first to be privatized, delay in the privatization of loss making PSEs would be a burden on exchequer.

Third, despite a marked improvement in the external account, exports saw a decline of 3.2 percent during Jul-Mar FY15 against the 5.8 percent export growth envisaged in the Annual Plan FY15. Weak external demand is primarily responsible for this; however, structural bottlenecks have to be addressed also. A well-thought long-term industrial policy aligned with the country's strategic objective is a pre-requisite for generating exportable surpluses. This must be supplemented with concerted efforts to improve productivity, and strengthen supply chains.

Fortunately, the recent positive developments and improving business sentiments have created much needed room for the policy makers to focus on a comprehensive growth strategy.

BOARD AND MANAGEMENT COMMITTEES

To share the load of activities, the board constituted three specialized committees namely:-

1. Audit Committee
2. HR Committee
3. Risk Management Committee

Apart from above, following three management committees are working:-

1) Management Committee (MANCOM)
2) Credit Management Committee (CMC)
3) Asset & Liability Committee (ALCO)
4) Procurement Committee (PC)

LOOKING FORWARD

Pak China Investment Co Ltd advances exposure is concentrated in the power sector as it has been a priority of the energy starved nation. With the implementation of CPEC, investment activity is expected to pick up going forward. The management plans to diversify its portfolio and take active partin:

- infrastructure development,
- development of Special Economic Zones (with specific focuson Chinese investors),
- carrying out commercial activity for joint venture companies (especially withChinese Companies) including but not limited to financing and investing in industrial, manufacturing and non-manufacturingsectors,
- participating and pitching for Advisory Transactions for Local Government as well as Private Entities,
- undertaking capital market and corporate financial activities, and
- other profitable Ventures on case to case basis including Public Private Partnership etc.

PCICL currently provides project financing, investment banking, corporate financial advisory services, which in future are planned to be supplemented by establishment of asset management, leasing and any other products and services within the ambit of its articles of association and memorandum.

PCICL has so far used available equity as the primary source of funds and through its Treasury focused on management of liquidity with investments concentrated in T-Bills.In future, Management is also planning to further augment its Treasury through use of Leverage & investment in capital market instruments.

Through the above initiatives PCICL aims to become the top DFI in Pakistan next Five Years in terms of total assets and also to be a DFI which can provide a full and complete financial services and products to the clients.

It goes without saying that the performance of the Company cannot be immune from the effects of financial and economic crisis. I would like to emphasize that Pak China Investment Company Limited aims at self-sustaining growth aided by sound credit culture, good corporate governance practices and robust risk management framework.

ACKNOWLEDGEMENT

I would like to thank the Board of Directors, State Bank of Pakistan and Securities and Exchange Commission of Pakistan for their help, support and guidance. I thank the management of the Company for their sincerity, dedication and commitment. I also thank the financial institutions, clients and the shareholders for the trust and confidence reposed in the Company.

DR. WAQAR MASOOD KHAN
CHAIRMAN

DIRECTOR's REPORT

On behalf of our Board of Directors, I hereby present with pleasure the Director's Report of Pak China Investment Limited along with its eighth annual audited accounts for the year ending December 31, 2015.

Banking Sector Review

The banking sector of Pakistan has performed progressively during Dec-15. Profit after tax for the year 2015 has reached PKR 199 billion, as against PKR 163 billion last year. Increase in lending to private sector (both seasonal and fixed investment), and banks' investment in government papers has resulted in 4.6 percent growth in the asset base of the banking system. The deposit base has also shown seasonal rise, which has reduced the dependency of banks on non-core liabilities to some extent. With the improvement in private sector lending, utilization of capital improved as reflected in slight reduction in Capital Adequacy Ratio (CAR) to 17.3 percent, which continues to remain well above the local benchmark of 10.25 percent and international benchmark of 8.625 percent. Asset quality has improved due to significant recoveries, while growth in equity and rise in provisions coverage further improved the capital impairment ratio.

Performance Highlights

Financial Highlights of the Company for the year ending December 31, 2015 are as under:- (Rs. in Million)

P & L- Figures	Dec, 15	Dec, 14	Dec, 13	Dec, 12	Dec, 11	Dec, 10
Net Interest Income	1,144	1,111	933	1210	943	866
Non Interest Income	238	19	355	233	133	176
Profit before Tax	951	619	855	1037	868	862
Profit after Tax	621	469	564	674	514	560
EPS (PKR)	0.68	0.51	0.62	0.74	0.57	0.62

Balance Sheet Figures	Dec, 15	Dec, 14	Dec, 13	Dec,12	Dec, 11	Dec,10
Assets	20,549	20,007	12,730	15,973	11,178	11,634
Advances	5,708	5,957	5,329	4,590	4,438	5,309
Investments	12,091	11,289	4,283	8,021	4,078	3,100
Equity	13,561	12,948	12,313	11,769	11,059	10,477

Operational Overview

Pak China Corporate Finance exposure is concentrated in the power sector as it has been a priority of the energy starved nation. Treasury Department has so far used available equity as the primary source of funds and focused on management of liquidity with investments concentrated in T-Bills. Corporate Finance will further diversify its loan portfolio and will work closely with CDB & MOF for Advisory and Financing Arrangement for Projects located on Pak China Economic Corridor. Treasury Department will pursue an aggressive investment strategy this year and diversify the investment portfolio keeping in view the risk & return tradeoff.

Credit Rating

The JCR-VIS Credit Rating Company Limited has assigned the Company the long- term and short-term entity ratings of 'AAA'(Triple A) and 'A1+'(A One Plus) respectively. These ratings denote a very low expectation of credit risk emanating from the highest capacity for timely payment of financial commitments.

Pattern of Shareholding

The pattern of shareholding is as under:-

Shareholders	Shareholding
Ministry of Finance, Government of Pakistan	50%
China Development Bank	50%

Corporate & Financial Reporting Framework

The Directors feel pleasure to give the following statement in respect of the Code of Corporate Governance:

- These financial statements, prepared by the Management, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure from them has been appropriately disclosed.
- The system of internal control is based on design and has been effectively implemented and monitored.
- There are no doubts regarding the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance.

Board Meetings

The numbers of Board meetings held during the year ended 31st December, 2015 were and attendance therein by the Directors is as below:-

Name	Designation	Meetings Attended
Mr. Dr. Waqar Masood Khan	Chairman	3
Mr. Cao Wen Jiang	ex-MD/Director	1
Mr. Li Peng	MD/Director	2
Mr. Zuo Kun	Director	-
Ms. Liu Hui	Director	3 (conference call)
Mr. Shahnawaz Mahmood	DMD/ Director	3
Mr. Muhammad Saleem Sethi	Director	1
Mr. Tariq Bajwa	Director	-

Change in Directors

There was a change in the Board of Directors during the period under review. Mr. Tariq Bajwa Federal Secretary EAD was appointed as Director, PCICL while replacing Mr. Muhammad Saleem Sethi ex-Federal Secretary EAD in November, 2015. Mr. Li Peng was appointed as MD/Director in place of Mr. Cao Wen Jiang in May, 2015.

Statement of Investment in Provident Fund

As per audited financial statements as of 31st December, 2015, investment of provident fund stands at Rs. **44.587** Million.

Statement of Internal Control

It is the responsibility of Company's management to:

a) Establish and maintain an adequate and effective system of internal controls and procedures for an efficient working environment for obtaining desired objectives.

b) Evaluate the effectiveness of the Company's internal control system that encompasses material matters by identifying control objective, reviewing significant policies and procedures and establishing relevant control procedures

The control activities are being closely monitored across the Company through Audit Department, working independent of the management. In addition, Compliance Department is also in place to monitor control activities related to regulatory compliance. In an effort to implement the Internal Controls Guidelines as spelled out by State Bank of Pakistan in BSD Circular No. 7 of 2004 “particularly with reference to Internal Control Over Financial Reporting (ICFR)”, the Company hired the Consultants M/s KPMG Taseer Hadi & Co who conducted the exercise of ICFR.

Subsequently, they handed over the report to the Company. The completed ICFR stages are as under:-

Stage I:	Process and control documentation
Stage II:	Identification of gaps and recommendations
Stage III:	Development of detailed remediation/ implementation plans
Stage IV:	Development of Management Testing Plan
Stage V:	Implementation of initiatives as planned under stage III
Stage VI:	Quality assurance/validation of initiatives completed
Stage VII:	Conduct of management testing of key controls also reporting of results

Related Party

Government of Pakistan (Ministry of Finance) is a related party of the Company, therefore, all government authorities, affiliates and other organizations ("State-controlled entities") are related parties of the Company. However, transactions with these state-controlled entities are not very significant. The Company enters into transactions with related parties in the normal course of business. The transactions were carried out in commercial terms and at market rates.

Auditors

Our present auditors **M/s KPMG Taseer Hadi & Co**, Chartered Accountants offer themselves for reappointment as Auditors for the year 2016.

Acknowledgements

The Board expresses its gratitude for the support and commitment extended by our main sponsors, Ministry of Finance, Government of Pakistan and China Development Bank. The Board also appreciates the efforts undertaken by the management and employees of the Company for establishing its mark in such a short period. The Board is also grateful for the continuous guidance provided by the State Bank of Pakistan and Securities & Exchange Commission of Pakistan.

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Li Peng
Managing Director/CEO

STATEMENT OF COMPLIANCE
with Code of Corporate Governance

Pak China Investment Company Limited for the Year Ended December 31, 2015

This statement is being presented to comply with the applicable clauses of Public Sector Companies (Corporate Governance) Rules, 2013 and the clauses of Code of Corporate Governance (CCG) of issued by the Securities and Exchange Commission of Pakistan (SECP). In the year 2014, SECP 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.

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

1. Directors are appointed by the respective joint venture partnersinline with the requirements of the Joint Venture Agreement (JVA). There was no independent director on the board during 2015.
   Composition of board is given below:

Category	Names
Independent Director	-
Executive Director	Mr. Li Peng Mr. Shahnawaz Mahmood
Non-Executive Directors	Dr. Waqar Masood Khan Ms. Liu Hui Mr. Zuo Kun Mr. Muhammad Saleem Sethi Mr. Tariq Bajwa*

* He Replaced Mr. Muhammad Saleem Sethi on December 1, 2015.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a Stock Exchange has been declared as a defaulter by that Stock Exchange.
4. The casual vacancy occurred on the Board on May 28, 2015 and was filled up immediately by appointment of Mr. Li Peng as Managing Director of the company.
5. The Company has prepared 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.
6. The Board has developed a vision or mission statement, corporate strategy and significant policies of the Company except for whistle blowing protection and conflict of interest policy.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including determination of remuneration and terms and conditions of employment of the Managing Director and Deputy Managing Director, have been taken by the Board / shareholders except that Board has not defined that level of materiality considering its specific circumstance.
8. The meetings of the Board of Directors were presided over by the Chairman. The Board has met three times during 2015 against requirement of at least four times during the year. It was ensured that written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The board has not arranged any training program for directors during the year.
10. The board has approved appointment of acting CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is not an independent director.
16. The Audit Committee has met only twice during the financial year ended December 31, 2015. These meetings were held prior to the approval of interim results by the Board of Directors. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises four members, of whom two are non-executive directors and the chairman of the committee is a non-executive director.
18. 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.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles enshrined in the CCG have been complied, except with the few as highlighted above at serial No.1, 6, 7, 8, 9, 15 and 16. Further under specificrequirement of Public Sector Companies (Corporate Governance) Rules, 2013, the Company has not arranged training for its directors and no performance evaluation mechanism for board is in place.

Managing Director

Chairman of the Board

STATEMENT OF INTERNAL CONTROLS

For the year ended December 31, 2015

This statement is being issued in compliance with the Guidelines on Internal Controls, issued by the State Bank of Pakistan (SBP) vide BSD Circular No. 7, dated May 27, 2004 and OSED Circular 01 of 2014. These guidelines require that:-

The Management of Pak China Investment Company Limited assumes full responsibility for establishing and maintaining an adequate and effective system of internal controls throughout the company that provides reasonable assurance regarding the reliability of financial reporting. Management understands that the effective maintenance of the Internal Controls System is an ongoing process under the ownership of the management. All significant policies and procedural manuals are in place; and the review, revision, and improvement to keep them updated to cope with latest challenges is actively pursued by the management.

The management of PCICL has adopted the internationally accepted COSO Integrated Framework, in accordance with the guidelines on Internal Controls from State Bank of Pakistan and has completed all stages of Internal Control over Financial Reporting (ICFR).

All significant and material findings pointed out by the internal, external auditors and regulators are being addressed on a priority basis. The Manager Internal Controls actively monitors implementation of the corrective / remedial measures to ensure that identified risks are mitigated, to safeguard the interest of the Company. Testing of the effectiveness of ICFR has been carried out by the Internal Audit Department for the year 2015.

Based upon the results achieved from reviews and audits conducted during the year, management considers that the existing Internal Control System is adequate and is being effectively implemented and monitored, though room for improvement always exists.

During the year under review, we have endeavored to follow the guidelines issued by the SBP on internal controls, for evaluation and management of significant risks, and we will continue to endeavor for further improvements in the Internal Controls System. While an Internal Controls System will be effectively implemented and monitored, however, due to inherent limitations, the Internal Controls System is designed to manage rather than eliminate the risks of failure to achieve desired objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board of Directors of PCICL is ultimately responsible for ensuring that an adequate and effective Internal Control System exists in the Company and endorses the above management evaluation.

Li Peng
Managing Director/ CEO

FINANCIAL STATEMEMT

FOR THE YEAR ENDED 31 DECEMBER 2015

Auditors' Report to the Members

We have the audited the annexed statement of financial position of **Pak China Investment Company Limited** ("the Company") as at 31 December 2015 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 (here-in-after referred to as the financial statement') 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

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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 financial statement in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984(XLVII of 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 financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, which in case of loans and advances covered more than sixty per cent of the total loans and advances of the Company, we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;

b) in our Opinion:

i) the statement of financial position and the profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied except for changes as mentioned in note 4.1 with which we concur;

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

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company and the transactions of the Company which have come to our notice have been within the powers 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 Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Company's affairs as at 31 December 2015 and its true balance of profit, its comprehensive incomes, its cash flows and its changes in equity for the year then ended;
and

d) in our opinion no Zakat Deductible at source, under the Zakat and Ushr Ordinance, 1980 (XLVII of 1980).

The financial statement of the Company for the year ended 31 December 2014 was audited by another auditor who expressed an unmodified opinion dated 27 March 2015.

Date: 28 March 2016
Islamabad

KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Bakhtiyar Kazmi

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Note	2015	2014
		----------------Rupees----------------	
ASSETS			
Cash and balances with treasury banks	5	**116,864,752**	51,866,670
Balances with other banks	6	**2,033,472,081**	1,882,251,126
Lendings to financial institutions		-	-
Investments	7	**12,091,247,041**	11,288,944,291
Advances	8	**5,707,733,436**	5,956,904,391
Operating fixed assets	9	**183,466,497**	199,423,479
Deferred tax assets	10	**5,605,027**	42,618,010
Other assets	11	**411,026,743**	585 565 449
		20,549,415,577	20,007,573,416
LIABILITIES			
Bills payable		-	-
Borrowings	12	**6,903,225,721**	6,741,689,007
Deposits and other accounts	13	-	250,000,000
Subordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities	10	-	-
Other liabilities	14	**84,984,474**	68 022 634
		6,988,210,195	7,059,711,641
NET ASSETS		**13,561,205,382**	12,947,861,775
REPRESENTED BY			
Share capital	15	**9,116,400,000**	9,116,400,000
Reserve	16	**854,266,780**	729,567,931
Unappropriated profit		**3,414,776,247**	2,915,980,853
		13,385,443,027	12,761,948,784
Surplus on revaluation of assets	17	**175,762,355**	185,912,991
		13,561,205,382	12,947,861,775
CONTINGENCIES AND COMMITMENTS	18		

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

CHAIRMAN	MANAGING DIRECTOR	DIRECTOR	DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015	2014
		----------------Rupees----------------	
Mark-up / return / interest earned	19	**1,550,371,207**	1,331,381,383
Mark-up / return / interest expensed	20	**(406,220,476)**	(219,807,396)
Net mark-up / interest income		**1,144,150,731**	1,111,573,987
Provision against non-performing loans and advances	8.3.1	**48,809,814**	77,505,133
Provision for diminution in the value of available-for-sale investments	7.3	**72,980,757**	72,848,000
Bad debts written off directly		**-**	-
		121,790,571	150,353,133
Net mark-up / interest income after provisions		**1,022,360,160**	961,220,854
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		**29,787,079**	19,462,951
Dividend income		**-**	8,984,259
Exchange (loss)/gain		**78,183,020**	(79,308,241)
Income from dealing in foreign currency		**-**	-
Gain on sale of Available-For-Sale securities		**120,848,509**	62,000,470
Unrealised gain / (loss) on revaluation of investments classified as held for trading		**-**	-
Other income	21	**8,818,007**	8,256,891
Total non mark-up / interest income		**237,636,615**	19,396,330
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	22	**302,938,804**	325,677,990
Impairment loss on available-for-sale investments	7.2.3	**6,110,686**	35,700,000
Other provisions / write offs		**-**	-
Other charges	23	**72,000**	435,000
Total non mark-up / interest expenses		**309,121,490**	361,812,990
Extraordinary / unusual items		**-**	-
PROFIT BEFORE TAXATION		**950,875,285**	618,804,194
Taxation - Current		**294,674,656**	255,360,009
- Prior years		**26,857,606**	(37,500,000)
- Deferred		**8,519,614**	(68,465,207)
	24	**330,051,876**	149,394,802
PROFIT AFTER TAXATION		**620,823,409**	469,409,392
Unappropriated profit brought forward		**2,915,980,853**	2,538,559,412
Profit available for appropriation		**3,536,804,262**	3,007,968,804
Basic and diluted earnings per share	25	**0.68**	0.51

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

CHAIRMAN	MANAGING DIRECTOR	DIRECTOR	DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015	2014
		----------------Rupees----------------	
Profit after taxation for the year		**620,823,409**	469,409,392
Other comprehensive income not to be reclassified to profit and loss in subsequent periods			
Re-measurement gains/(losses) on defined benefit plan	**28.8**	**2,670,834**	2,367,409
Comprehensive income transferred to equity		**623,494,243**	471,776,801
Components of comprehensive income not reflected in equity			
Net change in fair value of Available-For-Sale securities - net of tax		**(10,150,636)**	163,135,114
Total comprehensive income for the year		**613,343,607**	634,911,915

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

CHAIRMAN	MANAGING DIRECTOR	DIRECTOR	DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015	2014
		----------------Rupees----------------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**950,875,285**	618,804,194
Less: Dividend income		**-**	(8,984,259)
		950,875,285	609,819,935
Adjustments for:			
Depreciation		**17,922,599**	21,793,724
Amortization		**83,606**	-
Provision for gratuity		**9,991,240**	10,128,032
Provision against non-performing loans and advances		**48,809,814**	77,505,133
Provision for diminution in the value of available-for-sale investments		**72,980,757**	72,848,000
Impairment loss on available-for-sale investments		**6,110,686**	35,700,000
Exchange loss/ (gain)		**(78,183,020)**	79,308,241
Gain / (loss) on sale of fixed assets		**284,449**	(123,491)
		1,028,875,416	906,979,574
Decrease/ (increase) in operating assets			
Lendings to financial institutions		**-**	559,025,145
Advances		**200,361,141**	(705,405,272)
Others assets		**167,455,459**	(160,175,785)
		367,816,600	(306,555,912)
Increase/ (decrease) in operating liabilities			
Borrowings		**161,536,714**	6,415,599,484
Deposits and other accounts		**(250,000,000)**	250,000,000
Other liabilities		**(12,213,179)**	12,769,499
		(100,676,465)	6,678,368,983
Contribution to plan assets		**(11,254,147)**	(12,764,518)
Income tax paid		**(310,275,333)**	(275,303,587)
		(321,529,480)	(288,068,105)
Net cash generated from/ (used in) operating activities		**974,486,071**	6,990,724,540
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments (made)/ realized during the year - net		**(834,116,307)**	(6,909,166,561)
Net investment in 'held-to-maturity' securities			-
Capital expenditure		**(2,411,846)**	(2,311,054)
Dividend income received		**-**	8,984,259
Sale proceeds of fixed assets		**78,099**	129,801
Net cash (used in)/ generated from investing activities		**(836,450,054)**	(6,902,363,555)
CASH FLOW FROM FINANCING ACTIVITIES			
Advance received against issue of shares		**-**	-
Effects of exchange rate changes on cash and cash equivalents		**78,183,020**	(79,308,241)
Increase in cash and cash equivalents		**216,219,037**	9,052,744
Cash and cash equivalents at the beginning of the year	26	**1,934,117,796**	1,925,065,052
Cash and cash equivalents at the end of the year	26	**2,150,336,833**	1,934,117,796

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

CHAIRMAN	MANAGING DIRECTOR	DIRECTOR	DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital	Statutory reserve	Unappropriated profit	Total
	(Rupees)			
Balance as at 01 January 2014	**9,116,400,000**	**635,212,571**	**2,538,559,412**	**12,290,171,983**
Profit for the year	-	-	469,409,392	469,409,392
Re-measurement losses on defined benefit plan	-	-	2,367,409	2,367,409
Total comprehensive income transferred to equity	-	-	471,776,801	471,776,801
Transfer to statutory reserve	-	94,355,360	(94,355,360)	-
Balance as at 31 December 2014	**9,116,400,000**	**729,567,931**	**2,915,980,853**	**12,761,948,784**
Profit for the year	-	-	**620,823,409**	**620,823,409**
Re-measurement gains on defined benefit plan	-	-	**2,670,834**	**2,670,834**
Total comprehensive income transferred to equity	-	-	**623,494,243**	**623,494,243**
Transfer to statutory reserve	-	**124,698,849**	**(124,698,849)**	-
Balance as at 31 December 2015	**9,116,400,000**	**854,266,780**	**3,414,776,247**	**13,385,443,027**

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

CHAIRMAN

MANAGING DIRECTOR

DIRECTOR

DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1 STATUS AND NATURE OF BUSINESS

Pak China Investment Company Limited (the Company) was incorporated in Pakistan as a public limited company on 27 July, 2007. The registered office of the Company is situated at 13th Floor, Saudi Pak Tower, Blue Area, Islamabad. The Company is a 50:50 joint venture between the 'Government of China' and 'Government of Pakistan' through China Development Bank and Ministry of Finance, respectively. The main objective of the Company is to invest in the financial sector and infrastructure projects.

The Company commenced business after obtaining the Certificate of Commencement of Business, from the Securities and Exchange Commission of Pakistan (SECP), on 02 November 2007, and the permission to commence business from the State Bank of Pakistan (SBP), on 10 January 2008.

2 BASIS OF PRESENTATION AND MEASUREMENT

2.1 Basis of presentation

These financial statements have been presented in accordance with the format prescribed by SBP's BSD Circular No. 4, dated 17 February, 2006 and BSD Circular No. 7, dated 20 April, 2010.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for certain investments which are measured at their fair values, and the defined benefit plan, which is measured at present value.

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 (IASB), as are notified under the Companies Ordinance, 1984, and provisions of and directives issued under the Companies Ordinance, 1984, and the directives issued by the SBP. In case requirements differ, the provisions of, and directives issued, under the Companies Ordinance, 1984 and the directives issued by the SBP, shall prevail.

3.2 The SBP, vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for banking companies/DFIs till further instructions. Further, according to the notification of the SECP, dated 28 April 2008, IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks/DFIs. 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.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous year, except as disclosed in note 4.1 to the financial statements.

4.1 IFRS 13 - 'Fair Value Measurement'

It consolidates the guidance on how to measure fair value into one comprehensive standard. It introduces the use of an exact price, as well as extensive disclosure requirements, particularly the inclusion of non financial instruments into the fair value hierarchy. The application of IFRS 13 does not have an impact on the financial statements of the Company except for certain disclosures as mentioned in note 31.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2016:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after 1 January 2016) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Company's financial statements.

- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Company's financial statements.

- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Company's financial statements.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Company's financial statements.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

a) - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

b) - IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

c) - IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

d) - IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

4.3 Functional and presentation currencies

These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

4.4 Cash and cash equivalents

Cash and cash equivalents comprise of cash, balances with treasury banks and other banks, and a fixed term deposit with a maturity of less than 6 months.

4.5 Lendings to / borrowings from financial institutions

The Company enters into secured and unsecured lending and borrowing transactions. 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 the sale and repurchase price, is amortised as an 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 the purchase and resale price is accrued as income over the term of the reverse repo agreement.

Other borrowings

These are recorded at the fair value of consideration received. Mark-up on such borrowings is charged to the profit and loss account on a time proportion basis.

Other lendings

These are stated net of related provisions. Mark-up on such lendings is recognized in the profit and loss account on a time apportioned basis, except for the mark-up on impaired / delinquent lendings, which is recognized on a receipts basis.

4.6 Investments

Investments are initially recognised at fair value, which includes transaction costs associated with the investments. The Company has classified its investments into 'held-to-maturity' and 'available-for-sale' portfolios as follows:

Held-To-Maturity

These are securities with fixed or determinable payments and fixed maturities, and for which the Company has a positive intent and ability to hold till maturity. These are carried at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

Available-For-Sale

These are investments that do not fall under the held-for-trading or held-to-maturity categories. Investments are initially recognised at cost, which includes transaction costs associated with the investment. These are carried at market values except for unquoted securities, where market value is not available, which are carried at cost less provision for diminution in value, if any. Surplus / (deficit) on revaluation of quoted securities is taken to 'surplus / (deficit) on revaluation of assets' account and presented below equity in the Statement of Financial Position. Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to the book values of the same. On derecognition of quoted available-for-sale investments, the cumulative gain or loss previously reported as a 'surplus / (deficit) on revaluation of investments' below equity, is included in the profit and loss account for the period.

Unlisted securities for which an active market does not exist, are stated at the lower of cost and break-up value.

The Company amortises the premium on acquisition of government securities using the effective yield method.

Gains and losses arising on the sale of investments are recognised in the profit and loss account.
Impairment losses in respect of investments classified as available-for-sale (except debt securities), is recongnised based on management's assessment of objective evidence of impairment, as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in the fair values of marketable investments below their cost, is also considered an objective evidence of impairment.

4.7 Advances

Advances are stated net of provisions for non-performing advances. The provision for non-performing advances is determined in accordance with the requirements of the Prudential Regulations and other directives issued by the SBP. In addition to specific provisions, the Company also maintains a general provision.

Provisions against non-performing advances and the general provision is charged to the profit and loss account.

Advances are written-off when there is no realistic prospect of recovery.

4.8 Operating fixed assets

Property and equipment

These are stated at cost less accumulated depreciation and impairment, if any, except for freehold land, which is stated at cost.

Depreciation is calculated on the straight line method to write off the depreciable amount of each asset, over its estimated useful life, after taking into account residual values, if any. Depreciation on additions during the year is charged from the month of acquisition, or the date the asset is available for use, and on disposals, upto the month of disposal. The useful lives, residual values and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

The costs of day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Gains and losses on disposals items of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognised net within "other income" in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. It consists of expenditure incurred and advances made in respect of operating fixed assets and intangible assets in the course of their acquisition, construction and installation.

Intangible assets

Intangible assets having finite useful lives, are stated at cost less accumulated amortization and impairment, if any. These are amortized using the straight line method over their estimated useful lives. The useful lives, residual values and amortization methods are reviewed and adjusted, if appropriate, at each reporting date.

4.9 Impairment

The carrying amounts of assets, other than investments, 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 are reversed when there is an indication that an impairment may no longer exist and / or if there has been a change in the estimate used to determine the recoverable amount.

4.10 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in equity or below equity / other comprehensive income, in which case it is recognised in equity or below equity / other comprehensive income.

Current

Provision for current taxation is the expected tax payable on the taxable income for the year using tax rates applicable at the date of unconsolidated statement of financial position. The charge for the current tax also includes adjustments, where considered necessary relating to prior years, arising from assessments made during the year for such years.

Deferred

Deferred tax is provided for by using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at the date of unconsolidated statement of financial position, expected to be applicable at the time of its reversal. A deferred tax asset is recognised only to the extent that it is probable that the future taxable profit will be available and credits can be utilized. Deferred tax assets are reduced to the extent it is no longer probable that the related tax benefit will be realised.

The Company recognizes deferred tax asset/liability on (deficit)/surplus on revaluation of securities in accordance with the requirement of International Accounting Standard (IAS) 12 "Income Taxes" which is adjusted against the related surplus / (deficit).

4.11 Revenue recognition

Mark-up / return / interest income from loans, term finance certificates, bank deposits, government securities and reverse-repo transactions, is recognized under the Effective Interest Rate method, except where recovery is considered doubtful, in which case the income is recognized on a receipts basis.

Gain / (loss) on sale of securities, is recognised in the profit and loss account at the time of sale of relevant securities.

Fee, commission and brokerage income is recognised as the services are rendered.

Rental income is recognized over the period of the rent agreement.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

4.12 Staff retirement benefits

Defined benefit plan

The Company operates approved funded gratuity plans for its eligible staff. The liabilitiy under the plan are determined on the basis of actuarial valuation carried out by independent actuary using the Projected Unit Credit Method. Latest valuations of gratuity was conducted as of 31 December 2015. Significant actuarial assumptions used for gratuity plan are mentioned in note 28.

Defined contribution plan

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

4.13 Foreign currency translation

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

4.14 Provisions

Provisions for guarantee claims and other off balance sheet obligations are recognised when intimated, and when reasonable certainty exists for the Company to settle the obligation.

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

4.15 Offsetting of financial assets and financial liabilities

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

4.16 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and the 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 the basis of making judgments about carrying values of assets and liabilities, which are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of its revision and future periods, if the revision affects both current and future periods. Judgments made by the management in the application of approved accounting standards that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year, are discussed in note 37.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

4.17 Earnings per share

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

4.18 Dividend and appropriations to reserves

Dividend declared and appropriations, except for transfers to the statutory reserve, made subsequent to the balance sheet date, are recognised as a liability and recorded as changes in reserves, respectively, in the period in which these are approved by the directors / shareholders, as appropriate.

4.19 Segment information

A segment is a 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 the following business segments;

Business Segments

Corporate Finance	Includes loans, advances and other transactions with corporate customers.
Trading and Sales	Undertakes the Company's fund management activities through leveraging and investing in liquid assets. It carries out spread based activities in the inter-bank market, and manages the interest rate risk exposure of the Company.
Others	Includes rental income earned from a buidling owned by the Company.

Geographical Segments

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

5	CASH AND BALANCES WITH TREASURY BANKS	Note	2015	2014
			----------------Rupees----------------	
	In hand-local currency		**5,831**	22,735
	With State Bank of Pakistan-local currency, current accounts	5.1	**113,441,404**	50,524,073
	With National Bank of Pakistan-local currency, current account		**3,417,517**	1,319,862
			116,864,752	51,866,670

5.1 This represents the minimum cash reserve required to be maintained with SBP, in accordance with the requirements of DMMD Circular No. 21, dated 5 October 2012.

6	BALANCES WITH OTHER BANKS	Note	2015	2014
			----------------Rupees----------------	
	In Pakistan			
	- local currency, current accounts		**6,820,908**	16,949,201
	- local currency, deposit accounts	6.1	**45,829,372**	27,361,812
	- foreign currency, deposit account	6.2	**1,980,821,801**	1,837,940,113
			2,033,472,081	1,882,251,126

6.1 These carry interest at rates ranging from 4% to 6.5% (2014: 5% to 7%) per annum.

6.2 This represents a foreign currency term deposit of USD 18,937,111 (2014: USD 18,306,176) with Habib Bank Limited. It carries mark-up at a rate of 3.15%(2014: 4.75%) per annum, and will mature on 23 March 2016

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

7 INVESTMENTS

7.1 Investments by type

	Note	2015 Held by the Company	2015 Given as collateral	2015 Total	2014 Held by the Company	2014 Given as collateral	2014 Total
		Rupees			Rupees		
Available-For-Sale							
Market Treasury Bills	12.2.1	**1,454,233,590**	**4,744,840,410**	**6,199,074,000**	2,230,191,150	1,993,040,850	4,223,232,000
Pakistan Investment Bonds	12.2.1	**1,519,670,000**	**2,165,440,000**	**3,685,110,000**	2,754,218,700	1,968,500,000	4,722,718,700
Ordinary shares of a listed companies		**92,137,018**	**-**	**92,137,018**	98,247,704	-	98,247,704
Listed Term Finance Certificates		**-**	**-**	**-**	245,188,640	-	245,188,640
Unlisted Term Finance Certificates		**876,764,364**	**-**	**876,764,364**	1,001,352,423	-	1,001,352,423
Mutual Fund Units		**1,000,106,914**	**-**	**1,000,106,914**	650,000,000	-	650,000,000
Sukuks - unlisted		**377,920,553**	**-**	**377,920,553**	433,432,610	-	433,432,610
Total investments at cost		**5,320,832,439**	**6,910,280,410**	**12,231,112,849**	7,412,631,227	3,961,540,850	11,374,172,077
Held-To-Maturity securities							
Unlisted Term Finance Certificates		**-**	**-**	**-**	-	-	-
		5,320,832,439	**6,910,280,410**	**12,231,112,849**	7,412,631,227	3,961,540,850	11,374,172,077
Less: provision for diminution in the value of investments	7.3	**369,434,062**	**-**	**369,434,062**	296,453,305	-	296,453,305
Total investments - net of provision		**4,951,398,377**	**6,910,280,410**	**11,861,678,787**	7,116,177,922	3,961,540,850	11,077,718,772
Surplus on revaluation of Available for sale securities	17 & 12.2.1	**162,447,139**	**67,121,115**	**229,568,254**	132,736,369	78,489,150	211,225,519
Total investments at revalued amounts		**5,113,845,516**	**6,977,401,525**	**12,091,247,041**	7,248,914,291	4,040,030,000	11,288,944,291

7.2 Investment by segments

	Note	2015	2014
		Rupees	
Federal Government Securities			
Market Treasury Bills	7.2.1	**6,199,074,000**	4,223,232,000
Pakistan Investment Bonds	7.2.2	**3,685,110,000**	4,722,718,700
		9,884,184,000	8,945,950,700
Fully paid-up ordinary shares of listed company	7.2.3	**92,137,018**	98,247,704
Term Finance Certificates			
Listed		**-**	245,188,640
Unlisted	7.2.4	**876,764,364**	1,001,352,423
		876,764,364	1,246,541,063
Other investments			
Mutual Fund Units	7.2.5	**1,000,106,914**	650,000,000
Sukuks - unlisted	7.2.6	**377,920,553**	433,432,610
		1,378,027,467	1,083,432,610
Total investments - at cost		**12,231,112,849**	11,374,172,077
Less: provision for diminution in the value of investments	7.3	**369,434,062**	296,453,305
Investments - net of provisions		**11,861,678,787**	11,077,718,772
Surplus on revaluation of Available-For-Sale securities		**229,568,254**	211,225,519
Total investments at revalued amounts		**12,091,247,041**	11,288,944,291

7.2.1 These carry interest at rates ranging between 6.29% to 6.38% (2014: 9.97% to 10.04%) per annum, with a redemption period of three to twelve months (2014: twelve months). These securities have an aggregate face value of Rs. 6,500 million (2014: Rs. 4,500 million).

7.2.2 These carry interest at coupon rates ranging between 11.25% to 11.50% (2014: 11.25% to 11.50%) per annum, with a redemption period of three to five years (2014: three to five years). The interest is receivable on a semiannual basis. These securities have an aggregate face value of Rs. 3,700 million (2014: Rs 4,750 million).

7.2.3 This represents an investment in 11,832,836 ordinary shares (of Rs. 10 each) of Agritech Limited, costing Rs. 364.149 million with a market value of Rs. 110.637 million (2014: Rs. 91.704 million) at the year end. During the year, the Company has recognized an impairment loss of Rs. 6.111 million (2014: Rs. 35.700 million) with cumulative impairment loss of Rs. 272.012 million (2014: Rs 265.901 million), in respect of this investment.

NOTES TO THE FINANCIAL STATEMENTS
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7.2.4 **Unlisted Term Finance Certificates**

	Note	No. of certificates of Rs.5,000 each 2015	2014	Cost 2015	2014
				--------------Rupees--------------	
Available-for-sale					
Bank Alfalah Limited		30,000	30,000	149,640,000	149,700,000
Agritech Limited	7.2.4.2	40,000	40,000	199,760,000	199,760,000
Agritech Limited	7.2.4.2	1,695	1,695	8,473,305	8,473,305
Pakistan National Shipping Corporation		-	-	-	153,423,210
Azgard Nine Limited	7.2.4.2	36,000	36,000	115,130,757	115,130,757
Azgard Nine Limited	7.2.4.2	9,214	9,214	46,070,000	46,070,000
Bank Al-Habib Limited		20,000	20,000	99,820,000	99,860,000
Standard Chartered Bank Limited		40,000	40,000	200,000,000	200,000,000
Fauji Akbar Portia Marine Terminals Limited	7.2.4.3	-	-	57,870,302	28,935,151
				876,764,364	1,001,352,423

7.2.4.1 These unlisted Term Finance Certificates (TFCs), except for TFC's of Bank Al-Habib Limited, carry interest rates of 3 months to 6 months KIBOR + 0.75% to 3.25% (2014: 3 months 6 months KIBOR + 0.75 to 3.25%) with a redemption period of 1-6 years(2014: 1-7 years). The TFC's of Bank Al-Habib Limited, carry interest rates of 15% per annum.

7.2.4.2 These securities have been classified as non-performing (under the category of loss) in accordance with the requirements of the Prudential Regulations.

7.2.4.3 This represents mark-up, receivable from Fauji Akbar Portia Marine Terminals Limited, converted into four zero coupon TFC's, two of which have a face value of Rs.14.349 million, while remaining two have a value of Rs.14.586 million (2014: two zero coupon TFC's with a face value of Rs.14.349 million and Rs.14.586 million), respectively.

7.2.5 **Mutual Fund Units**

	2015	2014	2015	2014
	---------Number of unit-----------		----------------Rupees----------------	
HBL Income Fund	1,901,599	957,317	200,000,000	100,000,000
ABL Income Fund	19,897,572	9,908,004	200,000,000	100,000,000
NAFA Income Opportunity Fund	-	9,055,800	-	100,000,000
Alfalah GHP IGI Income Fund	949,562	1,484,540	100,000,000	150,000,000
First Habib Income Fund	-	955,819	-	100,000,000
Alfalah GHP Sovereign Fund-Growth		918,078	-	100,000,000
Alfalah GHP Income Multiplier Fund	1,973,265	-	100,106,914	-
Askari High Yield Scheme Fund	1,952,437	-	200,000,000	-
Askari Soverign Yield Enhancer	491,667	-	50,000,000	-
Alfalah GHP Sovereign Fund-Income	1,459,723	-	150,000,000	-
			1,000,106,914	650,000,000

7.2.6 These represent Sukuk Certificates of Liberty Power Technology Limited. These carry mark-up at the rate of 3 months KIBOR plus 3% (2014: 3 months KIBOR plus 3%) per annum. The sukuks have a redemption period of 6 years (2014: 7 years).

7.3 **Particulars of the provision for diminution in the value of investments**

	2015	2014
	----------------Rupees----------------	
Opening balance	296,453,305	223,605,305
Charge for the year	72,980,757	72,848,000
	369,434,062	296,453,305

7.3.1 **Particulars of provision in respect of type and segment**

	2015	2014
Available-For-Sale-securities		
Unlisted Term Finance Certificates	369,434,062	296,453,305

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

7.4	Quality of 'Available For Sale' securities	Note	2015 Market Value	2015 Credit Rating	2014 Market Value	2014 Credit Rating
			Rupees			
	Market Treasury Bills	7.4.1	6,195,275,000	Not Available	4,239,150,000	Not Available
	Pakistan Investment Bonds	7.4.1	3,849,676,800	Not Available	4,876,023,600	Not Available
	Ordinary shares of a listed company					
	Agritech Limited		110,637,017	D	91,704,479	D
	Listed Term Finance Certificates					
	Askari Bank Limited		-	-	240,466,797	AA-
	Unlisted Listed Term Finance Certificates					
	Bank Alfalah Limited		151,993,538	AA-	154,913,901	AA-
	Agritech Limited	7.4.2	-	D	54,121,000	D
	Pakistan National Shipping Corporation (PNSC)	7.4.2	-	-	153,423,210	AA-
	Azgard Nine Limited	7.4.2	-	D	18,859,757	D
	Bank Al-Habib Limited		110,287,924	AA	114,509,062	AA
	Standard Chartered Bank Limited		200,308,600	AAA	200,127,400	AAA
	Fauji Akbar Portia Marine Terminals limited	7.4.2	57,870,302	Not Available	28,935,151	Not Available
	Mutual Funds					
	HBL Income Fund		206,313,596	A(f)	108,966,708	A(f)
	ABL Income Fund		206,916,839	A(f)	108,771,005	A+(f)
	NAFA Income Opportunity Fund		-	A-(f)	101,107,103	A-(f)
	Alfalah GHP Income Fund (IGI Income Fund)		-	A+(f)	162,062,217	A+(f)
	First Habib Income Fund		-	AA-(f)	100,921,123	AA-(f)
	Alfalah GHP Sovereign Fund		101,449,168	AA-(f)	101,449,168	AA-(f)
	Sukuks - unlisted					
	Liberty Power Tech. Limited	7.4.2	377,920,553	A+	433,432,610	A+
			11,568,649,337		11,288,944,291	

7.4.1 These are Government of Pakistan guaranteed securities.

7.4.2 Investments in these TFCs and Sukuks are stated at their carrying values after deduction of the related provision.

8	ADVANCES	Note	2015	2014
			Rupees	
	In Pakistan			
	Advances		6,327,760,063	6,521,770,747
	Staff loans	8.1	25,972,799	32,323,256
	Advances- gross		6,353,732,862	6,554,094,003
	Provisions against non-performing loans and advances			
	Specific provision	8.3 & 8.3.1	(532,500,000)	(482,004,185)
	General provision	8.3.1	(113,499,426)	(115,185,427)
			(645,999,426)	(597,189,612)
	Advances - net of provision		5,707,733,436	5,956,904,391
8.1	**Staff loans**			
	Opening balance		32,323,256	41,014,765
	Amounts disbursed during the year		5,920,000	3,784,000
	Amounts recovered during the year		(12,270,457)	(12,475,509)
			25,972,799	32,323,256
8.2	**Particulars of advances - gross**			
	In local currency		6,353,732,862	6,554,094,003
	Long-term (for over one year)		6,353,732,862	6,554,094,003
			6,353,732,862	6,554,094,003

NOTES TO THE FINANCIAL STATEMENTS
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8.3 Advances include Rs.652.789 million (2014: Rs.762.499 million) which have been placed under non-performing status as detailed below:

	2015								
	Classified advances			Provision required			Provision held		
Category of classification	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees								
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	**270,288,783**	-	**270,288,783**	**150,000,000**	-	**150,000,000**	**150,000,000**	-	**150,000,000**
Loss	**382,500,000**	-	**382,500,000**	**382,500,000**	-	**382,500,000**	**382,500,000**	-	**382,500,000**
	652,788,783	-	**652,788,783**	**532,500,000**	-	**532,500,000**	**532,500,000**	-	**532,500,000**

	2014								
	Classified advances			Provision required			Provision held		
Category of classification	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees								
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	379,999,396	-	379,999,396	158,361,185	-	158,361,185	158,361,185	-	158,361,185
Loss	382,500,000	-	382,500,000	323,643,000	-	323,643,000	323,643,000	-	323,643,000
	762,499,396	-	762,499,396	482,004,185	-	482,004,185	482,004,185	-	482,004,185

8.3.1 **Particulars of provision against non-performing advances**

	2015			2014		
	Specific	General	Total	Specific	General	Total
	Rupees					
Opening balance	**482,004,185**	**115,185,427**	**597,189,612**	417,181,000	102,503,479	519,684,479
Charge for the year	**58,857,000**	**(1,686,001)**	**57,170,999**	64,823,185	12,681,948	77,505,133
Reversed during the year	**(8,361,185)**	-	**(8,361,185)**	-	-	-
	532,500,000	**113,499,426**	**645,999,426**	482,004,185	115,185,427	597,189,612

8.3.1.1 General provision is maintained at the rate of 2% of the performing portfolio of advances.

8.3.2 **Particulars of provision against non-performing advances**

	2015			2014		
	Specific	General	Total	Specific	General	Total
	Rupees					
In local currencies	**532,500,000**	**113,499,426**	**645,999,426**	482,004,185	115,185,427	597,189,612
In foreign currencies	-	-	-	-	-	-
	532,500,000	**113,499,426**	**645,999,426**	482,004,185	115,185,427	597,189,612

8.3.3 In terms of SBP directives, effective up till 31 October 2015, the Company availed a relaxation in respect of provisioning against a non-performing advance to Warid Telecom Private Limited, aggregating to Rs. 150 million (2014: 150 million). With effect from 29 September 2015, the Company entered into a restructuring agreement with Warid Telecom Private Limited, accordingly upfront payment alongwith the first instalment of principal due on 31 December 2015 has been received on due date.

8.4 **Particulars of write-offs**

The Company has not written-off any loans and advances, or allowed any financial relief, during the year.

NOTES TO THE FINANCIAL STATEMENTS
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		Note	2015	2014
			------Rupees------	
9	**OPERATING FIXED ASSETS**			
	Capital Work-In-Progress	9.1	**1,500,000**	1,500,000
	Property and equipment	9.2	**181,620,123**	197,923,474
	Intangible assets	9.5	**346,374**	5
			183,466,497	199,423,479
9.1	**Capital Work-In-Progress**			
	Advances to suppliers	9.1.1	**1,500,000**	1,500,000

9.1.1 This represents a 25 % advance for development and installation of certain software, for use in the Company's Credit Administration, Corporate Finance and Risk Management Departments.

9.2 PROPERTY AND EQUIPMENT

	COST			DEPRECIATION			NET BOOK VALUE	
	As at 01 January, 2015	Additions / (deletions)	As at 31 December, 2015	As at 01 January, 2015	Charge during the year (On deletions)	As at 31 December, 2015	As at 31 December, 2015	Rate of depreciation per annum
	Rupees							%
Freehold Land (refer note 9.2.1)	136,000,000	-	136,000,000	-	-	-	136,000,000	-
Building (refer note 9.2.1)	40,341,662	- (390,355)	39,951,307	6,723,614	4,004,889 (87,704)	10,640,799	29,310,508	10%
Leasehold improvements	12,354,940	- (135,600)	12,219,340	12,354,938	- (135,600)	12,219,338	2	20%
Electrical fittings	5,866,435	- (347,400)	5,519,035	5,866,434	- (347,400)	5,519,034	1	20%
Furniture and fixtures	14,664,305	- (371,049)	14,293,256	13,411,042	402,064 (371,049)	13,442,057	851,199	20%
Computers and office equipment	37,594,005	1,981,871 (1,424,821)	38,151,055	29,246,276	6,044,068 (1,364,849)	33,925,495	4,225,560	33%
Vehicles	40,431,609		40,431,609	21,727,178	7,471,578	29,198,756	11,232,853	20%
	287,252,956	1,981,871 (2,669,225)	286,565,602	89,329,482	17,922,599 (2,306,602)	104,945,479	181,620,123	

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	COST			DEPRECIATION			NET BOOK VALUE	
	As at 01 January, 2014	Additions / (deletions)	As at 31 December, 2014	As at 01 January, 2014	Charge during the year/ (On deletions)	As at 31 December, 2014	As at 31 December, 2014	Rate of depreciation per annum
	Rupees							%
Freehold land	136,000,000	-	136,000,000	-	-	-	136,000,000	-
Building	40,341,662	-	40,341,662	2,689,444	4,034,170	6,723,614	33,618,048	10%
Leasehold improvements	12,354,940	-	12,354,940	11,290,205	1,064,733	12,354,938	2	20%
Electrical fittings	6,161,835	-	5,866,435	5,443,315	712,211	5,866,434	1	20%
		(295,400)			(289,092)			
Furniture and fixtures	14,596,305	68,000	14,664,305	12,276,314	1,134,728	13,411,042	1,253,263	20%
Computers and office equipment	37,781,662	743,054	37,594,005	22,800,685	7,376,300	29,246,276	8,347,729	33%
		(930,711)			(930,709)			
Vehicles	40,431,609	-	40,431,609	14,255,596	7,471,582	21,727,178	18,704,431	20%
	287,668,013	811,054	287,252,956	68,755,559	21,793,724	89,329,482	197,923,474	
		(1,226,111)			(1,219,801)			

9.2.1 The Company's freehold land and building is situated in Karachi, Pakistan and the related rental income is included in note 21 of these financial statements.

9.2.2 Included in the cost of property and equipment, are fully depreciated items still in use and with costs of:

	2015	2014
	Rupees	
Leasehold improvements	**12,219,340**	12,354,940
Electrical fittings	**5,519,035**	5,866,435
Furniture and fixtures	**12,370,416**	12,591,465
Computers and office equipment	**16,319,551**	14,467,278
Vehicles	**3,073,716**	3,073,716
	49,502,058	48,353,834

9.3 During the year, electrical fittings and, computers and office equipment having book values of Rs.7,617/- (2014: Rs.6,308/-) and Rs. 8 (2014: Rs. 2), respectively, were sold for Rs. 78,099/- (2014: Rs. 127,000/-) to the employees of the Company, in accordance with the Company's policy. The company has also written-off assets having book value of Rs.9,890/- during the year (2014; nil)

9.4 The Company has not disposed-off fixed assets whose original cost or book value exceeded Rs. 1 million or Rs. 250,000, which ever is less. The Company has disposed-off the following assets to Mr. Cao Wenjiang - Managing Director (2014: Mr. Shahnawaz Mehmood - Deputy Managing Director)

NOTES TO THE FINANCIAL STATEMENTS
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Particulars of Assets	2015 Cost	2015 Book Value	2015 Sale Price	Mode of Disposal
Computer and Equipment	735,232	1	55,142	Company Policy

Particulars of Assets	2014 Cost	2014 Book Value	2014 Sale Price	Mode of Disposal
Generator Fauji 40 KVA - Office equipment	744,900	1	60,000	Company Policy
Electrical Fittings	106,000	-	13,000	Company Policy

9.5 **Intangible assets**

	COST			AMORTISATION			NET BOOK VALUE	
	As at 01 January, 2015	Additions	As at 31 December, 2015	As at 01 January 2015	Charge during the year	As at 31 December, 2015	As at 31 December, 2015	Rate of amortisation per annum
2015	Rupees							%
Computer software	4,674,479	429,975	5,104,454	4,674,474	83,606	4,758,080	346,374	33%

	COST			AMORTISATION			NET BOOK VALUE	
	As at 01 January, 2014	Additions	As at 31 December, 2014	As at 01 January, 2014	Charge during the year	As at 31 December, 2014	As at 31 December, 2014	Rate of amortisation per annum
	Rupees							%
2014								
Computer software	4,674,479	-	4,674,479	4,674,474	-	4,674,474	5	33%

NOTES TO THE FINANCIAL STATEMENTS
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10 DEFERRED TAX ASSETS/ (LIABILITIES)

	01 January, 2015	Recognized in profit and loss account	Recognized in equity	31 December, 2015
	Rupees			
Difference between accounting book value and tax base of operating fixed assets	3,034,446	1,720,459	-	4,754,905
Unrealized exchange gain	(100,904,322)	(9,101,609)	-	(110,005,931)
Provision for staff retirement gratuity	2,716,218	(1,568,153)	-	1,148,065
Provision against non-performing advances	17,500,000	(2,500,000)	-	15,000,000
Provision for diminution in the value of available-for-sale investments	103,758,657	7,071,562	-	110,830,219
Impairment loss on available-for-sale investments	41,825,539	(4,141,871)	-	37,683,668
Surplus on revaluation of available-for-sale securities	(25,312,528)	-	(28,493,371)	(53,805,899)
	42,618,010	(8,519,612)	(28,493,371)	5,605,027

	01 January, 2014	Recognized in profit and loss account	Recognized in equity	31 December, 2014
	Rupees			
Difference between accounting book value and tax base of operating fixed assets	(1,466,961)	4,501,407	-	3,034,446
Unrealized exchange gain	(128,627,685)	27,723,363	-	(100,904,322)
Provision for staff retirement gratuity	4,467,581	(1,751,363)	-	2,716,218
Provision against non-performing advances	17,500,000	-	-	17,500,000
Provision for diminution in the value of available-for-sale investments	78,261,857	25,496,800	-	103,758,657
Impairment loss on available-for-sale investments	29,330,539	12,495,000	-	41,825,539
Surplus on revaluation of available-for-sale securities	(12,265,010)	-	(13,047,518)	(25,312,528)
	(12,799,679)	68,465,207	(13,047,518)	42,618,010

11 OTHER ASSETS

	Note	2015	2014
		Rupees	
Income / mark-up accrued in local currency		395,709,493	547,200,048
Income / mark-up accrued in foreign currency		1,559,897	2,182,553
Advances, deposits and prepayments		12,962,271	28,196,943
		-	-
Advance taxation (payments less provision)		-	7,083,247
Others		795,082	902,658
		411,026,743	585,565,449

12 BORROWINGS

	Note	2015	2014
		Rupees	
In Pakistan		6,903,225,721	6,741,689,007
12.1 Particulars of borrowings with respect to currencies			
In local currency		6,903,225,721	6,741,689,007
12.2 Details of borrowings - secured / unsecured			
Secured			
Short-term			
Repurchase agreement borrowings	12.2.1	6,744,476,430	3,999,269,600
Long-term			
Borrowing from SBP under FFSAP	12.2.2	41,105,291	57,547,407
Borrowing from SBP under LTFF	12.2.3	117,644,000	184,872,000
		6,903,225,721	4,241,689,007
Unsecured			
Short-term			
Call money borrowing from a financial institution		-	2,500,000,000
		6,903,225,721	6,741,689,007

12.2.1 These carry mark-up at rates ranging from 6.05% to 6.50% and are secured against government securities with carrying value of Rs.6,977 million.(2014: 10% to 10.25% with carrying value of Rs.4,040 million)

12.2.2 This represents a Financing Facility for Storage of Agricultural Produce (FFSAP) obtained on concessional rates, for the objectives of developing agricultural produce, marketing it and the enhancement of storage capacities for agriculture produce. The loan availed under the facility is repayable within a maximum period of seven years, including a maximum grace period of six months and mark-up payable at 6.5% (2014: 6.5%) per annum. The Company has utilized the funds under this facility, by disbursing advances to an entity undertaking the relevant project.

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12.2.3 This represents a Long-Term Finance Facility (LTFF) for imported and locally manufactured plant and machinery, obtained on concessional rates, to promote industrial growth leading to exports. The loan availed under the facility is repayable within a maximum period of ten years, including a maximum grace period of one and a half years, and mark-up payable at 8.4% (2014: 8.4%) per annum. The Company has utilized the funds under the this facility by disbursing advances to an entity undertaking the relevant project.

			2015	2014
13	DEPOSITS AND OTHER ACCOUNTS		----Rupees----	
	Certificate of Investments (COI)			
	Fauji Fertilizer Company Ltd.	13.1	-	250,000,000

13.1 This represent COI issued to Fauji Fertilizer Company Limited and has matured in May 2015.

		Note	2015	2014
14	OTHER LIABILITIES		----Rupees----	
	Mark-up/ return/ interest payable in local currency		4,964,701	21,280,241
	Mark up on advance to FAPMT	14.1	60,882,729	31,947,578
	Accrued liabilities		7,387,686	6,124,345
	Advance rent received		787,320	729,000
	Advance income received		500,000	-
	Provision for tax - (provision less payments)		4,173,681	-
	Withholding tax / federal excise duty payable		139,832	-
	Payable to gratuity fund	28	3,826,882	7,760,623
	Salary payable		2,082,125	-
	Others		239,518	180,847
			84,984,474	68,022,634

14.1 This represents mark-up earned on an advance to Fauji Akbar Portia Marine Terminals (FAPMT), for the period from 24 November, 2013 to 31 December, 2015. Under a restructuring agreement for this advance, between the Company and FAPMT, the Company is entitled to TFCs of the FAPMT, maturing in 2021, in respect of this mark-up income. In accordance with directives of the State Bank of Pakistan, the Company intends to recognize this income in the profit and loss account, on its realization in cash.

					2015	2014
15	SHARE CAPITAL				----Rupees----	
15.1	Authorised capital					
	2015	2014				
	Number of shares					
	1,214,000,000	1,214,000,000	Ordinary shares of Rs. 10 each		12,140,000,000	12,140,000,000
15.2	Issued, subscribed and paid-up share capital					
	2015	2014				
	Number of shares					
	911,640,000	911,640,000	Ordinary shares of Rs. 10 each, issued for cash		9,116,400,000	9,116,400,000

15.3 The Ministry of Finance, Government of Pakistan, and the China Development Bank on behalf of the Government of Pakistan and the Government of China, respectively, each hold 455,820,000 (2014: 455,820,000) Ordinary shares of the Company, at the year end.

		2015	2014
16	RESERVES	----Rupees----	
	Statutory reserve	854,266,780	729,567,931
	At the beginning of the year	729,567,931	635,212,571
	Add: transfer during the year	124,698,849	94,355,360
		854,266,780	729,567,931

According to BPD Circular No. 15, dated 31 May, 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 of the Company, and after that a sum not less than 5% of the profit after tax shall be credited to the said reserve.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

17 SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS

	2015	2014
	----------------Rupees----------------	
Market Treasury Bills	(3,799,000)	15,918,000
Pakistan Investment Bonds	164,566,800	153,304,900
Shares of Agritech Limited, a listed company	18,499,999	(6,543,225)
	179,267,799	162,679,675
Term Finance Certificates		
Askari Bank Limited	-	(4,721,843)
Bank Al-Falah Limited.	2,353,538	5,213,901
Bank Al-Habib Limited.	10,467,924	14,649,063
Standard Chartered Bank Limited.	308,600	127,400
	13,130,062	15,268,521
Mutual Funds		
HBL Income Fund	6,313,596	8,966,708
ABL Income Fund	6,916,839	8,771,005
NAFA Income Opportunity Fund	-	1,107,103
Alfalah GHP IGI Income Fund	3,801,762	12,062,217
First Habib Income Fund	-	921,123
Alfalah GHP Sovereign Fund	-	1,449,167
Alfalah GHP Income Multiplier Fund	3,649,949	-
Askari High Yield Scheme Fund	8,583,133	-
Askari Soverign Yield Enhancer Fund	2,469,104	-
Alfalah GHP Sovereign Fund-Income Units	5,436,010	
	37,170,393	33,277,323
	229,568,254	211,225,519
Deferred tax	(53,805,899)	(25,312,528)
	175,762,355	185,912,991

18 CONTINGENCIES AND COMMITMENTS

	2015	2014
	----------------Rupees----------------	
Transaction related contingent liabilities		
Letters of guarantees	-	-
Trade related contingent liabilities		
Letters of credit	48,824,813	311,416,840

Commitments to extend credits

The Company makes commitments to extend credit in the normal course of its business, but these being revocable commitments, normally do not attract any significant penalty or expense if the facility is unilaterally withdrawn. As at the balance sheet date, however, the Company's outstanding irrevocable commitments amounts to Rs.616.419 million (2014: Rs.436 million).

For tax related contingencies, please refer note 24.2 to these financial statements.

19 MARK - UP / RETURN / INTEREST EARNED

	2015	2014
	----------------Rupees----------------	
On loans and advances		
On investments	566,158,297	624,454,775
- Held-To-Maturity		
- Available-For-Sale	-	11,765,224
	911,849,380	574,253,504
	911,849,380	586,018,728
On deposits with banks		
On securities purchased under resale agreements	72,363,530	91,694,166
	-	29,213,714
	1,550,371,207	1,331,381,383

20 MARK - UP / RETURN / INTEREST EXPENSED

	2015	2014
	----------------Rupees----------------	
Deposits	13,938,357	14,640,410
Borrowings	166,063,231	78,079,007
Securities sold under repurchase agreements	226,218,888	127,087,979
	406,220,476	219,807,396

21 OTHER INCOME

		2015	2014
		----------------Rupees----------------	
Rent income	9.2.1	8,704,800	8,060,000
Gain on sale of operating fixed assets		73,207	123,491
Miscellaneous income		40,000	73,400
		8,818,007	8,256,891

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

22 ADMINISTRATIVE EXPENSES

	Note	2015	2014
		----------------Rupees----------------	
Salaries, allowances and other benefits		**184,198,724**	191,675,774
Directors' fee		**1,236,222**	1,207,800
Gratuity		**9,991,240**	10,128,031
Employer's contribution to the provident fund		**5,911,870**	6,088,189
Traveling, conveyance, boarding and lodging		**22,135,947**	22,009,523
Rent, rates and taxes		**28,081,036**	28,347,569
Utilities		**5,160,686**	5,928,615
Communication		**3,453,211**	3,790,932
Office security charges		**2,799,942**	3,162,592
Professional training and staff welfare		**805,020**	3,383,969
Advertisements, periodicals and membership fees		**1,839,917**	1,002,260
Printing and stationery		**2,693,131**	2,158,915
Depreciation	**9.2**	**17,922,599**	21,793,724
Amortization	**9.5**	**83,606**	-
Auditors' remuneration	**22.1**	**1,500,000**	1,500,000
Legal, consultancy and other professional services		**3,052,092**	8,037,586
Repairs and maintenance		**3,148,759**	4,738,412
Insurance		**2,917,157**	4,379,265
Entertainment		**1,828,572**	1,414,290
Bank charges		**368,325**	296,054
Loss on sale of Fixed Assets		**357,656**	-
Miscellaneous		**3,453,092**	4,634,490
		302,938,804	325,677,990

22.1 Auditors' remuneration

	2015	2014
Audit fee	**600,000**	600,000
Half yearly review	**200,000**	200,000
Special certifications and sundry services	**600,000**	600,000
Out of pocket expenses	**100,000**	100,000
	1,500,000	1,500,000

23 OTHER CHARGES

	2015	2014
Penalty imposed by the SBP	**72,000**	435,000

This represents penalty imposed by Off-Site Supervision and Enforcement Department of State Bank of Pakistan.

24 TAXATION

	Note	2015	2014
		----------------Rupees----------------	
For the year			
Current		**294,674,656**	255,360,009
Deferred		**8,519,614**	(68,465,207)
For the prior year			
Current		**26,857,606**	(37,500,000)
	24.1	**330,051,876**	149,394,802

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

24.1 Relationship between tax expense and accounting profit

	2015	2014
	Rupees	
Profit before taxation	**950,875,285**	618,804,194
Tax at applicable rate of 32%/ 33%.	**304,280,091**	204,205,384
Tax effects of - income taxable at reduced rates	**(12,183,400)**	(13,428,837)
Other temporary differences	**11,097,579**	(3,881,745)
Prior year current tax charge	**26,857,606**	(37,500,000)
	330,051,876	149,394,802

24.2 The income tax returns of the Company have been filed and are deemed assessed up to and including the tax year 2014. However, for the tax year 2009, the assessment of the Company was amended by the Taxation Officer by disallowing "provision against lending to financial institutions" amounting to Rs.94.518 million. The Company has filed a review petition before the Appellate Tribunal Inland Revenue (ATIR) Islamabad. Further, the Company has also filed an appeal before the Islamabad High Court, against the order passed by the ATIR, Islamabad, which is pending for fixation. Based on the advice of its tax advisor, the Company is confident that the ultimate outcome of the above matter will be in the Company's favour. Accordingly, no provision has been recognized in these financial statements.

For the tax year 2011, the assessment of the Company was amended by the Assistant Commissioner Inland Revenue (ACIR) by disallowing "provision against non performing loans and advances" and "bad debts written off". The ACIR, further disallowed credit for advance tax and imposed Workers Welfare Fund levy. As a result of a rectification application filed by the Company, the tax demand was reduced to Rs.15.109 million. The Company has deposited the amount of tax demand with the tax authorities. The Company's appeal with the Commissioner Inland Revenue (Appeals) [CIR(A)] was decided in its favour. The department has filed an appeal with the ATIR, against the decision of the CIR(A). Based on the advice of its tax advisor, the Company is confident that the ultimate outcome of the above matter will be in the Company's favour. Accordingly, no provision has been recognized in these financial statements.

Further, for the tax year 2014, a show cause notice was issued to the company whereby the department required as to why Worker Welfare Fund ("WWF") may not be levied @ 2% on the total profits of the Company. The show cause notice was not received by the taxpayer and the Officer Inland Revenue (OIR) passed the assessment order without giving the taxpayer an opportunity of being heard creating tax demand amounting Rs.18.237 million. The Company filed an appeal before the CIR(A). The CIR(A) agreed with the contention of the company and annulled the order passed by the OIR. The department has filed an appeal with the ATIR, against the decision of the CIR(A). Based on the advice of its tax advisor, the Company is confident that the ultimate outcome of the above matter will be in the Company's favour. Accordingly, no provision has been recognized in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

		2015	2014
25	**BASIC AND DILUTED EARNINGS PER SHARE**	----------------Rupees----------------	
	Net profit for the year (Rupees)	**620,823,409**	469,409,392
	Weighted average number of ordinary shares (Number)	**911,640,000**	911,640,000
	Basic earnings per share (Rupees)	**0.68**	0.51

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

		Note	2015	2014
26	**CASH AND CASH EQUIVALENTS**		----------------Rupees----------------	
	Cash and balances with treasury banks	5	**116,864,752**	51,866,670
	Balances with other banks	6	**2,033,472,081**	1,882,251,126
			2,150,336,833	1,934,117,796

		Number of employees	Number of employees
27	**STAFF STRENGTH**		
	Permanent	**34**	38
	Temporary / on contractual basis	**3**	-
	The Company's own staff strength at the end of the year	**37**	38
	Outsourced	**10**	11
	Total Staff strength	**47**	49

28 **DEFINED BENEFIT PLAN**

28.1 **General description**

The Company operates an approved funded gratuity scheme for all its regular employees. Contributions are made in accordance with an actuarial valuation. The latest actuarial valuation was carried out as at 31 December 2015.

The benefits under the gratuity scheme are payable on retirement, at the age of 60 years, or on earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn groess salary for each year of eligible service or part thereof, subject to a minimum of one year of service.

		2015	2014
28.2	**Principal actuarial assumptions**		
	Discount rate used for Profit and Loss	**10.00%**	11.25%
	Discount rate used for year end obligation	**10.00%**	11.25%
	Salary increase rate - long term	**10.00%**	10.25%
	Salary increase rate - short term next one year	**7.00%**	10.25%
	Average remaining working lives of employees	**5.65 years**	10.71 years
	Normal retirement age	**60 years**	60 years

		Note	2015	2014
28.3	**Reconciliation of amount payable to defined benefit plan**		----------------Rupees----------------	
	Present value of defined benefit obligation	28.5	**27,133,286**	28,297,494
	Payable to outgoing employees		**-**	1,774,500
	Fair value of plan assets	28.6	**(23,306,404)**	(22,311,371)
			3,826,882	7,760,623

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

28.4 Movement in payable to defined benefit plan

	2015	2014
	Rupees	
Opening balance	7,760,623	12,764,518
Charge for the year	9,991,240	10,128,031
Remeasurements (gains)/losses chargeable to the other comprehensive income	(2,670,834)	(2,367,408)
Company's contributions for the year	(11,254,147)	(12,764,518)
	3,826,882	7,760,623

28.5 The movement in the present value of the defined benefit obligation over the year is as follows:

	2015	2014
Opening balance	30,071,994	24,751,685
Current service cost	9,851,031	9,661,039
Interest cost	2,650,238	2,652,898
Benefits payable to outgoing employees	-	(1,774,500)
Benefits paid	(11,254,147)	(5,282,500)
Remeasurement gain	(4,185,830)	(1,711,129)
Closing balance	27,133,286	28,297,493

28.6 The movement in the fair value of plan assets for the year is as follows:

	2015	2014
	Rupees	
Opening balance	22,311,370	11,987,167
Interest income on plan assets	2,510,029	2,185,905
Contributions	11,254,147	12,764,518
Benefits paid	(11,254,147)	(5,282,500)
Return on plan assets excluding interest income	(1,514,996)	656,280
Closing balance	23,306,403	22,311,370
Actual return on plan assets	995,033	2,842,185

28.7 The amounts recognized in profit and loss are as follows:

	2015	2014
Current service cost	9,851,031	9,661,039
Interest cost	2,650,238	2,652,898
Interest income on plan assets	(2,510,029)	(2,185,905)
	9,991,240	10,128,032

28.8 The amounts recognized in the other comprehensive income are as follows:

	2015	2014
Remeasurement gain/ (loss):		
Actuarial gain/ (loss) - experience adjustment	4,185,830	1,711,129
Return on plan assets, excluding interest income	(1,514,996)	656,280
	2,670,834	2,367,409

28.9 Plan assets comprise of the following:

	2015	2014		
	%			
National Savings Certificates	99.71%	99.76%	19,370,518	22,258,596
Bank balances	0.29%	0.24%	55,694	52,775
			19,426,212	22,311,371

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

28.10 Experience Adjustment

	2015	2014
	Rupees	
Defined benefit obligation	**27,133,286**	28,297,493
Payable	**-**	1,774,500
Fair value of plan assets	**(23,306,403)**	(22,311,370)
	3,826,883	7,760,623

28.11 Year end sensitivity analysis (+/- 100 bps) on the defined benefit obligation

	2015	2014
	Rupees	
Current liability	**27,133,286**	28,297,493
Discount rate +100 bps	**(24,281,410)**	(25,547,288)
Discount rate -100 bps	**30,504,650**	31,533,506
Average salary increase +100 bps	**30,649,467**	31,676,192
Average salary increase -100 bps	**24,117,294**	(25,384,987)

28.12 Risk associated with defined benefit plan

The defined benefit plan exposes the Company to the following risks:

Investment risk

The risk arises when the actual performance of the investments is lower than expectation, which may result in shortfall in funds needed to meet the related liabilities.

Mortality risks

The risk that actual mortality experience is different to that assumed in calculation of liability. The effect will depend upon the beneficiaries' servage/ age distribution and benefit.

Salary increase risk

The risk arises when the actual increases are higher than expectation, which impacts the related liability

Withdrawal risk

The risk of higher or lower withdrawal, as compared to that assumed in calculation of liability.

28.13 Historical information of the defined benefit plan

	2015	2014	2013	2012	2011
	Rupees	Rupees	Rupees	Rupees	Rupees
Present value of defined benefit obligations	**27,133,286**	30,071,994	24,751,685	14,106,470	8,322,034
Fair value of plan assets	**(23,306,403)**	(22,311,371)	(11,987,167)	(7,320,547)	(6,492,151)
Deficit/ (surplus)	**3,826,883**	7,760,623	12,764,518	6,785,923	1,829,883
Experience adjustments					
- on obligations	**4,185,830**	1,711,129	(3,531,433)	(1,311,501)	(572,036)
- on plan assets	**(1,514,996)**	656,280	53,390	16,877	(576,663)

28.14 Based on actuarial advice, the management estimates that the gratuity charge for the next year would be Rs. 8.696 million.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

29 DEFINED CONTRIBUTION PLAN

The Company also operates a recognised contributory provident fund scheme for all its regular employees, where contributions are made by the company and employees at 10% per anum (2014: 10% per anum) of the employees' basic salary. During the year the company contributed Rs. 5.912 million (2014: Rs. 6.088 million) in respect of this fund.

Contributions made to the provident fund, during the year, are as follows:

	2015	2014
	Rupees	
Contribution from the Company	**5,911,870**	6,088,189
Contribution from the employees	**5,911,870**	6,088,189
	11,823,740	12,176,378

29.1 Provident fund trust

	2015	2014
	(Unaudited)	
Size of the trust (Rupees)	**44,587,244**	43,915,332
Cost of investments made (Rupees)	**44,060,120**	43,264,676
Percentage of investment made (%)	**98.82%**	98.52%
Fair value of investment made (Rupees)	**44,587,244**	43,915,332

	2015	2014	2015	2014
Break-up of investments	%		Rupees	
With a scheduled bank	**9.82%**	2.40%	**4,379,545**	1,053,002
In savings accounts	**90.18%**	97.60%	**40,207,699**	42,862,330
			44,587,244	43,915,332

29.1.1 Investments out of the provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for that purpose. The current year figures are un-audited.

30 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2015	2014	2015	2014	2015	2014
	Rupees					
Fee	**-**	-	**1,236,222**	1,207,800	**-**	-
Managerial remuneration	**30,406,679**	29,825,371	**21,521,867**	20,782,335	**113,756,403**	130,174,726
Charge for defined benefit plan	**2,280,522**	1,485,556	**1,462,902**	1,308,674	**6,051,730**	7,289,544
Contribution to defined contribution plan	**918,319**	765,168	**1,161,600**	1,142,865	**3,814,331**	4,171,976
Rent and house maintenance	**2,099,333**	3,425,086	**-**	-	**-**	-
Utilities	**396,526**	906,500	**562,862**	537,708	**-**	-
Medical	**1,175,004**	1,079,242	**766,743**	299,867	**4,973,662**	5,101,963
Travelling and conveyance	**3,975,095**	3,622,772	**686,362**	937,631	**-**	-
Boarding and lodging	**655,797**	1,356,205	**302,630**	374,634	**-**	-
Daily allowance	**2,041,680**	2,461,840	**572,340**	172,160	**-**	-
Others	**1,030,276**	2,058,615	**766,128**	2,511,766	**-**	-
	44,979,231	46,986,355	**29,039,656**	29,275,440	**128,596,126**	146,738,209
Number of persons	**1**	1	**3**	5	**32**	36

30.1 The Chief Executive and a Director are also provided with free use of Company maintained cars.

30.2 Executive represents all staff of the Company with gross salary exceeding Rs 500,000.

30.3 In Article and Association "The remuneration to be paid to any Director for attending the meetings of the Directors or a committee of Directors shall not exceed the limit approved by the Board of Directors".

NOTES TO THE FINANCIAL STATEMENTS
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31 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity is carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings can not be calculated with sufficient reliability due to the absence of current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments. In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values. Since these are either short term in nature or, in the case of deposits, are frequently pre-priced.

On balance sheet financial instruments

		BOOK VALUE							FAIR VALUE				
		Available for sale	Held to maturity	Held for trading	Loans and receivables	Other financial assets	other financial liabilities	Total	Level 1	Level 2	Level 3	Securities not at fair value	Total
		2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees	2015 Rupees
Financial assets measured at fair value													
- Investments													
Government Securities (T bills and PIBs)		9,884,184,000	-	-	-	-	-	9,884,184,000	-	10,044,951,800	-	-	10,044,951,800
Ordinary shares of listed companies		92,137,018	-	-	-	-	-	92,137,018	110,637,017	-	-	-	110,637,017
Debt securities (Listed TFCs)		885,250,855	-	-	-	-	-	885,250,855	662,350,062	-	-	236,030,855	898,380,917
Investment in mutual fund		1,000,106,914	-	-	-	-	-	1,000,106,914	1,037,277,307	-	-	-	1,037,277,307
Financial assets not measured at fair value													
- Cash and bank balances with treasury banks	31.1	-	-	-	116,864,752	-	-	116,864,752	-	-	-	-	-
- Balances with other banks	31.1	-	-	-	2,033,472,081	-	-	2,033,472,081	-	-	-	-	-
- Lending to financial institutions	31.1	-	-	-	-	-	-	-	-	-	-	-	-
- Advances	31.1	-	-	-	5,707,733,436	-	-	5,707,733,436	-	-	-	-	-
- Other assets	31.1	-	-	-	432,195,312	5,575,045	-	437,770,357	-	-	-	-	-
- Equity security securities unlisted		-	-	-	-	-	-	-	-	-	-	-	-
- Subsidiaries													
Unlisted shares		-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value													
- Deposits	31.2	-	-	-	-	-	-	-	-	-	-	-	-
- Borrowings	31.2	6,903,225,721	-	-	-	-	-	6,903,225,721	-	-	-	-	-
- Other Liabilities	31.2	-	-	-	-	-	24,899,282	24,899,282	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

On balance sheet financial instruments (continued)

	BOOK VALUE							FAIR VALUE				
	Available for sale	Held to maturity	Held for trading	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Securities not at fair value	Total
	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees	2014 Rupees
Financial assets measured at fair value												
- Investments												
Government Securities (T bills and PIBs)	8,945,950,700	-	-	-	-	-	8,945,950,700	-	9,115,173,600	-	-	9,115,173,600
Ordinary shares of listed companies	98,247,704	-	-	-	-	-	98,247,704	91,704,479	-	-	-	91,704,479
Debt securities (Listed TFCs)	1,383,520,368	-	-	-	-	-	1,383,520,368	1,143,449,771	-	-	255,339,118	1,398,788,889
Investment in mutual fund	650,000,000	-	-	-	-	-	650,000,000	683,277,323	-	-	-	683,277,323
Financial assets not measured at fair value												
- Cash and bank balances with treasury banks	-	-	-	51,866,670	-	-	51,866,670	-	-	-	-	-
- Balances with other banks	-	-	-	1,882,251,126	-	-	1,882,251,126	-	-	-	-	-
- Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-
- Advances	-	-	-	5,956,904,391	-	-	5,956,904,391	-	-	-	-	-
- Other assets	-	-	-	548,472,832	7,659,694	-	556,132,526	-	-	-	-	-
- Equity security securities unlisted	-	-	-	-	-	-	-	-	-	-	-	-
- Subsidiaries												
Unlisted shares	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value												
- Deposits	-	-	-	-	-	250,000,000	250,000,000	-	-	-	-	-
- Borrowings	-	-	-	-	-	6,741,689,007	6,741,689,007	-	-	-	-	-
- Other Liabilities	-	-	-	-	-	64,281,207	64,281,207	-	-	-	-	-

On balance sheet financial instruments

The company measures fair values using the following fair values hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Fair value measurement using quoted prices (unadjusted) in active markets for identical assets and liabilities.
Level 2: Fair value measurements using inputs other than quoted prices included within level 1 that are observable for 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 assets and liabilities that are not based on observable market data (i.e. unobservable inputs).

31.1 The company has not disclosed the fair value for these financial assets and liabilities, as these are for short term and or re-priced over short term. Therefore their carrying amounts are reasonable approximation of fair value.

31.2 The company's policy is to recognize transfer into and out of the different fair value hierarchy levels at the date, the event or change in circumstances, that caused the transfer occurred. There were no transfers between level 1 and level 2 during the year.

31.3 Currently no financial instruments are classified in level 3.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

32 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	2015			
	Corporate Finance	Trading and Sales	Others	Total
	(Rupees)			
Total income - gross	712,147,116	1,067,042,699	8,818,007	1,788,007,822
Total expenses	(142,865,322)	(391,256,411)	(303,010,804)	(837,132,537)
Profit / (loss) before taxation	569,281,794	675,786,288	(294,192,797)	950,875,285
Segment assets - gross	7,732,184,858	13,232,565,940	600,098,267	21,564,849,065
Segment non-performing assets	1,022,222,845	-	-	1,022,222,845
Segment provision including general provision	(1,015,433,488)	-	-	(1,015,433,488)
Segment liabilities	(158,749,291)	(6,744,476,430)	(84,984,474)	(6,988,210,195)
Segment return on net assets	8.68%	10.42%	-57.11%	7.01%

	2014			
	Corporate Finance	Trading and Sales	Others	Total
	(Rupees)			
Total income - gross	821,890,836	520,634,206	8,252,671	1,350,777,713
Total expenses	(207,733,088)	(198,127,441)	(326,112,990)	(731,973,519)
Profit / (loss) before taxation	614,157,748	322,506,765	(317,860,319)	618,804,194
Segment assets - gross	8,341,040,676	11,732,568,719	827,606,938	20,901,216,333
Segment non-performing assets	1,131,933,458	-	-	1,131,933,458
Segment provision including general provision	(893,642,917)	-	-	(893,642,917)
Segment liabilities	(242,419,407)	(6,749,269,600)	(68,022,634)	(7,059,711,641)
Segment return on net assets	8.52%	6.47%	-41.85%	4.78%

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FOR THE YEAR ENDED 31 DECEMBER 2015

33. RELATED PARTY TRANSACTIONS

The Company has related party relationships with entities in which its shareholders have any interest, key management personnel, directors and employees' funds. The Government of Pakistan (Ministry of Finance) is a related party of the Company; therefore all government authorities, agencies, affiliates and other organizations ("state-controlled entities") are related parties of the Company. Transactions with these state-controlled entities are not very significant and impracticable to quantify, for disclosure in these condensed interim financial statements.Other entity which for its business acquisition or provision of services relies / depends to a greater extent on the bank / DFI i.e. major portion (50% or more) of its business (upstream or downstream) is also a related party.

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than normal risk (i.e. under the comparable uncontrolled price method) other than those under terms of employment.

Details of balances outstanding at period end and transactions with related parties are as follows:

	December 31, 2015						December 31, 2014					
	Key Management Personnel	Directors	Companies with having equity 50% and above	Associated companies	Employees benefit plans	Employees Provident Trust	Key Management Personnel	Directors	Companies with having equity 50% and above	Associated companies	Employees benefit plans	Employees Provident Trust
	(Rupees)						(Rupees)					
Balances outstanding as at												
- Advances	-	-	300,000,000	-	-	-	-	-	99,902,518	-	-	-
- Receivables/markup	-	567,545	5,661,123	-	-	-	-	1,000,000	2,481,965	-	-	-
- Payables/markup	-	-	-	2,285,602	3,826,882	-	-	-	-	-	7,760,623	-
Transactions during the year ended												
- Net mark-up / interest earned	-	-	-	-	-	-	-	-	-	-	-	-
- Net mark-up / interest received	-	-	14,747,638	-	-	-	-	-	-	5,974,706	-	-
- Net mark-up / interest expensed	-	-	-	3,487,443	-	-	-	-	-	5,863,936	-	-
- Payments made on behalf of	-	-	200,097,482	9,310,539,911	-	-	-	-	99,902,518	18,811,756,095	-	-
- Payments received from	-	-	-	9,310,539,911	-	-	-	-	-	18,811,756,095	-	-
- Payment of rent expense to Saudi Pak	-	-	-	14,939,977	-	-	-	-	-	16,724,193	-	-
- Remuneration and allowances	72,782,665	1,236,222	-	-	-	-	75,053,995	1,207,800	-	-	-	-
- Payments to employees benefit plans	-	-	-	-	6,164,358	5,911,870	-	-	-	-	2,367,408	6,088,189
- Charge for the year relating to employees befit Plans.	-	-	-	-	9,991,240	-	-	-	-	-	10,128,031	-
- Fee and commission income	-	-	2,873,603	-	-	-	-	-	5,919,552	-	-	-

Remuneration of chief executive officer, Directors and executives is disclosed in note 30 to the financial statements.

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FOR THE YEAR ENDED 31 DECEMBER 2015

34 CAPITAL ADEQUACY

34.1 Scope of application

The Basel III framework has been applied in accordance with BPRD Circular No. 6, dated 15 August, 2013. The Standardized Approach is used for calculating the Capital Adequacy for Market and Credit risks while the Basic Indicator Approach (BIA) is used for calculating the Capital Adequacy for Operational risk.

34.2 Capital structure

For the main features of capital structure of the Company, please refer to note 34.7

34.3 Capital management

The Company's objectives when managing capital risks are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend to shareholders, return of capital to shareholders, issue new shares or sell assets to reduce debt. The Company has implemented the capital adequacy framework under the Basel - III regime. The Company, in line with the SBP guidelines, has adopted the standardized approach for credit, market risks and BIA approach for operational risk.

The Company's objectives when managing its capital are:

a) To comply with the capital requirements set by the SBP;
b) To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders; and
c) To maintain a strong capital base to support the development of its business.

The growth prospects of the Company are linked with the macroeconomic environment, industry conditions and its ability to attract quality assets. At present, the Company has restricted its market risk by not participating in secondary stock trading. It is engaged in disbursing quality assets in the loan segment.

The risk-weighted assets are measured by means of a hierarchy of five risk weights, classified according to the nature of, and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

34.4 Regulatory capital requirements

The SBP, vide BSD Circular No.19, dated 05 September, 2008, has set the Minimum Capital Requirement (MCR) for DFIs, up to Rs.6 billion. Further, the Company is also required to maintain a Capital Adequacy Ratio (CAR) of at least 10% of its risk weighted assets.

The paid up capital of the Company, as of 31 December, 2015, amounted to Rs. 9,116 million while CAR stands at 96.51% as of that date.

The leverage ratio of the company is 47.38% (2014: 51.49%). The total Tier 1 capital is Rs.13,385,097 million (2014: Rs 12,761.949 million) and the total exposure is Rs. 28,253.061 million (2014: Rs. 24,784.272 million)

34.5 Capital Adequacy Ratio (CAR) disclosure

		2015	2014
		Rupees ('000)	
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	9,116,400	9,116,400
2	Balance in Share Premium Account		
3	Reserve for issue of Bonus Shares		
4	Discount on Issue of shares		
5	General/ Statutory Reserves	854,267	729,568
6	Gain/(losses) on derivatives held as Cash Flow Hedge		
7	Unappropriated/unremitted profits	3,414,776	2,915,981
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**	13,385,443	12,761,949
10	Total regulatory adjustments applied to CET1 (Note 34.5.1)	346	-
11	**Common Equity Tier 1**	**13,385,097**	12,761,949

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		2015	2014
		Rupees ('000)	
	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 (Note 34.5.2)	-	-
19	Additional Tier 1 capital after regulatory adjustments		
20	**Additional Tier 1 capital recognized for capital adequacy**		
21	**Tier 1 Capital (CET1 + admissible AT1) (11+20)**	**13,385,097**	12,761,949
	Tier 2 Capital		
22	Qualifying Tier 2 capital instruments under Basel III plus any related share premium		
23	Tier 2 capital instruments subject to phase-out 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	113,499	115,185
27	Revaluation Reserves (net of taxes)		
28	of which: Revaluation reserves on fixed assets		
29	of which: Unrealized gains/losses on AFS	117,761	104,111
30	Foreign Exchange Translation Reserves		
31	Undisclosed/Other Reserves (if any)		
32	**T2 before regulatory adjustments**	**231,260**	219,296
33	Total regulatory adjustment applied to T2 capital (Note 34.5.3)	-	-
34	Tier 2 capital (T2) after regulatory adjustments	231,260	219,296
35	Tier 2 capital recognized for capital adequacy	231,260	219,296
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital		
37	**Total Tier 2 capital admissible for capital adequacy**	231,260	219,296
38	**TOTAL CAPITAL (T1 + admissible T2) (21+37)**	**13,616,357**	12,981,245
39	**Total Risk Weighted Assets (RWA) {for details refer Note 34.8}**	**14,109,404**	14,915,059
	Capital Ratios and buffers (in percentage of risk weighted assets)		
40	**CET1 to total RWA**	**94.87%**	85.56%
41	**Tier-1 capital to total RWA**	**94.87%**	85.56%
42	**Total capital to total RWA**	**96.51%**	87.03%
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		
44	of which: capital conservation buffer requirement		
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)		
	National minimum capital requirements prescribed by SBP		
48	**CET1 minimum ratio**	**5.50%**	**5.50%**
49	**Tier 1 minimum ratio**	**7.00%**	**7.00%**
50	**Total capital minimum ratio**	**10.00%**	**10.00%**

		2015	2014
Regulatory Adjustments and Additional Information		**Amount**	**Amounts subject to pre - Basel III treatment**
		Rupees ('000)	
34.5.1	**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)	346	-
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		

NOTES TO THE FINANCIAL STATEMENTS
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		2015	2014
		--------------Rupees ('000)--------------	
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)		
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		
22	**Total regulatory adjustments applied to CET1**	**346**	-

34.5.2 Additional Tier-1 and Tier-1 Capital: regulatory adjustments

		2015	2014
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		
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions		
30	**Total regulatory adjustment applied to AT1 capital**	-	-

34.5.3 Tier 2 Capital: regulatory adjustments

		2015	2014
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		
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**	-	-

34.5.4 Additional Information

		2015	2014
		--------------Rupees ('000)--------------	
	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		
	Amounts below the thresholds for deduction (before risk weighting)		
38	Non-significant investments in the capital of other financial entities		
39	Significant investments in the common stock of financial entities		
40	Deferred tax assets arising from temporary differences (net of related tax liability)	5,605	42,618
	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		

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

34.6 Capital Structure Reconciliation

Step 1

	Balance sheet of the published financial statements As at December 31, 2015	Under regulatory scope of consolidation As at December 31, 2015
	-------Rupees ('000)-------	
Assets		
Cash and balances with treasury banks	116,865	116,865
Balanced with other banks	2,033,472	2,033,472
Lending to financial institutions	-	
Investments	12,091,247	12,091,247
Advances	5,707,733	5,707,733
Operating fixed assets	183,466	183,466
Deferred tax assets	5,605	5,605
Other assets	411,027	411,027
Total assets	**20,549,415**	**20,549,415**
Liabilities and Equity		
Bills payable	-	-
Borrowings	6,903,226	6,903,226
Deposits and other accounts	-	-
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	84,984	84,984
Total liabilities	**6,988,210**	**6,988,210**
Share capital/ Head office capital account	9,116,400	9,116,400
Reserves	854,267	854,267
Unappropriated/ Unremitted profit/ (losses)	3,414,776	3,414,776
Minority Interest	-	
	13,385,443	**13,385,443**
Surplus on revaluation of assets - net of tax	**175,762**	**175,762**
Total liabilities & equity	20,549,415	20,549,415

Step 2

	Balance sheet of the published financial statements As at December 31, 2015	Under regulatory scope of consolidation As at December 31, 2015	Ref
	-------Rupees ('000)-------		
Assets			
Cash and balances with treasury banks	116,865	116,865	
Balanced with other banks	2,033,472	2,033,472	
Lending to financial institutions	-	-	
Investments	12,091,247	12,091,247	
of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	-	-	a
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	-	-	b
of which: Mutual Funds exceeding regulatory threshold	-	-	c
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	-	-	d
of which: others (see note 8)	12,091,247	12,091,247	e
Advances	5,707,733	5,707,733	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital	113,499	113,499	g
Fixed Assets	183,466	183,466	
of which: Intangibles	346	346	k
Deferred Tax Assets	5,605	5,605	
of which: DTAs that rely on future profitability excluding those arising from temporary differences	-	-	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Other assets	411,027	411,027	
of which: Goodwill			j
of which: Intangibles	0	0	
of which: Defined-benefit pension fund net assets			l
Total assets	**20,549,415**	**20,549,415**	

Step 2 continued	Balance sheet of the published financial statements As at December 31, 2015	Under regulatory scope of consolidation As at December 31, 2015	Ref
Liabilities and Equity			
Bills payable	-	-	
Borrowings	6,903,226	6,903,226	
Deposits and other accounts	-	-	
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			
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	84,984	84,984	
Total liabilities	**6,988,210**	**6,988,210**	
Share capital	9,116,400	9,116,400	
of which: amount eligible for CET1	9,116,400	9,116,400	s
of which: amount eligible for AT1	-	-	t
Reserves	854,267	854,267	
of which: portion eligible for inclusion in CET1(provide breakup) - Statutory	854,267	854,267	u
of which: portion eligible for inclusion in Tier 2			v
Unappropriated profit/ (losses)	3,414,776	3,414,776	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	175,762	175,762	
of which: Revaluation reserves on Fixed Assets	-	-	aa
of which: Unrealized Gains/Losses on AFS	175,762	175,762	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total liabilities & Equity	**20,549,415**	**20,549,415**	

	Step 3	Component of regulatory capital reported by bank ---Rupees ('000)---	Source based on reference number from step 2
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	9,116,400	(s)
2	Balance in Share Premium Account		
3	Reserve for issue of Bonus Shares		
4	General/ Statutory Reserves	854,267	(u)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated/unremitted profits/ (losses)	3,414,776	(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**	**13,385,443**	
	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)	346	(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 fixed assets/ 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)		(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		

		Component of regulatory capital reported by bank ---Rupees ('000)---	Source based on reference number from step 2
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	of which: Investment in TFCs of other banks exceeding the prescribed limit		
28	of which: Any other deduction specified by SBP (mention details)		
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		
30	**Total regulatory adjustments applied to CET1**	346	
31	**Common Equity Tier 1**	**13,385,097**	
	Additional Tier 1 (AT 1) Capital		
32	Qualifying Additional Tier-1 instruments plus any related share premium		
33	of which: Classified as equity		(t)
34	of which: Classified as liabilities		(m)
35	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)		(y)
36	of which: instrument issued by subsidiaries subject to phase out		
37	**AT1 before regulatory adjustments**	-	
	Additional Tier 1 Capital: regulatory adjustments		
38	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		
39	Investment in own AT1 capital instruments		
40	Reciprocal cross holdings in Additional Tier 1 capital instruments		
41	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)
42	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation		(ad)
43	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		
44	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		
45	Total of Regulatory Adjustment applied to AT1 capital	-	
46	Additional Tier 1 capital	-	
47	**Additional Tier 1 capital recognized for capital adequacy**	-	
48	**Tier 1 Capital (CET1 + admissible AT1) (31+47)**	**13,385,097**	
	Tier 2 Capital		
49	Qualifying Tier 2 capital instruments under Basel III plus any related share premium		
50	Capital instruments subject to phase out arrangement from tier 2		(n)
51	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)		(z)
52	of which: instruments issued by subsidiaries subject to phase out		
53	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	113,499	(g)
54	Revaluation Reserves		
55	of which: Revaluation reserves on fixed assets		portion of (aa)
56	of which: Unrealized Gains/Losses on AFS	117,761	
57	Foreign Exchange Translation Reserves		(v)
58	Undisclosed/Other Reserves (if any)		
59	**T2 before regulatory adjustments**	**231,260**	
	Tier 2 Capital: regulatory adjustments		
60	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		
61	Reciprocal cross holdings in Tier 2 instruments		
62	Investment in own Tier 2 capital instrument		
63	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)
64	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation		(af)
65	Amount of Regulatory Adjustment applied to T2 capital	-	
66	Tier 2 capital (T2)	231,260	
67	Tier 2 capital recognized for capital adequacy	231,260	
68	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
69	Total Tier 2 capital admissible for capital adequacy	231,260	
70	**TOTAL CAPITAL (T1 + admissible T2)**	**13,616,357**	

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34.7 Main Features of Regulatory Capital Instruments

1	Issuer	Pak China Investment Co Ltd.
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	NA
3	Governing law(s) of the instrument	Applicable Laws of Pakistan
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier I
5	Post-transitional Basel III rules	Common Equity Tier I
6	Eligible at solo/ group/ group&solo	Stand Alone
7	Instrument type	Ordinary shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	9,116,400
9	Par value of instrument	PKR 10 per share
10	Accounting classification	Shareholder's Equity
11	Original date of issuance	2008
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	N/A
18	Coupon rate and any related index/ benchmark	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	N/A
	Convertible or non-convertible	N/A
23	If convertible, conversion trigger (s)	N/A
24	If convertible, fully or partially	N/A
25	If convertible, conversion rate	N/A
26	If convertible, mandatory or optional conversion	N/A
27	If convertible, specify instrument type convertible into	N/A
28	If convertible, specify issuer of instrument it converts into	N/A
	Write-down feature	N/A
29	If write-down, write-down trigger(s)	N/A
30	If write-down, full or partial	N/A
31	If write-down, permanent or temporary	N/A
32	If temporary write-down, description of write-up mechanism	N/A
33	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Common Equity (Ranks after all creditors and depositors)
34	Non-compliant transitioned features	No
35	If yes, specify non-compliant features	N/A

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FOR THE YEAR ENDED 31 DECEMBER 2015

34.8 Risk Weighted Assets

The capital requirements for the banking group as per the major risk categories has been indicated in the manner given below:-

	Capital Requirements		Risk Weighted Assets	
	2015	2014	2015	2014
	Rupees ('000)		Rupees ('000)	
Credit Risk				
Portfolios subject to standardized approach (Simple)				
On-Balance sheet				
Cash and cash equivalents	-	-	-	-
Sovereign	-	-	-	-
Public Sector entities	-	3,106	-	31,062
Banks/ DFI	**199,204**	184,707	**1,992,036**	1,847,066
Corporate portfolio	**583,641**	560,993	**5,836,409**	5,609,932
Retail	**213**	370	**2,132**	3,703
Residential Mortgages	**909**	1,131	**9,090**	11,313
Past due loans	**6,014**	32,338	**60,144**	323,376
Operating Fixed Assets	**18,312**	19,942	**183,120**	199,423
Other assets	**2,651**	40,180	**26,507**	401,800
	810,944	842,767	**8,109,438**	8,427,675
Off-Balance sheet				
Non-market related	**51,131**	72,105	**511,310**	721,050
Market related	-	-	-	-
	51,131	72,105	**511,310**	721,050
Equity Exposure Risk in the Banking Book				
Listed, Unlisted	**53,346**	75,438	**533,462**	754,379
Total Credit risk	**915,421**	990,310	**9,154,210**	9,903,104
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	**56,470**	77,323	**564,700**	773,225
Equity position risk	**27,198**	21,076	**271,975**	210,763
Foreign Exchange risk	**198,083**	183,794	**1,980,825**	1,837,938
Total Market Risk	**281,751**	282,193	2,817,500	2,821,926
Operational Risk				
Capital Requirement for operational risks	**213,769**	219,003	**2,137,694**	2,190,029
Total	**1,410,941**	1,491,506	**14,109,404**	14,915,059

Capital Adequacy Ratios	2015		2014	
	Required	Actual	Required	Actual
CET1 to total RWA	**5.50%**	**94.87%**	5.50%	85.56%
Tier-1 capital to total RWA	**7.00%**	**94.87%**	6.50%	85.56%
Total capital to total RWA	**10.00%**	**96.51%**	10.00%	87.03%

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35 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 ultimate responsibility for risk management and setting of the risk management policy rests with the Board of Directors. The Board of Directors approves a policy framework and oversees the Risk Management function of the Company through the Risk Management Committee (RMC). RMC of the Board has been constituted to facilitate focused oversight of various risks and is updated on a 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. Market and Liquidity Risks are managed by a well-represented Asset Liability Committee (ALCO) and the Credit Committee oversees Credit Risk.

The Head of Risk Management and the Risk Management Function works with the Senior Management, ALCO and the Credit Committee on a day to day basis to address issues directly related to the policy as well as improve and refine the policy based on experiences and market conditions.

35.1 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 the 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.

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

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35.1.1 Segment by class of business

	2015			
	Advances - Gross		Contingencies and commitments	
	Rupees	%	Rupees	%
Fertilizer	90,000,000	1.42	-	-
Power	2,803,047,991	44.12	198,369,053	29.82
Steel	275,236,249	4.33	-	-
Sugar	372,500,000	5.86	-	-
Telecommunication	270,288,783	4.25	-	-
Storage	619,808,374	9.76	-	-
Real Estate	70,000,000	1.10	-	-
Cement	200,000,000	3.15	-	-
Glass	100,837,000	1.59	-	-
Textile	437,500,000	6.89	-	-
Engineering	252,083,336	3.97	-	-
Financials	366,666,668	5.77	-	-
Petroleum	116,666,662	1.84	-	-
Food & Beverages	100,000,000	1.57	-	-
Others	279,097,799	4.39	466,875,000	70.18
	6,353,732,862	100	665,244,053	100

	2014			
	Advances - Gross		Contingencies and commitments	
	Rupees	%	Rupees	%
Fertilizer	195,000,000	2.98	-	-
Power	2,548,678,996	38.89	497,428,986	66.55
Steel	275,890,000	4.21	-	-
Sugar	462,500,000	7.06	250,000,000	33.45
Telecommunication	300,000,000	4.58	-	-
Storage	636,250,490	9.71	-	-
Real Estate	70,000,000	1.07	-	-
Cement	200,000,000	3.05	-	-
Glass	168,065,000	2.56	-	-
Textile	563,164,643	8.59	-	-
Engineering	416,666,668	6.36	-	-
Plastic	79,999,396	1.22	-	-
Financial institutions	283,333,334	4.32	-	-
Coal	172,222,220	2.63	-	-
Petroleum	150,000,000	2.29	-	-
Others	32,323,256	0.49	-	-
	6,554,094,003	100	747,428,986	100

35.1.2 Segment by sector

	2015			
	Advances - Gross		Contingencies and commitments	
	Rupees	%	Rupees	%
Public/Government	66,666,668	1.05	-	-
Private	6,287,066,194	98.95	665,244,053	100
	6,353,732,862	100	665,244,053	100

	2014			
	Advances - Gross		Contingencies and commitments	
	Rupees	%	Rupees	%
Public/Government	133,333,334	2.03	-	-
Private	6,420,760,669	97.97	747,428,986	100.00
	6,554,094,003	100	747,428,986	100.00

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

	2015		2014	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees			
Cement	200,000,000	200,000,000	200,000,000	200,000,000
Real Estate	70,000,000	70,000,000	70,000,000	55,918,000
Telecommunication	270,288,783	150,000,000	300,000,000	150,000,000
Sugar	112,500,000	112,500,000	112,500,000	67,725,000
Plastic	-	-	79,999,396	8,361,185
	652,788,783	532,500,000	762,499,396	482,004,185

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

	2015		2014	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees		Rupees	
Public/Government	-	-	-	-
Private	652,788,783	532,500,000	762,499,396	482,004,185
	652,788,783	532,500,000	762,499,396	482,004,185

35.1.5 Geographical Segment Analysis

	2015			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
	Rupees		Rupees	
In Pakistan	950,875,285	20,549,415,577	13,561,205,382	665,244,053

	2014			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
	Rupees		Rupees	
In Pakistan	618,804,194	20,007,573,416	12,947,861,775	747,428,986

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35.2 Liquidity risk

Liquidity risk is the potential loss to the Company, arising from either its inability to meet its obligation, or to arrange the requisite funding for its assets at a reasonable price.

This risk arises from mismatches in the timing of cash flows. The objective of the Company's liquidity management is to ensure that all foreseeable funding commitments can be met when due. The Company's Asset and Liability Committee is primarily responsible for the formulation of the overall strategy and oversight of liquidity management. The Company manages its liquidity risk by diversifying and ensuring the stability of its liability structure (funding mix). The risk management function generates and monitors the daily liquidity position of the Company.

The maturity profile of assets and liabilities has been prepared based on their contractual maturity, 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.

35.2.1 Maturities of assets and liabilities

	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	Over ten years
	(Rupees)									
Assets										
Cash and balances with treasury banks	116,864,752	116,864,752	-	-	-	-	-	-	-	-
Balances with other banks	2,033,472,081	52,650,280	1,980,821,801	-	-	-	-	-	-	-
Investments	12,091,247,041	1,509,933,500	7,175,465,383	1,050,418,958	135,808,937	1,026,560,945	73,673,829	800,918,663	318,466,826	-
Advances	5,707,733,436	131,460,531	236,215,528	326,015,345	773,486,164	997,330,625	852,298,419	1,238,673,897	1,089,267,017	62,985,910
Deferred tax assets	5,605,027			5,605,027						-
Operating fixed assets	183,466,497	1,515,586	3,031,168	3,496,629	8,493,258	9,549,973	4,054,853	7,990,272	9,334,758	136,000,000
Other assets	411,026,743	337,996,135	38,329,318	64,593,981	1,224,064	2,732,709	-	-	-	-
	20,549,415,577	2,150,420,784	9,433,863,198	1,450,129,940	919,012,423	2,036,174,252	930,027,101	2,047,582,832	1,417,068,601	198,985,910
Liabilities										
Borrowings	6,903,225,721	6,769,504,488	-	25,028,058	41,835,058	66,858,117	-	-	-	-
Deposits and other accounts	-	-	-	-	-	-	-	-	-	-
Other liabilities	84,984,474	19,057,680	5,102,084	739,518	-	-	-	-	60,882,729	-
	6,988,210,195	6,788,562,168	5,102,084	25,767,576	41,835,058	66,858,117	-	-	60,882,729	-
Net assets	**13,561,205,382**	**(4,638,141,384)**	**9,428,761,114**	**1,424,362,364**	**877,177,365**	**1,969,316,135**	**930,027,101**	**2,047,582,832**	**1,356,185,872**	**198,985,910**

	------Rupees----
Share capital	**9,116,400,000**
Reserve	**854,266,780**
Unappropriated profit	**3,414,776,247**
Surplus on revaluation of Available-For-Sale securities	**175,762,355**
	13,561,205,382

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	2014									
	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	Over ten years
	(Rupees)									
Assets										
Cash and balances with treasury banks	51,866,670	51,866,670								
Balances with other banks	1,882,251,126	44,311,014	-	1,837,940,112	-	-	-	-	-	-
Investments	11,288,944,291	29,743,348	24,649,134	1,479,713,696	2,835,379,825	4,496,263,610	991,620,904	986,269,281	445,304,493	-
Advances	5,956,904,391	60,705,675	150,557,060	330,377,240	686,583,091	1,117,991,272	957,402,736	1,511,739,714	1,046,642,861	94,904,742
Deferred tax assets	42,618,010	19,676,739	305,429	(120,297,440)	20,264,771	62,340,799	9,162,154	19,643,340	31,522,218	-
Operating fixed assets	199,423,479	1,597,921	3,195,828	4,793,742	11,087,484	13,437,535	7,795,434	8,068,344	13,447,191	136,000,000
Other assets	585,565,449	378,515,452	82,784,120	45,169,116	40,424,795	38,671,966	-	-	-	-
	20,007,573,416	586,416,819	261,491,571	3,577,696,466	3,593,739,966	5,728,705,182	1,965,981,228	2,525,720,679	1,536,916,763	230,904,742
Liabilities										
Borrowings	6,741,689,007	6,524,297,658	-	16,807,000	41,835,058	83,670,116	66,858,116	8,221,059	-	-
Deposits and other accounts	250,000,000	-	-	250,000,000	-	-	-	-	-	-
Other liabilities	68,022,634	21,253,799	-	14,821,257	-	31,947,578	-	-	-	-
	7,059,711,641	6,545,551,457	-	281,628,257	41,835,058	115,617,694	66,858,116	8,221,059	-	-
Net assets	12,947,861,775	(5,959,134,638)	261,491,571	3,296,068,209	3,551,904,908	5,613,087,488	1,899,123,112	2,517,499,620	1,536,916,763	230,904,742
Share capital	9,116,400,000									
Reserves	729,567,931									
Un-appropriated profit	2,915,980,853									
Surplus on revaluation of Available-For-Sale securities	185,912,991									
	12,947,861,775									

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35.3 Market risk

Market risk is the loss due to adverse movements in market rates or price such as foreign exchange rates, interest rates and equity prices and / or commodity prices. Market risk pertaining to the trading book consists of positions in financial instruments held either with trading intent or in order to hedge other elements of the trading book. The Company does not have a defined trading book and all investments are classified as Available-For-Sale or Held-to-Maturity. Due to diversified nature of investments in banking book, the Company is primarily subject to interest rate risk. The Company, in accordance with its Joint Venture agreement, is not allowed to engage in secondary market equity trading. The Company is using Basel-III standardized approach to calculate risk weighted assets against market risk exposure.

35.3.1 Interest rate risk

Interest rate risk is the risk that assets value will change due to change in the market interest rates. The Company manages its interest rate risk by entering into floating rate agreements with its customers. Major portion of the credit portfolio is linked to floating rate. To further keep the Company abreast of the interest rate risk, an Asset and Liability Committee (ALCO) meets regularly to discuss the interest rate risk strategy. Interest rate risk profile is also prepared on a monthly basis to ascertain the interest rates movements with regard to the portfolio while also anticipating policy rate movements.

	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 -----										
On balance sheet financial instruments												
Financial Assets												
Cash and balances with treasury banks		116,864,752	-	-	-	-	-	-	-	-	-	116,864,752
Balances with other banks	6.50%	2,033,472,081	52,644,023	1,980,821,801	-	-	-	-	-	-	-	6,257
Investments	10.00%	12,091,247,041	1,509,933,500	7,175,465,383	1,050,418,958	135,808,937	915,923,928	73,673,829	667,449,995	133,468,668	260,596,524	168,507,319
Advances	9%	5,707,733,436	131,460,531	236,215,528	326,015,346	773,486,164	997,330,625	852,298,485	1,390,784,251	937,156,597	62,985,909	-
Other assets		403,920,893	-	-	-	-	-	-	-	-	-	403,920,893
		20,353,238,203	1,694,038,054	9,392,502,712	1,376,434,304	909,295,101	1,913,254,553	925,972,314	2,058,234,246	1,070,625,265	323,582,433	689,299,221
Financial Liabilities												
Borrowings	9%	6,903,225,721	6,769,504,488	-	25,028,058	41,835,058	66,858,117	-	-	-	-	-
Deposits and other accounts	9.5%	-	-	-	-	-	-	-	-	-	-	-
Other liabilities		24,101,745	-	-	-	-	-	-	-	-	-	24,101,745
		6,927,327,466	6,769,504,488	-	25,028,058	41,835,058	66,858,117	-	-	-	-	24,101,745
On balance sheet gap		13,425,910,737	(5,075,466,434)	9,392,502,712	1,351,406,246	867,460,043	1,846,396,436	925,972,314	2,058,234,246	1,070,625,265	323,582,433	665,197,476
Off-balance sheet financial instruments												
Commitments to extend credits (In case these materialize)		616,419,240	-	-	-	-	-	-	-	-	-	616,419,240
Off-balance sheet gap - net		616,419,240	-	-	-	-	-	-	-	-	-	616,419,240
Total yield/ interest risk sensitivity gap			(5,075,466,434)	9,392,502,712	1,351,406,246	867,460,043	1,846,396,436	925,972,314	2,058,234,246	1,070,625,265	323,582,433	1,281,616,716
Cumulative yield/ interest rate sensitivity gap			(5,075,466,434)	4,317,036,278	5,668,442,524	6,535,902,567	8,382,299,003	9,308,271,317	11,366,505,563	12,437,130,828	12,760,713,261	14,042,329,977

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	Effective yield / interest rate %	2014										
			Exposed to yield / profit risk									Not exposed to yield / interest rate risk
		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										
On balance sheet financial instruments												
Financial Assets												
Cash and balances with treasury banks		51,866,670	-	-	-	-	-	-	-	-	-	51,866,670
Balances with other banks	6.43%	1,882,251,126	44,304,756	-	1,837,940,113	-	-	-	-	-	-	6,257
Investments	11.96%	11,288,944,291	29,743,348	24,649,134	1,479,713,696	2,835,379,825	4,404,559,130	991,620,904	986,269,282	416,369,342	-	120,639,630
Advances	11%	5,956,904,391	60,705,675	150,557,060	330,377,240	686,583,091	1,117,991,272	957,402,736	1,511,739,714	1,046,642,861	94,904,742	-
Other assets		556,132,526	-	-	-	-	-	-	-	-	-	556,132,526
		19,736,099,004	134,753,779	175,206,194	3,648,031,049	3,521,962,916	5,522,550,402	1,949,023,640	2,498,008,996	1,463,012,203	94,904,742	728,645,083
Financial Liabilities												
Borrowings	9%	6,741,689,007	6,524,297,658	-	16,807,000	41,835,058	83,670,116	66,858,116	8,221,059	-	-	-
Deposits and other accounts	9.50%	250,000,000	-	-	250,000,000	-	-	-	-	-	-	-
Other liabilities		64,281,207	-	-	-	-	-	-	-	-	-	64,281,207
		7,055,970,214	6,524,297,658	-	266,807,000	41,835,058	83,670,116	66,858,116	8,221,059	-	-	64,281,207
On balance sheet gap		12,680,128,790	(6,389,543,879)	175,206,194	3,381,224,049	3,480,127,858	5,438,880,286	1,882,165,524	2,489,787,937	1,463,012,203	94,904,742	664,363,876
Off-balance sheet financial instruments												
Commitments to extend credit (In case materialize)		747,428,986	-	-	-	-	-	-	-	-	-	747,428,986
Off-balance sheet gap - net		747,428,986	-	-	-	-	-	-	-	-	-	747,428,986
Total yield/ interest risk sensitivity gap			**(6,389,543,879)**	**175,206,194**	**3,381,224,049**	**3,480,127,858**	**5,438,880,286**	**1,882,165,524**	**2,489,787,937**	**1,463,012,203**	**94,904,742**	**1,411,792,862**
Cumulative yield/ interest rate sensitivity gap			**(6,389,543,879)**	**(6,214,337,685)**	**(2,833,113,636)**	**647,014,222**	**6,085,894,508**	**7,968,060,032**	**10,457,847,969**	**11,920,860,172**	**12,015,764,914**	**13,427,557,776**

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35.3.2 Foreign exchange risk

Foreign exchange risk arises in case of an on balance sheet / off balance sheet asset or liability position, when there is adverse exchange rate movement. The Company has the following exposure in this category of market risk.

	2015			
	Assets	Liabilities	Off balance sheet items	Net currency exposure
	Rupees			
Pakistan Rupee	**18,379,522,252**	**6,988,210,195**	**-**	**11,391,312,057**
United States Dollar	**1,980,821,801**	**-**	**-**	**1,980,821,801**
	20,360,344,053	**6,988,210,195**	**-**	**13,372,133,858**

	2014			
	Assets	Liabilities	Off balance sheet items	Net currency exposure
	Rupees			
Pakistan Rupee	17,927,591,814	6,809,711,641	-	11,117,880,173
United States Dollar	1,837,940,113	-	-	1,837,940,113
	19,765,531,927	6,809,711,641	-	12,955,820,286

35.3.3 Equity risk

Equity price risk is the risk to the earnings or capital resulting from an adverse change in the value/ price of equity. The Company's exposure in the equity market is classified in Available-For-Sale category, as the Company intends to earn profit based on fundamentals.

35.4 Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and system of the Company.

The risk management function in the Company monitors operational risk, in order to ensure the safeguarding of assets, and to mitigate other related risks.

The Company has initiated work on the implementation of a comprehensive Operational Risk Framework as per the latest guidelines and timelines stipulated by SBP.

35.4.1 Operational Risk-Disclosures Basel III Specific

The Company has adopted the Basic Indicator Approach for ascertaining capital requirements for its operational risk. Up to the year end, the Company has not incurred any significant loss owing to operational risk.

36 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

36.1 Provision against non-performing loans and advances

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

36.2 Classification / valuation of investments

For classification / valuation of investments, the Company follows the guidance provided in SBP circulars.

36.3 Impairment of investments

The management determines that 'available-for-sale' equity investments are impaired, when there has been a significant or prolonged decline in market value/ fair value below its cost. In making this judgment, the management considers, among other factors, the decline in market price below cost by 20%, as significant, and if the decline in market price persists for 9 months, as prolonged. For debt securities impairment loss is determined on the basis of the Prudential Regulations of SBP.

36.4 Provision for 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, and the appeals of the department, pending at various levels with the tax authorities.

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36.5 Operating fixed assets

The Company reviews the useful lives and residual value of fixed assets on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of fixed assets, with a corresponding effect on the depreciation charge/ amortization and impairment.

36.6 Contingencies

The Company reviews the status of all the legal cases on a regular basis. Based on the expected outcome and lawyers' judgments, appropriate provision is made.

36.7 Provision for gratuity

Provision for gratuity is determined using actuarial assumptions. Any change in the assumptions from actual results would change the amount of unrecognised gains and losses.

37 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue in the Board of Directors meeting held on 28 Marach 2016

38 GENERAL

38.1 JCR-VIS Credit Rating co. Ltd has issued a long term credit rating of AAA,and the short term rating of A1+, for the Company.

38.2 Captions, as prescribed by BSD Circular No. 4, dated 17 February, 2006, issued by the SBP, for which there are no amounts, have not been reproduced in these financial statements except for the statement of financial position and profit and loss account.

38.3 Figures have been rounded off to the nearest Rupees, unless otherwise stated.

CHAIRMAN	MANAGING DIRECTOR	DIRECTOR	DIRECTOR

Note: