ANNUAL REPORT 2015

WRITING OUR SUCCESS STORY

PAÏR

WRITING
OUR SUCCESS STORY...

Every year unfolds a new set of challenges and goals for us at PAÏR; we embrace each one of them, soaring high on the winds of ambition. Commitment to our customers and devising the most feasible financial plans for them has always been our objective – our accomplishments are defined by our customers' prosperity. We aim to advance with the same vision, so that we continue to gain our customers' valuable trust. The year in focus highlights our progress parallel to our stakeholders' satisfaction and faith in us.

Becoming the first-choice partner for our customers is indeed our ultimate win – a success story in itself!

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...WITH FOCUS & PRECISION

ABOUT PAÏR

VISION

To be the Premier Development Finance Institution of Pakistan and contribute to the economic development of both the brotherly countries through investment and Pakistan-Iran trade flows.

MISSION

Our company is committed to developing the economic relationship between Pakistan and Iran through investment into projects in Pakistan and enhancing the two-way trade by providing the most professional and innovative services to our customers. We focus on providing a range of products and services to our customers (both Pakistani and Iranian) in a manner which creates value for them and promotes investment flows and trade between the two countries.

ENTITY RATING

Assigned by PACRA

Medium to Long-Term

AA (Double A)

This rating denotes a very low expectation of credit risk, indicating a very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

Short-Term

A1+ (A One Plus)

This rating indicates that the obligations are supported by the highest capacity for timely repayments.

CORE VALUES

Our Clients Come First

Each and every client is different and so are their needs. Hence, we at PAÏR tend to our clients by tailoring our service in such a manner that our clients' needs are satisfied and ultimately our success is guaranteed.

Our People and Culture

Our people are our greatest asset. We continuously strive on improving our working standards and ambiance in order to provide the best environment for our employees' personal and professional growth.

Professional Quality of Work

We strive very hard to maintain our work quality and standards with those of internationally accepted professional levels by constantly improving our quality, timelines and results.

Teamwork

We focus on being team players and working as a team in order to achieve individual, departmental and company growth, hence maximizing output and results.

Constant Upgrade and Development

We are constantly adapting the latest trends and technologies in all fields, from international standards of accounting and compliance to the latest technology in IT to professional development of our employees by conducting presentations and providing them with trainings on the latest implemented software usage or organizing staff training sessions, workshops and activities related to their respective fields.

Integrity, Confidentiality and Honesty

We maintain high ethical standards of integrity, confidentiality and honesty in everything we do, as that is what sets us apart from the crowd and gives us our own unique identity.

CORPORATE INFORMATION

Board of Directors

Seyed Ahmad Araghchi	Chairman
Nadeem Karamat	Managing Director / CEO
Aamer Mahmood Hussain	Director
Hamid Eftekhari Kondelaji	Director
Sohail Zarar Ali Khan	Director
Alireza Pourbagherian	Director
Kauser Safdar	Chief Financial Officer
Amir Aizaz	Company Secretary

Audit Committee

Aamer Mahmood Hussain	Chairman
Sohail Zarar Ali Khan	Member
Alireza Pourgagherian	Member
Syed Muhammad Amin Kazmi	Secretary – Audit Committee

Risk Management Committee

Alireza Pourbagherian	Chairman
Aamer Mahmood Hussain	Member
Nadeem Karamat	Managing Director / CEO
Hamid Eftekhari Kondelaji	Member
Syed Salman Raza Naqvi	Secretary – Risk Management Committee

Human Resource Committee

Sohail Zarar Ali Khan	Chairman
Hamid Eftekhari Kondelaji	Member
Nadeem Karamat	Managing Director / CEO
Amir Aizaz	Secretary – Human Resource Committee

Strategic Investment Committee

Sohail Zarar Ali Khan	Chairman
Hamid Eftekhari Kondelaji	Member
Nadeem Karamat	Managing Director / CEO
Ahmad Bilal Darr	Secretary – Strategic Investment Committee

Auditors

Grant Thornton Anjum Rahman
Chartered Accountants

Legal Advisors

Mohsin Tayebaly & Co.
Corporate Legal Consultants

Bankers

Allied Bank Limited
Askari Commercial Bank Limited
Burj Bank Limited
Habib Bank Limited
Bank Islami Limited
MCB Bank Limited
National Bank of Pakistan
United Bank Limited

BOARD COMMITTEES
TERMS OF REFERENCE

The Board Risk Management Committee

The Board Risk Management Committee (BRMC) is responsible for ensuring continuous supervision of the credit, market, liquidity and operational risks embedded in PAÏR's operations. It assists the Board of Directors in determining PAÏR's strategic direction by providing an overall perspective of the risks involved in the relevant business units and Risk Management Unit. It ensures implementation of risk-related policies, including the review and monitoring of the Company's overall portfolio. It also includes a review of the risk limits as per the Company's overall risk appetite, determined through risk assessment rating methodologies by keeping in view the nature, size and complexity of the transactions.

Audit Committee of the Board

The primary responsibilities of the Audit Committee of the Board (ACOB) are to determine the appropriateness of the measures taken by the Management to safeguard the DFI's assets, to ensure integrity in the financial statements, to recommend the appointment of the external auditors, and to ensure close coordination with them to fulfill statutory and Code of Corporate Governance requirements.

ACOB is, inter alia, responsible to ascertain the effectiveness of the Internal Control System including financial and operational controls, ensuring adequate and effective accounting and reporting structures, monitoring compliance with the best practices of the Corporate Governance and the applicable legal and regulatory requirements. The other responsibility of ACOB is ensuring that an independent and effective internal audit function is in place.

Human Resource & Compensation Committee

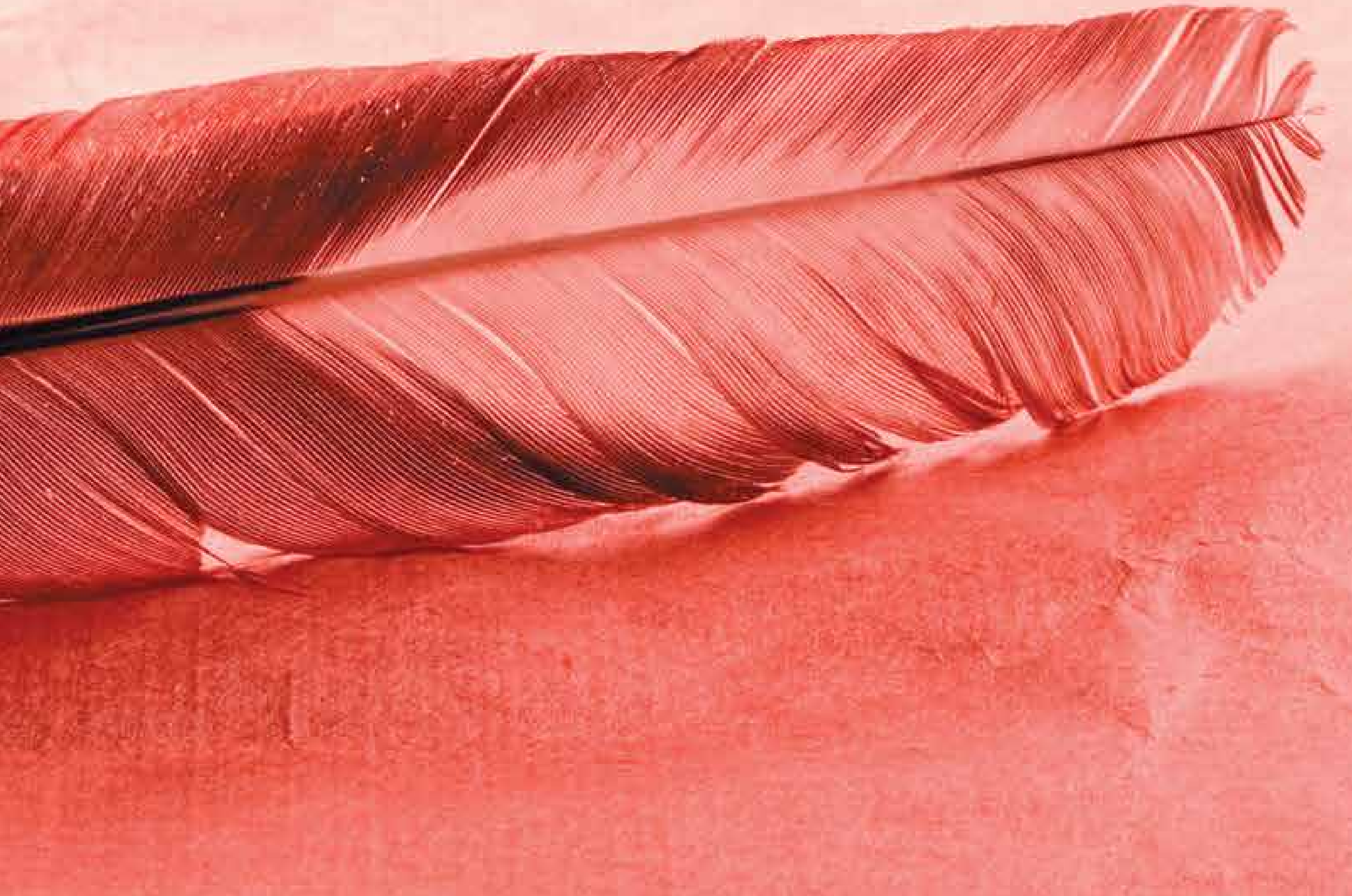
The main tasks of the Human Resource & Compensation Committee are to ensure the review of existing policies and revision in these policies as deemed necessary, development of in-house expertise, approval and revision of organizational set-up, determining of the latest criterion for recruitment, training, disciplinary matters and performance appraisals.

Strategic Investment Committee

The main task of the Strategic Investment Committee is to review the long-term strategic plans, operational plans and material strategic initiatives including acquisitions, mergers, disposals, strategic projects / investments, joint ventures and any new business / expansion, and recommending them to the Board for approval.

...WITH INSIGHT & INTELLECT

Eight Years' Vertical Analysis



EIGHT YEARS' VERTICAL ANALYSIS -
Statement Of Financial Position / Profit & Loss Account
For the Year Ended December 31

	2015	%	2014	%	2013	%
Assets						
Cash and balances with treasury banks	46,114	0.20	33,303	0.18	27,829	0.16
Balances with other banks	215,426	0.93	261,059	1.39	158,417	0.92
Lendings to financial institutions	-	-	-	-	-	-
Investments	18,807,372	80.99	14,114,870	75.30	12,745,355	73.75
Advances	3,502,948	15.09	3,592,178	19.16	3,678,206	21.28
Operating fixed assets	191,311	0.82	210,352	1.12	196,201	1.14
Deferred tax assets - net	259,691	1.12	272,920	1.46	204,896	1.19
Other assets	198,415	0.85	259,534	1.38	270,782	1.57
Total Assets	**23,221,277**	**100.00**	**18,744,216**	**100.00**	**17,281,686**	**100.00**
Liabilities						
Borrowings from financial institutions	11,652,435	50.18	9,221,225	49.20	8,489,171	49.12
Deposits and other accounts	1,890,502	8.14	386,060	2.06	25,080	0.15
Other liabilities	484,862	2.09	344,186	1.84	326,705	1.89
	14,027,799	60.41	9,951,471	53.09	8,840,956	51.16
Net Assets	**9,193,478**	**39.59**	**8,792,745**	**46.91**	**8,440,730**	**48.84**
Represented By:						
Share capital	6,000,000	25.84	6,000,000	32.01	6,000,000	34.72
Advance against share capital	-	-	-	-	-	-
Reserves	673,449	2.90	553,966	2.96	483,592	2.80
Unappropriated profit	2,390,166	10.29	2,062,742	11.00	1,781,247	10.31
Surplus / (deficit) on revaluation of assets - net of tax	129,863	0.56	176,037	0.94	175,891	1.02
Total Equity	**9,193,478**	**39.59**	**8,792,745**	**46.91**	**8,440,730**	**48.84**
Profit and Loss Account						
Mark-up / return / interest earned	1,509,674	80.76	1,233,407	76.81	1,153,996	80.12
Fee, commission and brokerage income	13,825	0.74	14,985	0.93	18,210	1.26
Dividend income	30,260	1.62	27,125	1.69	22,765	1.58
Gain on sale of securities - net	313,567	16.77	327,977	20.43	246,533	17.12
Other income / charges	2,108	0.11	2,258	0.14	(1,089)	(0.08)
Total income	1,869,434	100.00	1,605,752	100.00	1,440,415	100.00
Mark-up / return / interest expensed	627,125	33.55	508,046	31.64	488,889	33.94
Provision and impairment	16,949	0.91	350,559	21.83	274,562	19.06
Total non mark-up / return / interest expenses	302,029	16.16	283,150	17.63	220,483	15.31
Taxation - net	325,917	17.43	112,128	6.98	117,251	8.14
Profit after taxation	**597,414**	**31.96**	**351,869**	**21.91**	**339,230**	**23.55**

(Rupees in '000)

2012	%	2011	%	2010	%	2009	%	2008	%
(Restated)		(Restated)							
43,999	0.28	9,143	0.08	10,552	0.10	2,633	0.03	506,887	8.72
106,586	0.68	20,675	0.17	352,808	3.37	1,309,451	15.80	1,816,376	31.23
-	-	-	-	600,000	5.73	446,250	5.39	611,000	10.51
10,841,572	68.88	8,974,337	75.76	7,160,982	68.39	5,326,675	64.29	2,477,998	42.60
4,325,337	27.49	2,475,156	20.89	2,103,430	20.09	945,387	11.41	327,318	5.63
56,047	0.36	48,060	0.41	44,762	0.43	26,071	0.31	21,478	0.37
110,582	0.70	80,756	0.68	21,661	0.21	109,799	1.33	7,283	0.13
253,291	1.61	237,980	2.01	176,414	1.68	119,188	1.44	47,126	0.81
15,737,414	**100.00**	**11,846,107**	**100.00**	**10,470,609**	**100.00**	**8,285,454**	**100.00**	**5,815,466**	**100.00**
6,721,178	42.71	3,695,484	31.20	2,863,481	27.35	1,857,327	22.42	459,957	7.91
545,080	3.46	260,000	2.19	-	-	-	-	-	-
273,446	1.74	161,760	1.37	172,683	1.65	134,609	1.62	32,523	0.56
7,539,704	47.91	4,117,244	34.73	3,036,164	29.00	1,991,936	24.04	492,480	8.47
8,197,710	**52.09**	**7,728,863**	**65.27**	**7,434,445**	**71.00**	**6,293,518**	**75.96**	**5,322,986**	**91.53**
6,000,000	38.13	6,000,000	50.65	6,000,000	57.30	5,000,000	60.35	5,000,000	85.98
-	-	-	-	-	-	490,825	5.92	-	-
415,746	2.64	327,714	2.77	279,204	2.67	163,533	1.97	89,250	1.53
1,611,197	10.24	1,309,028	11.05	1,116,823	10.66	654,137	7.90	357,003	6.14
170,767	1.09	92,121	0.78	38,418	0.37	(14,977)	(0.18)	(123,267)	(2.12)
8,197,710	**52.09**	**7,728,863**	**65.27**	**7,434,445**	**71.00**	**6,293,518**	**75.96**	**5,322,986**	**91.53**
1,487,341	89.63	1,323,067	95.78	1,030,191	85.75	809,863	83.19	527,054	84.76
23,359	1.41	12,797	0.93	7,185	0.60	17,906	1.84	3,621	0.58
18,093	1.09	20,492	1.48	22,564	1.88	17,924	1.84	60,266	9.69
128,809	7.76	31,468	2.28	134,480	11.19	126,684	13.01	-	-
1,830	0.11	(6,417)	(0.47)	6,942	0.58	1,185	0.12	30,875	4.97
1,659,432	100.00	1,381,407	100.00	1,201,362	100.00	973,562	100.00	621,816	100.00
678,102	40.86	402,712	29.15	193,494	16.11	124,744	12.81	31,898	5.13
106,953	6.45	324,136	23.46	(79,955)	(6.66)	255,745	26.27	37,500	6.03
238,798	14.39	167,757	12.14	209,239	17.42	110,083	11.31	82,513	13.27
195,417	11.78	244,253	17.68	300,227	24.99	111,573	11.46	151,759	24.41
440,162	**26.52**	**242,549**	**17.56**	**578,357**	**48.14**	**371,417**	**38.15**	**318,146**	**51.16**

EIGHT YEARS' HORIZONTAL ANALYSIS -
Statement Of Financial Position / Profit & Loss Account
For the Year Ended December 31

	2015	%	2014	%	2013	%
Assets						
Cash and balances with treasury banks	46,114	38.47	33,303	19.67	27,829	(36.75)
Balances with other banks	215,426	(17.48)	261,059	64.79	158,417	48.63
Lendings to financial institutions	-	-	-	-	-	-
Investments	18,807,372	33.25	14,114,870	10.75	12,745,355	17.56
Advances	3,502,948	(2.48)	3,592,178	(2.34)	3,678,206	(14.96)
Operating fixed assets	191,311	(9.05)	210,352	7.21	196,201	250.07
Deferred tax assets - net	259,691	(4.85)	272,920	33.20	204,896	85.29
Other assets	198,415	(23.55)	259,534	(4.15)	270,782	6.91
Total Assets	**23,221,277**	**23.89**	**18,744,216**	**8.46**	**17,281,686**	**9.81**
Total Equity	9,193,478	4.56	8,792,745	4.17	8,440,730	2.96
Borrowings from financial institutions	11,652,435	26.37	9,221,225	8.62	8,489,171	26.30
Deposits and other accounts	1,890,502	389.69	386,060	1,439.31	25,080	(95.40)
Other liabilities	484,862	40.87	344,186	5.35	326,705	19.48
Total Equity and Liabilities	**23,221,277**	**23.89**	**18,744,216**	**8.46**	**17,281,686**	**9.81**
Profit and Loss Account						
Mark-up / return / interest earned	1,509,674	22.40	1,233,407	6.88	1,153,996	(22.41)
Mark-up / return / interest expensed	627,125	23.44	508,046	3.92	488,889	(27.90)
Net mark-up / interest income	882,549	21.67	725,361	9.06	665,107	(17.81)
Net mark-up / interest income after provision	865,600	130.95	374,802	(4.03)	390,545	(44.39)
Non Mark-up / Interest Income						
Fee, commission and brokerage income	13,825	(7.74)	14,985	(17.71)	18,210	(22.04)
Dividend income	30,260	11.56	27,125	19.15	22,765	25.83
Income from dealing in foreign currencies	542	(181.02)	(669)	(200.75)	664	(10.90)
Gain on sale of securities - net	313,567	(4.39)	327,977	33.04	246,533	91.39
Unrealised (loss) / gain on revaluation of investments classified as held for trading	738	(22.96)	958	(122.10)	(4,334)	(812.57)
Other income / charges	828	(57.95)	1,969	(23.71)	2,581	441.09
Total non mark-up / return / interest income	359,760	(3.38)	372,345	30.00	286,419	66.43
Total non mark-up / interest expenses	302,029	6.67	283,150	28.42	220,483	(7.67)
Profit before tax	923,331	99.00	463,997	1.65	456,481	(28.18)
Taxation - net	325,917	190.67	112,128	(4.37)	117,251	(40.00)
Profit after taxation	**597,414**	**69.78**	**351,869**	**3.73**	**339,230**	**(22.93)**
Basic and diluted earnings per share	**1.00**	**68.76**	**0.59**	**3.51**	**0.57**	**(21.92)**

(Rupees in '000)

2012 (Restated)	%	2011	%	2010	%	2009	%	2008	%
43,999	381.23	9,143	(13.35)	10,552	300.76	2,633	(99.48)	506,887	2,526.09
106,586	415.53	20,675	(94.14)	352,808	(73.06)	1,309,451	(27.91)	1,816,376	(35.33)
-	-	-	(100.00)	600,000	34.45	446,250	(26.96)	611,000	1.83
10,841,572	20.81	8,974,337	25.32	7,160,982	34.44	5,326,675	114.96	2,477,998	246.70
4,325,337	74.75	2,475,156	17.67	2,103,430	122.49	945,387	188.83	327,318	100.00
56,047	16.62	48,060	7.37	44,762	71.69	26,071	21.38	21,478	50.09
110,582	36.93	80,756	272.82	21,661	(80.27)	109,799	1,407.61	7,283	100.00
253,291	6.43	237,980	34.90	176,414	48.01	119,188	152.91	47,126	30.35
15,737,414	**32.85**	**11,846,107**	**13.14**	**10,470,609**	**26.37**	**8,285,454**	**42.47**	**5,815,466**	**38.69**
8,197,710	6.07	7,728,863	3.96	7,434,445	18.13	6,293,518	18.23	5,322,986	28.97
6,721,178	81.88	3,695,484	29.06	2,863,481	54.17	1,857,327	303.80	459,957	100.00
545,080	109.65	260,000	100.00	-	-	-	-	-	(100.00)
273,446	69.04	161,760	(6.33)	172,683	28.28	134,609	313.89	32,523	(49.36)
15,737,414	**32.85**	**11,846,107**	**13.14**	**10,470,609**	**26.37**	**8,285,454**	**42.47**	**5,815,466**	**38.69**
1,487,341	12.42	1,323,067	28.43	1,030,191	27.21	809,863	53.66	527,054	123.84
678,102	68.38	402,712	108.13	193,494	55.11	124,744	291.07	31,898	100.00
809,239	(12.07)	920,355	10.00	836,697	22.12	685,119	38.36	495,156	110.29
702,286	17.79	596,219	(34.96)	916,652	113.49	429,374	(6.18)	457,656	100.00
23,359	82.54	12,797	78.11	7,185	(59.87)	17,906	394.50	3,621	100.00
18,093	(11.71)	20,492	(9.18)	22,564	25.89	17,924	(70.26)	60,266	100.00
745	2,158.15	33	100.00	-	-	-	-	-	-
128,809	309.33	31,468	(76.60)	134,480	6.15	126,684	310.31	30,875	6,626.58
608	(107.53)	(8,080)	(212.21)	7,201	(1,248.48)	(627)	(100.00)	-	-
477	(70.74)	1,630		(259)	-	1,812	-	-	-
172,091	194.98	58,340	(65.92)	171,171	4.56	163,699	72.75	94,762	20,545.32
238,798	42.35	167,757	(19.83)	209,239	90.07	110,083	33.41	82,513	111.15
635,579	30.56	486,802	(44.59)	878,584	81.91	482,990	2.78	469,905	138.72
195,417	(19.99)	244,253	(18.64)	300,227	169.09	111,573	(26.48)	151,759	120.79
440,162	**81.47**	**242,549**	**(58.06)**	**578,357**	**55.72**	**371,417**	**16.74**	**318,146**	**148.34**
0.73	**82.50**	**0.40**	**(59.08)**	**0.98**	**32.10**	**0.74**	**-**	**0.74**	**45.10**

CASH FLOW SUMMARY

For the Year Ended December 31

(Rupees in '000)

	2015	2014	2013	2012 (Restated)	2011	2010	2009	2008
Cash flows from operating activities	4,181,808	1,601,343	(3,888,232)	1,963,372	1,708,563	448,811	1,287,294	378,383
Cash flows from investing activities	(4,139,630)	(1,493,227)	3,973,893	(1,817,605)	(2,042,105)	(1,906,710)	(2,789,298)	(1,883,079)
Cash flows from financing activities	(75,000)	-	(50,000)	(25,000)	-	509,175	490,825	1,000,000
Cash and cash equivalents at beginning of the year	294,362	186,246	150,585	29,818	363,360	1,312,084	2,323,263	2,827,959
Cash and cash equivalents at end of the year	261,540	294,362	186,246	150,585	29,818	363,360	1,312,084	2,323,263

KEY FINANCIAL RATIOS

For the Year Ended December 31

	2015	2014	2013	2012 (Restated)	2011	2010	2009	2008	2007
Profitability Ratios (%)									
Gross Profit Margin	58.46	58.81	57.64	54.41	69.56	81.22	84.60	93.95	
Operating Margin	49.39	28.90	31.69	38.30	35.24	73.13	49.61	75.57	83.44
Net Profit Margin	31.96	21.91	23.55	26.52	17.56	48.14	38.15	51.16	54.30
Yield on Investment	9.05	8.55	8.26	12.15	12.87	13.60	15.04	13.91	0.10
Yield on Advances	10.28	12.13	10.96	12.26	13.44	11.20	17.62	22.04	-
Debt Equity Ratio	147.31	109.26	100.87	88.64	51.18	38.52	29.51	8.64	0.04
Non mark-up expenses to assets	1.30	1.51	1.28	1.52	1.42	2.00	1.33	1.42	0.93
Profit before tax	61.16	37.62	39.56	42.73	36.79	85.28	59.64	89.16	83.60
Non mark-up income to total income	19.24	23.19	19.88	10.37	4.22	14.25	16.81	15.24	0.19
Return to Shareholders (%)									
Return on Average Assets (ROA)	4.40	2.58	2.76	4.61	4.36	9.37	6.85	9.39	4.69
Return on Average Equity (ROE)	10.27	5.38	5.49	7.98	6.42	12.80	8.32	9.94	4.77
Return on Capital Employed (ROCE)	2.63	1.91	2.00	2.85	2.08	5.62	4.56	5.50	3.10
Earnings per share	1.00	0.59	0.57	0.73	0.40	0.98	0.74	0.74	0.51
Earning growth	1.16	1.11	0.87	1.20	1.15	1.23	1.57	2.64	1.00
Profit growth	1.99	1.02	0.72	1.31	0.55	1.82	1.03	2.39	1.00
Break-up value per share	15.32	14.65	14.07	13.66	12.88	12.57	12.59	12.37	16.59
Performance / Liquidity (%)									
Total Assets Turnover	8.91	8.91	8.72	12.03	12.38	12.81	13.81	12.43	5.63
Total Liabilities / Equity	152.58	113.18	104.74	91.97	53.27	40.84	31.65	9.25	1.59
Paid-up Capital / Total Assets	25.84	32.01	34.72	38.13	50.65	57.30	60.35	85.98	95.39
Equity / Total Assets	39.59	46.91	48.84	52.09	65.24	71.00	75.96	91.53	98.43

STATEMENT OF VALUE ADDED

For the Year Ended December 31

	2015		2014		2013		2012 (Restated)		2011	
WEALTH GENERATED										
Financial & other income	1,869,434		1,605,752		1,440,415		1,659,432		1,389,487	
Financial & other expenses	924,354		951,456		797,052		875,345		813,037	
	945,080		654,296		643,363		784,087		576,450	

WEALTH DISTRIBUTED	2015	%	2014	%	2013	%	2012	%	2011	%
To Employees										
Salaries, benefits and related costs	193,626	20.49%	168,485	25.75%	157,420	24.47%	124,931	15.93%	74,385	12.90%
To Government										
Income tax	325,917	34.49%	112,128	17.14%	117,251	18.22%	195,417	24.91%	244,253	42.37%
To Shareholders										
Cash dividend	300,000	31.74%	150,000	22.93%	100,000	15.54%	50,000	6.38%	-	-
Stock dividend		-	-	-	-	-	-	-	-	-
Retained for Reinvestment & Future Growth										
Depreciation, amortisation and retained profit	125,537	13.28%	223,683	34.19%	268,692	41.77%	413,739	52.78%	257,812	44.73%
	945,080		654,296		643,363		784,087		576,450	

...WITH INNOVATION & IDEAS

Strategy Overview

STRATEGY OVERVIEW

Long-term Financing

PAÏR Investment recognises the importance of long-term funding as a requirement for development in the region. This is achieved through funding projects in various economic sectors, especially the ones leading to import substitution, balancing, modernisation and replacement of industries, building of storage facilities and tapping into renewable energy.

BMR and Midsize Infrastructure Financing

By investing in mid to long-term projects, including BMR and building midsize infrastructure projects, PAÏR Investment's strategy is to focus on key economic sectors which are essential for sustainable growth of the country. Some of our focus sectors among others are:

- Power generation (including renewable & alternative power projects)
- Automobile parts and accessories
- Oil and gas marketing companies
- Agriculture Infrastructure & Processing (including storage facilities) Food and Personal Care Products
- Pharmaceuticals

PAÏR Investment believes in the potential of the SME sector as its growth directly results in economic activity, creating employment. Our strategy is to provide financing to businesses which have a promising business scope, potential to grow, sound operating model and are sponsored by individuals having an entrepreneurial DNA.

Project Financing

In addition to meeting financing requirement of existing running businesses, PAÏR Investment has over the years financed / ventured into many green field projects, helping in setting up new industries in the country. Keeping in view our focus sectors, we have significantly contributed to the Power sector (undertaken both conventional and renewable independent power projects (IPPs), participated in the expansion of a completely integrated (vertically and horizontally) steel manufacturing facility, rejuvenation of sick industrial units in the agricultural sector, etc. Our strategy is to support green field projects in line with our mandate for development in the region.

Agro Based Financing

PAÏR Investment realizes that Pakistan is an agro-based economy where agriculture provides employment to a large segment of the population. Our strategy is to support businesses which are to this sector, enhancing their capabilities and integration thus diversifying the opportunities available to them.

SBP Refinance

To further support its clients in expanding their businesses, PAÏR Investment started offering SBP refinance facility for its customers during the year. Our strategy is to identify possible avenues and advise our clients to utilise SBP refinance lines thus enabling them to set up new projects, execute BMRs or expansion of existing facilities at subsidised rates.

STRATEGY IN PLAY

Leasing Financing

In addition to the Term Finance and Project Finance facilities sanctioned during the year 2015, the Corporate & Investment Banking Group initiated the lease finance product under which plant, machinery and other fixed assets are being leased to clients. As a number of infrastructural projects are coming up in the country, PAÏR investment has introduced this product to better facilitate clients and help meet the extensive requirement of lease financing in the region. Furthermore, the leasing portfolios expected to help increase our overall funded advances portfolio.

Bill Discounting

With a goal to enhance the lending products of PAIR investment, this is envisaged as a short-term structured finance facility which will help clients meet working capital requirements to help support business operations. This is expected to strengthen the quality of assets being booked under structured finance propositions.

Venture Portfolio

In line with our mandate to promote economic activities, PAÏR Investment under this portfolio focuses on clients who have a good business model but are looking for bail out or restructuring due to liquidity and financial constraints. The target clientele includes small to medium-sized companies with capital base of Rs. 50 million to Rs. 300 million and staff strength of 50 to 100 people. The average amount given for a deal ranges from Rs. 40 million to Rs. 60 million, with a maximum cap of Rs. 100 million.

Financial Advisory Services

True potential of a business can only be tapped into when it is properly advised / guided by an array of professionals in the field. PAÏR Investment completely understands this and not only provides financing but also provides financial advisory services to its clients. These services include financial guidance regarding how to structure their resources to the optimal level in a way that serves their interest in the best possible manner.

Underwriting Service

Augmenting the Investment banking product line, PAÏR Investment entered into the primary equity market arena and successfully completed its first underwriting transaction. With more transactions in pipeline, PAÏR investment intends to introduce itself as a major player in the industry, initially undertaking transactions with partner financial institutions and brokerage houses and later on taking full underwriting mandates.

Trustee Services

Taking into account the assets under management of mutual funds, Term Finance Certificate, Sukuk and bonds being managed through trusteeship service providers, PAÏR obtained license for Trustee Services during 2015. Besides being an addition to the client services being offered, trustee services will be a good source of generating other income in the form of recurring fee income.

…WITH KNOWLEDGE & WISDOM

Directors' Report 2015

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2015

On behalf of the Board of Directors, I am pleased to present the Financial Statements of PAÏR Investment Company Limited (PAÏR) for the year ended December 31, 2015. These Financial Statements have been prepared in compliance with the requirements of BSD Circular No. 11, dated August 04, 2004 and BSD Circular No. 14, dated September 24, 2004.

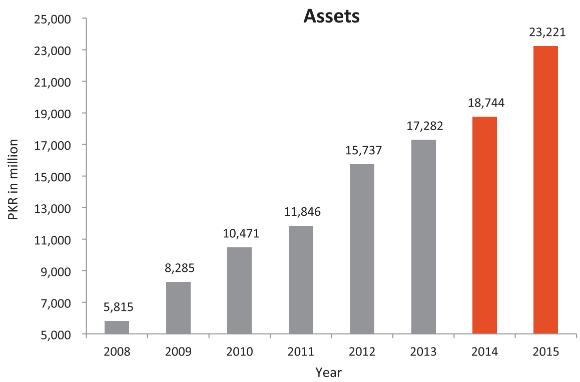
Financial Highlights

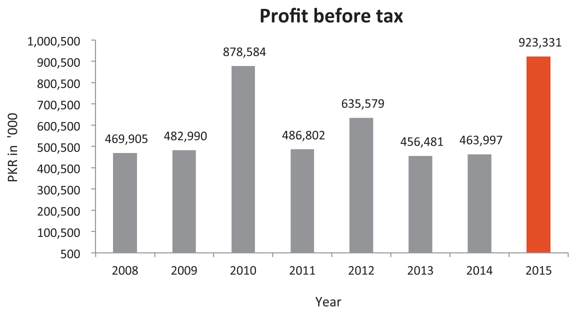
PAÏR continued to grow both in terms of balance sheet footing and revenue earning. Utilizing the advantage of the rate cuts, with improved profitability compared to the same period last year, PAÏR continued to augment the balance sheet footing, closing the total assets at PKR 23.221 billion (December 2014: PKR 18.744 billion) which was an increase of 24%. This is the highest growth rate so far in the assets of the Company.

The funding resources were diversified and efforts were materialized for raising deposits. With an increment of PKR 1.504 billion, the deposits stood at PKR 1.890 billion (December 2014: 0.386 billion). A cautious approach was taken with respect to the advances portfolio, and despite the repayments, additions were made to the private sector development projects, the energy sector and the agricultural business to maintain the overall portfolio on a healthy footing. P&L charge with respect to the non-performing loans was also kept in control. An expense charge of PKR 36.247 million pertaining to the non-performing loans was lesser as compared to PKR 325.224 million during last year.

Higher operating revenue with controlled expenses augmented by prudent investments gave a boost to the profit earned before tax. The profit before tax stood at PKR 923.331 million. The EPS for the year stood at PKR 1.00 per share – yet another record-setting achievement for the company.

	2015	2014	
	--------PKR '000 ------		
Net Revenue from Fund	882,549	725,361	22%
Other Income	359,760	372,345	-3%
Total Income	1,242,309	1,097,706	13%
Admin Expenses	302,029	283,150	7%
Profit Before Provision and Tax	940,126	814,556	15%
Provisions	16,949	350,559	-95%
Profit before Tax	923,331	463,997	99%
Tax	325,917	112,128	
Profit after Tax	597,414	351,869	
EPS	1.00	0.59	70%





Credit Rating

Pakistan Credit Rating Agency Limited (PACRA) has reaffirmed the entity ratings: a Long-Term Entity Rating – 'AA'(Double A), and a Short-Term Entity Rating – 'A1+' (A One Plus).

Statement of Internal Controls

The Board is pleased to endorse the statement made by the management related to the Internal Controls, including the Management's evaluation of ICFR. The Management's Statement on Internal Controls is also included in the Annual Report.

Key Developments during 2015

Underwriting Services

Augmenting the Investment banking services, PAÏR Investment successfully launched its underwriting services in 2015. Starting with modest shares in the transactions arranged by other financial partners and brokerage houses, we aim to gradually create our share in the underwriting services' business.

Trustee Services

Taking into account the assets under management of the mutual funds, the Term Finance Certificate, Sukuk and the bonds being managed through trusteeship, PAÏR obtained the license of trustee services during 2015. Besides being an addition to the client services, this will be a good source of generating other income in the form of recurring fee income.

Bill Discounting

With a vision to enhance the lending products of PAÏR Investment, this is envisaged as a short-term facility and is expected to strengthen the quality of assets being booked under structured finance propositions.

SBP Refinance

Recognizing the importance of long-term funding requirements for import substitution, modernization, storage facilities and renewable energy, PAÏR Investment started the SBP refinancing facility for its customers during the year. Our strategy is to identify the possible avenues and advise our clients to utilize SBP refinance lines thus enable them to set up new projects or execute BMR at mark-up rates much lower than the standard.

Leasing Portfolio

In addition to the Term Finance and Project Finance during 2015, the Corporate Banking Unit started financing plant, machinery and other fixed assets in the form of leasing. PAÏR Investment believes that since a number of infrastructural projects are coming up, there will be ample requirement of such financing solutions. With a specific focus on building the leasing portfolio, we expect to increase our overall funded advances portfolio.

IT Infrastructure

Technology plays a crucial role in our response to regulatory change as well as in optimizing operational efficiency, managing risks and servicing our clients. During 2015, PAÏR Investment's IT department has completed several projects including the Company's website revamping and data storage solution and its implementation. Software applications have been upgraded with new features that enable the users to perform their routine task more efficiently. Furthermore, the IT department installed the software called Meta Stock for treasury which helps the traders to analyze the markets in a sector, industry group and on security levels. In addition to fulfilling the business requirement, the IT department has also worked on other projects to comply with the regulatory requirement.

Two BCP drills were conducted during the year. A review of the Data Center was conducted through external auditors to ensure the Data Center's security and performance. IT-related support contracts were renewed to provide uninterrupted IT services to the clients and users. Many improvements were made in the IT infrastructure through effective documentation and implementing network security & controls. Training sessions for the IT staff and users were also conducted which enabled them to understand the application systems and environment.

Corporate and Financial Reporting Framework

PAÏR's Board of Directors, for the purpose of establishing a framework of good corporate governance, has implemented relevant provisions of the Code of Corporate Governance for the year ended December 31, 2015. A Review Report on the Statement of Compliance with the Code of Corporate Governance from external auditors is annexed with this Annual Report. As required by the Code of Corporate Governance, the Board of Directors states that:

- The financial statements prepared by the Management of PAÏR present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed.
- As a continuous process, efforts have been made to effectively implement the internal control system. An effective and sound system of internal control is in the process of being designed in accordance with the requirements of the regulatory authorities.
- There is no doubt regarding PAÏR's ability to continue as a going concern.
- There has been no material departure from the best practices of the Code of Corporate Governance.
- The key operating and financial data for the years since the incorporation of PAÏR in a summarized form is included in the Annual Report.
- Tax outstanding amount and reason thereon are properly disclosed in the attached financial statements.

Risk Management Framework

An independent Credit and Risk Management Department is working as a core function to strengthen Company-wide Risk Management activities by adopting Basel II / III Framework. PAÏR is fully compliant with the Capital Adequacy Requirements of the State Bank of Pakistan under the Standardized Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk.

The prevailing economic situation has led the company to set its focus on the deployment of stringent risk management polices to assess, mitigate and monitor major risks associated with the business operations of the Company. Accordingly, your Company has established a set of activities and creates effective functions in order to administer, manage and report its business objectives, and to remain abreast with the latest developments and challenges to safeguard our shareholders' interests / enhance our shareholder's wealth.

Your Company has implemented a robust Internal Capital Adequacy Assessment Process (ICAAP) to establish a more Risk Sensitive Assessment, Capital Planning, formalization of Company-wide Risk Appetite, and to remain abreast with the internal and external risks that may impact the future operations of the Company. The deployment of this process allowed adequate management of the capital; the Capital Adequacy Ratio stood at 84.31% against the regulatory requirement of 10%. This contributed to the development of risk appetite and concentration levels with respect to the transaction level risk profiling as well as integrated portfolio management.

Your Company also periodically evaluates the organic strength of business by conducting a stress testing of the overall risk exposure. It helps ensure smooth operations of the business under hypothetically stressful circumstances. To ensure this, CRMD applies shocks on different risk factors including interest rate, credit, equity price and liquidity. The results of the latest stress testing exercise depict a solid and resilient financial position of your organization. The stress testing methodology implemented by PAÏR is in adherence with SBP guidelines.

The CRMD has been involved in the development of entity-wide policies, procedures, systems and reporting mechanism to achieve and maintain the entity-wide best rating status, and the adaption of risk management principles. Furthermore, the Board Risk Management Committee and the Board of Directors of your organization oversee the strategy related to risk management. In addition, the Internal Audit Department conducts independent, risk-based review and verification of the major functions throughout the year for an evaluation of the control systems that are supplemented by Internal Control and Compliance Divisions.

The Events after the Date of Statement of Financial Position

There have not been any significant events that occurred subsequent to the date of the statement of the financial position that require adjustments to the enclosed financial statements, except those which have already been made or disclosed.

Human Resource

Our employees are our strength. Our success depends upon full and effective optimization of our employees' abilities. We are committed to provide equal employment and advancement opportunities to all individuals. Our employment decisions are strictly based on merit. We seek to attract talented people who have the potential to grow. We expect our people to maintain high ethical standards in everything that they do, both at their work and in their personal lives.

At PAÏR Investment, we strive to provide our employees with benefits and facilities that enable them to improve their standard of living. We believe that the working conditions, compensation and benefits for our employees should be competitive with those offered by other employers in the industry.

We are committed to the continuous development of our employees. We ensure that our employees have a level of knowledge and skill to fully perform their roles. We encourage them to develop and excel within their current roles, and we provide them with the opportunities for learning and to demonstrate their potential.

The continued success of PAÏR Investment is dependent upon the trust of our business partners, and we are dedicated to preserving that trust. The employees have a duty towards PAÏR, its customers, and the shareholders to act in a way that will complement the continued trust and confidence of the public.

Compliance

It is of critical importance that we achieve this goal in a manner that is compliant with all the applicable laws, regulations and internal policies. We are committed to observing the highest standards of integrity and regulatory compliance in all aspects of our services. The Compliance Department has prepared a comprehensive plan to meet all such regulatory requirements.

Corporate Social Responsibility

We, at PAÏR Investment firmly believe that being a responsible corporate citizen plays an integral role in our long-term success, and we strive to incorporate our approach to Corporate Social Responsibility into every aspect of our work. In addition to our priority of operating profitably and successfully, we are aware of the responsibilities that go beyond our business, particularly our commitment towards our employees, society and the environment. In FY 2015, we have extended our support to:

- Sharmeen Khan Memorial Foundation for sponsoring teachers for 1 year to support education in Pakistan at primary and secondary school levels
- Institute of Business Administration for sponsoring their 60-year celebrations and a 4-day on-campus Olympiad at IBA

We shall continue to encourage community growth and development, thereby contributing towards building a sustainable future in FY 2016 and beyond. Being a joint venture between two brotherly countries, inclusion of the charitable organizations from Iran will also be ensured (subject to the regulatory approvals of the latter).

PAÏR Investment also on annual basis sponsors one of its staff members to perform Hajj through a transparent balloting mechanism.

Board of Directors and Their Meetings

Four Board meetings were held during 2015. The Director(s) who were not able to attend any of the meeting(s) were duly granted the leave of absence by the Board. The Directors attended the meetings as under:

Name of Director	Representing	No. of Meetings Attended
Bijan Rahimi – Chairman*	IFIC – Iran	Leave of absence**
Seyed Ahmad Araghchi – Chairman***	IFIC – Iran	1
Nadeem Karamat – MD/CEO	MOF – Pakistan	4
Hamid Eftekhari Kondelaji – Director	IFIC – Iran	4
Alireza Pourbagherian – Director	IFIC – Iran	4
Zarar Ali Khan – Director	MOF – Pakistan	4
Aamer Mahmood Hussain – Director	MOF – Pakistan	4

*IFIC nominated Seyed Ahmad Araghchi in place of Bijan Rahimi in June 2015
** In absence of Bijan Rahimi, Hamid Eftekhari Kondelaji chaired 3 meetings
*** Araghchi attended his first Board Meeting in October 2015

Board of Committees and Their Meetings

Four meetings of the Board Audit Committee (BAC), Board Risk Management Committee (BRMC) and Board Human Resource Compensation Committee (BHRCC) were respectively held, whereas one meeting of the Board Strategic Investment Committee (BSIC) was held during 2015.

The member(s) who were not able to attend any of the meeting(s) were duly granted the leave of absence by the Committee. The details of the meetings attended by each Committee Member are as under:

Name of Director	Representing	Designation and Name of the Committee	BAC	BRMC	BHRCC	BSIC
Bijan Rahimi	IFIC – Iran	Member BAC Member BRMC Member BHRCC	Leave of absence	Leave of absence	Leave of absence	-
Seyed Ahmad Araghchi*	IFIC – Iran					
Nadeem Karamat	MOF – Pakistan	Member BRMC Member BHRCC Member BSIC	-	4	4	1
Hamid Eftekhari Kondelaji	IFIC – Iran	Member BRMC Member BHRCC Member BSIC	-	1	4	1
Alireza Pourbagherian	IFIC – Iran	Member BAC Chairman BRMC Member BSIC	4	4	-	1
Aamer Mahmood Hussain	MOF – Pakistan	Chairman BAC Member BRMC	4	4	-	-
Zarar Ali Khan	MOF – Pakistan	Member BAC Chairman BHRCC Chairman BSIC	4	-	4	1

*Seyed Ahmad Araghchi attended only one Board Meeting

Staff End-of-Service Benefits

The Company operates two post-retirement funds - Provident Fund & Gratuity Fund. The carrying value of investments and bank balance, based on the last un-audited financial statements of the respective funds, were:

Value of Investments and Bank Balances	Provident Fund	Gratuity
2015	43,417,364	24,656,268
2014	41,649,134	19,367,670

Future Outlook

PAÏR Investment sees opportunities on both sides of the border. Within Pakistan, economic activity seems to be gearing up, as large scale manufacturing recorded a noticeable increase over the last year. Further, the current account deficit narrowed, which was comfortably financed by higher financial inflows; the country's FX reserves are recorded at all-time high levels, and are sufficient to finance the import bill of seven months; fiscal deficit is reduced, and inflation is on a low trajectory. Low oil prices on the international front are expected to persist, in turn keeping the positives for oil importing economies intact. The government is also expected to stay firm on its privatization initiatives, which are also a requirement under the IMF program; the privatizations are also expected to bring in fresh investment in the stock market. Development under the China Pakistan Economic Corridor (CPEC) is expected to be a game changer for Pakistan's economy and hence, it will also be a major trigger going forward in improving investors' sentiments and driving economic activity to new peaks. PAÏR Investment sees a wide scope of business for itself in Year 2016.

The recent landmark agreement reached between Iran and P 5+1 is a diplomatic achievement which not only promotes peace and security in the region, but more importantly removes major obstacles in the way of mutual economic cooperation between Iran and other countries, especially Pakistan. In line with these developments, PAÏR will open its representative office in Tehran shortly, subject to the regulatory approvals from the respective authorities.

Appointment of Auditors

The present auditors M/s. Grant Thornton Anjum Rahman, Chartered Accountants, retired and being eligible, offer themselves for re-appointment in the forthcoming Annual General Meeting. On the suggestion of the Audit Committee, the Board of Directors recommends to reappoint the same as Statutory Auditors of the Company for the financial year ending December 31, 2016.

Earnings per Share

Basic and diluted earnings per share have been disclosed in note 28 of the financial statements.

Pattern of Shareholding

Shareholders	Shareholding
Government of Pakistan through Ministry of Finance	50%
Government of Iran through Iran Foreign Investment Company	50%
Total	100%

Appreciation and Acknowledgement

We would like to thank our customers and business partners for the trust they have placed in us. We offer sincere appreciation to the Iran Foreign Investment Company, Ministry of Finance - Government of Pakistan, State Bank of Pakistan and Securities & Exchange Commission of Pakistan, for their guidance and cooperation extended to our Company. Finally, we are also thankful to our associates, staff and colleagues for their commitment and their contribution to the progress of our business.

For and on behalf of the Board of Directors,

S. A. Araghchi

Karachi,
Date: February 12, 2016

Seyed Ahmad Araghchi
Chairman of the Board of Directors

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. Paragraph 7a of the SBP guidelines on Internal Controls requires all Banks and DFIs to assess their internal controls and their effectiveness.

Evaluation of Internal Control System by the Management

The management of PAÏR Investment is responsible for (i) preparing the DFI's annual financial statements in accordance with the approved accounting standards as applicable in Pakistan, and (ii) establishing and maintaining an adequate internal control structure and procedures for financial reporting.

The management of PAÏR Investment maintains an effective organisation structure and instituting appropriate control procedures and monitors the adequacy / effectiveness of internal control systems. The Board of Directors is ultimately responsible for ensuring that an adequate and effective System of Internal Control is established and efforts are made to implement sound control procedures to maintain a suitable control environment.

The management of PAÏR Investment 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). In addition, DFI has formulated comprehensive guidelines for adherence to COSO Framework on a continuing basis.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any evaluation of effectiveness of future periods are subject to the risk that controls may become inadequate because of changes, or that the degree of compliance with the policies and procedures may deteriorate.

At the management level, the Internal Control Monitoring Committee (ICMC) is responsible for monitoring the adequacy and effectiveness of the Internal Control System including ICFR, by periodically reviewing the internal control systems and implementation of the internal control gaps / deficiencies identified by the respective departments, as a result of self-assessment, internal auditors, external auditors and regulators reviews. The gap / recommendation report is then submitted to ICMC which decides on priority and implementation initiatives required, taking into account the nature and size of the business and cost benefit analysis of the proposed controls.

Furthermore, it also oversees the implementation of the Internal Controls Framework and monitors the progress. Significant findings of testing are presented to the Audit Committee of the Board.

As required by the SBP, the External Auditors were engaged to prepare a Long Form Report on Internal Controls over Financial Reporting (ICFR) as of December 31, 2015. No material deficiency was observed in the report submitted to the SBP. Respective departmental / unit heads have carried out testing of the effectiveness of ICFR prevalent throughout the DFI for the year 2015. None of the deficiencies identified are expected to have a material impact on the Financial Reporting.

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

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

Managing Director/ Chief Executive Officer	Chief Financial Officer	Head of Internal Audit

Date: February 12, 2016

REVIEW REPORT TO THE MEMBERS
ON STATEMENT OF COMPLIANCE OF THE CODE OF CORPORATE GOVERNANCE

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

The responsibility of compliance with the Code is that of the Board of the Company. Our responsibility is to review it to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to the inquiries of the Company's personnel and a review of the various documents prepared by the Company to comply with the Code.

As a part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal controls covers all the risks and controls, or to form an opinion about the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Board for their consideration and approval: related-party transactions distinguishing between the transactions carried out on terms equivalent to those that prevail in an arm's length transaction and transactions which are not executed at an arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured the compliance of requirement to the extent of approval of related-party transactions by the Board and the placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related-party transactions were undertaken at an arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended December 31, 2015.

Grant Thornton Anjum Rahman
Chartered Accountants
Khaliq-ur-Rahman

Karachi,
Date: February 19, 2016

THE STATEMENT OF COMPLIANCE
WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED DECEMBER 31, 2015

This statement is being presented to comply with the Code of Corporate Governance (the Code) as framed by the SECP, which is applicable to the PAÏR Investment Company Limited through the regulation G-1 of the prudential regulation for corporate / commercial banking issued by the State Bank of Pakistan.

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

1. As per the joint venture arrangement between the Government of Pakistan and the Government of Iran, the Company's Board of Directors comprises of six Directors, and all the Directors are nominated by both the shareholders. The Company encourages the representation of Non-Executive Directors on its Board of Directors (the Board). At present, the Board includes:

Category	Names
Executive Directors	Nadeem Karamat
Non-Executive Directors	Aamer Mahmood Hussain Sohail Zarar Ali Khan Seyed Ahmad Araghchi Hamid Eftekhari Kondelaji Alireza Pourbagherian

2. The Directors have confirmed that none of them is serving as a director on more than the seven listed companies, including this Company.

3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted on the 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. Two casual vacancies occurred on the Board during the year, and were duly filled within the prescribed time.

Name of Director	Date of the Appointment	SBP's FPT Clearance	Date of Submission of Form 28
Syed Ahmad Araghchi	June 24, 2015	August 27, 2015	August 31, 2015

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

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

7. All the powers of the Board have been duly exercised and the decisions on material transactions including the appointment, the determination of remuneration and the terms and conditions of employment of the Chief Executive Officer and the Non-Executive Directors have been taken by the Board.

8. The meetings of the Board were presided by the Chairman, and the Board met at least once every quarter. Written notices of the Board meetings, along with the 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 Directors' training has already been performed by all the Directors of the Company.

10. The Board has approved the appointment of the CFO, Company Secretary and Head of Internal Audit including their remuneration and the 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 the CEO and CFO before the approval of the Board.

13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than those 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 of 3 members – all Non-Executive Directors – and the Chairman of the Committee is a Director representing the Ministry of Finance, Government of Pakistan.

16. The meetings of the Audit Committee were held at least once every quarter prior to the approval of the interim and final results of the Company and as required by the CCG. The terms of reference for the Committee have been formed and advised to the Committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises of 3 members – 2 Non-Executive Directors, and the Chairman of the Committee is a non-executive director representing Iran Foreign Investment Company.

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

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, confirming that they or any other 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 the Code Of Ethics as adopted by 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 the other material principles enshrined in the CCG have been complied with.

S. A. Araghchi

Mr. Seyed Ahmad Araghchi
Chairman

Date: February 12, 2016

INDEPENDENT
AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of PAÏR Investment Company Limited (the Company) as at December 31, 2015 and the related profit and loss account, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements'), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2015 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

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

Grant Thornton Anjum Rahman

Grant Thornton Anjum Rahman
Chartered Accountants
Khaliq-ur-Rahman

Karachi
Date: February 19, 2016

...WITH PROGRESS & PROSPERITY

Financial Statements

PAÏR INVESTMENT COMPANY LIMITED

STATEMENT OF **FINANCIAL POSITION**

As at 31 December 2015

	Note	2015	2014
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	5	**46,114**	33,303
Balances with other banks	6	**215,426**	261,059
Lendings to financial institutions		**-**	-
Investments	7	**18,807,372**	14,114,870
Advances	8	**3,502,948**	3,592,178
Operating fixed assets	9	**191,311**	210,352
Deferred tax asset - net	10	**259,691**	272,920
Other assets	11	**198,415**	259,534
		23,221,277	18,744,216
LIABILITIES			
Bills payable		**-**	-
Borrowings	12	**11,652,435**	9,221,225
Deposits and other accounts	13	**1,890,502**	386,060
Sub-ordinated loans		**-**	-
Liabilities against assets subject to finance lease		**-**	-
Deferred tax liabilities		**-**	-
Other liabilities	14	**484,862**	343,353
		14,027,799	9,950,638
NET ASSETS		**9,193,478**	8,793,578
REPRESENTED BY:			
Share capital	15	**6,000,000**	6,000,000
Reserves	16	**673,449**	553,966
Unappropriated profit		**2,390,166**	2,063,575
		9,063,615	8,617,541
Surplus on revaluation of assets - net of deferred tax	17	**129,863**	176,037
		9,193,478	8,793,578
CONTINGENCIES AND COMMITMENTS	18		

The annexed notes 1 to 39 form an integral part of these financial statements.

Chairman	**Chief Executive & Managing Director**	**Director**	**Director**

PAÏR INVESTMENT COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

For the Year Ended December 31, 2015

	Note	2015	2014
		(Rupees in '000)	
Mark-up / return / interest earned	21	**1,509,674**	1,233,407
Mark-up / return / interest expensed	22	**627,125**	508,046
Net mark-up / interest income		**882,549**	725,361
Provision against non-performing loans and advances	8.5	**36,247**	325,224
(Reversal)/Provision for diminution in the value of investments	7.3	**(19,298)**	25,335
		16,949	350,559
Net mark-up / interest income after provisions		**865,600**	**374,802**
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		**13,825**	14,985
Dividend income		**30,260**	27,125
Gain /(loss) in from dealing in foreign currencies		**542**	(669)
Gain on sale of securities - net	23	**313,567**	327,977
Unrealised gain/(loss) on revaluation of investments classified as held for trading - net	7.9	**738**	958
Other income	24	**828**	1,969
Total non mark-up / interest income		**359,760**	372,345
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	25	**302,183**	285,046
Other provisions / write-offs		**-**	-
Other charges / (reversal) - net	26	**(154)**	(1,896)
Total non mark-up / interest expenses		**302,029**	283,150
		923,331	463,997
Extraordinary / unusual items		-	-
PROFIT BEFORE TAXATION		**923,331**	463,997
Taxation			
- Current		**267,480**	213,635
- Prior years		**42,925**	-
- Deferred		**15,512**	(101,507)
	27	**325,917**	112,128
PROFIT AFTER TAXATION		**597,414**	351,869
Unappropriated brought forward		**2,063,575**	1,781,247
Profit available for appropriation		**2,660,989**	2,133,116
Basic and diluted earnings per share - (Rupees)	28	**1.00**	0.59

The annexed notes 1 to 39 form an integral part of these financial statements.

Chairman	Chief Executive & Managing Director	Director	Director

PAÏR INVESTMENT COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended December 31, 2015

	Note	2015	2014
		(Rupees in '000)	
Profit after taxation		**597,414**	351,869
Other comprehensive income			
Items that will not be reclassified to profit and loss account in subsequent periods:			
Actuarial (loss) / gain on re-measurement of defined benefit obligation	31.6	**(1,970)**	1,262
Related deferred tax		**630**	(429)
		(1,340)	833
Comprehensive income transferred to equity		**596,074**	**352,702**
Components of comprehensive income not reflected in equity			
Surplus on revaluation of available for sale securities - net	17	**172,166**	220,623
Deferred tax on revaluation		**(42,303)**	(44,586)
		129,863	176,037
Total comprehensive income		**725,937**	528,739

The surplus / (deficit) on revaluation of "Available for Sale" securities is presented under a separate head below equity as "surplus / (deficit) on revaluation of assets" in accordance with the requirements specified by the Companies Ordinance, 1984 and the State Bank of Pakistan vide its BSD Circular No. 20 dated August 4, 2000 and BSD Circular No. 10 dated July 13, 2004.

The annexed notes 1 to 39 form an integral part of these financial statements.

Chairman	Chief Executive & Managing Director	Director	Director

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2015

	Note	2015	2014
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		923,331	463,997
Less: Dividend income		(30,260)	(27,125)
		893,071	436,872
Adjustments for:			
Depreciation	9.2	20,655	18,143
Amortisation	9.3	1,094	3,671
Provision against non-performing loans and advances	8.5	36,247	325,224
Provision/(reversal) for diminution in the value of investments	7.3	(19,298)	25,335
Gain on sale of operating fixed assets	24	(828)	(1,969)
Charge for defined benefit plan	25	9,600	9,585
Unrealised (gain) / loss on revaluation of held for trading investments	7.9	738	(958)
		48,208	379,031
		941,279	815,903
(Increase) in operating assets			
Held-for-trading securities		(552,161)	126,411
Advances		52,983	(239,196)
Others assets (excluding advance taxation) - net		74,348	10,930
		(424,830)	(101,855)
Increase / (decrease) in operating liabilities			
Borrowings from financial institutions		2,431,210	732,054
Deposits and other accounts		1,504,442	360,980
Other liabilities (excluding current taxation) - net		74,599	(1,203)
		4,010,251	1,091,831
		4,526,700	1,805,879
Income tax paid		(316,724)	(192,898)
Defined benefits paid		(28,168)	(11,638)
Net cash flows from operating activities		4,181,808	1,601,343
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(4,150,551)	(1,508,019)
Net investments in held to maturity securities		(17,403)	21,345
Dividend income received		30,202	27,443
Investment in operating fixed assets		(2,865)	(38,518)
Sale proceeds of operating fixed assets disposed off		987	4,522
Net cash flows from investing activities		(4,139,630)	(1,493,227)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(75,000)	-
Net cash flows from financing activities		(75,000)	-
Increase in cash and cash equivalents		(32,822)	108,116
Cash and cash equivalents at the beginning of the year	29	294,362	186,246
Cash and cash equivalents at the end of the year	29	261,540	294,362

The annexed notes 1 to 39 form an integral part of these financial statements.

Chairman	Chief Executive & Managing Director	Director	Director

PAÏR INVESTMENT COMPANY LIMITED

STATEMENT OF **CHANGES IN EQUITY**

For the Year Ended December 31, 2015

	Note	Issued, subscribed and paid-up capital	Reserve: Statutory reserves	Reserve: Unappropriated profit	Total
		(Rupees in '000)			
Balance as at December 31, 2013		**6,000,000**	**483,592**	**1,781,247**	**8,264,839**
Total comprehensive income for the year					
Profit for the year ended December 31, 2014		-	-	351,869	351,871
Other comprehensive income		-	-	833	833
Total comprehensive income for the year ended December 31, 2014		-	-	352,702	352,704
Transfer to statutory reserve - restated	16	-	70,374	(70,374)	-
Transactions with owners recognised directly in equity					
Cash dividend		-	-	-	-
Balance as at December 31, 2014		**6,000,000**	**553,966**	**2,063,575**	**8,617,541**
Total comprehensive income for the year					
Profit for the year ended December 31, 2015		-	-	597,414	597,414
Other comprehensive income		-	-	(1,340)	(1,340)
Total comprehensive income for the year ended December 31, 2015		-	-	596,074	596,074
Transfer to statutory reserve	16	-	119,483	(119,483)	-
Transactions with owners recognised directly in equity					
Final cash dividend - December 31, 2014 declared subsequent to the year end		-	-	(150,000)	(150,000)
Balance as at December 31, 2015		**6,000,000**	**673,449**	**2,390,166**	**9,063,615**

The annexed notes 1 to 39 form an integral part of these financial statements.

Chairman	**Chief Executive & Managing Director**	**Director**	**Director**

1. STATUS AND NATURE OF BUSINESS

PAÏR Investment Company Limited, 'the Company' is an unlisted Public Limited Company incorporated in Pakistan on January 15, 2007 under the Companies Ordinance, 1984. The Company has been notified as a Development Financial Institution by the Ministry of Finance, Government of Pakistan.

The Company is a Joint Venture (50:50) between Government of Pakistan and Iran Foreign Investment Company which is owned by the Government of Iran. The Company's objectives interalia includes financing for industrial and commercial projects, capital and money market operations and other investment banking activities. Its registered and principal office is situated at ICCI Building, Clifton, Karachi.

2. BASIS OF PREPARATION

2.1 Basis of measurement

These financial statements have been prepared in accordance with the requirements of the format prescribed by the State Bank of Pakistan's (SBP) BSD Circular No. 4 dated February 17, 2006 and BSD Circular letter No. 07 dated April 20, 2010.

These financial statements have been presented in Pakistani Rupees, which is the Company's functional and presentation currency. The amounts are rounded to nearest thousand rupees.

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 (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the provisions of and directives issued under the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962 and the directives issued by State Bank of Pakistan (SBP) and Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives of SBP or SECP differ with the requirements of IFRSs, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives shall prevail.

The SBP through its BSD Circular letter No. 11 dated September 11, 2002 has deferred the implementation of IAS 39 'Financial Instruments: Recognition and Measurement' and IAS 40 'Investment Property' for Non-Banking Financial Institutions (NBFIs) in Pakistan. Further, SECP has deferred the implementation of IFRS 7 'Financial Instruments: Disclosures' through SRO 411(1) / 2008. Accordingly, the requirements of these IFRS and their respective interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC), have not been considered in preparation of these financial statements.

IFRS 8, 'Operating Segments' is effective for the Company's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial statements', effective from the accounting year ended December 31, 2006.

The management of the Company believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.

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

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after January 1, 2015:

- IAS 19 - Employee Contributions (Amendments to IAS 19)

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2015 but are considered not relevant or do not have a significant effect on the Company's operations and therefore are not detailed in the financial statements.

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

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

	Title of Standard	Effective for accounting periods beginning on or after
-	IAS 1 - Disclosure Initiative (Amendments to IAS 1 Presentation of Financial Statements)	January 01, 2016
-	IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation	January 01, 2016

(Amendments to IAS 16 and IAS 38) There are other new and amended standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2015 but are considered not to be relevant or do not have any significant effect on the Company's operations and are therefore not detailed in these financial statements.

There are other new standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2015 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these financial statements.

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods will have no material impact on the financial statements other than in presentation / disclosure.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Cash and cash equivalents

For the preperation of cash flow statement, cash and cash equivalents include cash and balances with treasury banks and balances with other banks excluding any term deposit with original terms of greater than three months.

4.2 Sale and re-purchase agreements

The Company enters into transactions of repos and reverse repos at contracted rates for a specified period of time. These are recorded as under:

Sale under re-purchase obligations

Securities sold subject to a re-purchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings. The differential in sale and re-purchase value is accrued over the period of the agreement and recorded as an expense.

Securities purchased under agreement to re-sale (reverse repo) are included in lendings to financial institutions. The differential between the contracted price and re-sale price is amortised over the period of the agreement and recorded as income.

4.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and associated assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The judgments, estimates and associated assumptions are based on historical experiences, current trends and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the estimates.

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 the revision and future period if the revision affects both current and future periods.

The significant judgments made by the management in applying the accounting policies and the key sources of estimating uncertainty were the same as those applied to financial statements for the year ended December 31, 2014.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following:

- Classification and valuation of financial instruments and impairment (Note 4.4)
- Provision against non-performing advances (Note 4.5)
- Valuation and depreciation rates for fixed assets (Note 4.6)
- Taxation - Current (Note 4.7)
- Taxation - Deferred (Note 4.7)
- Staff retirement benefit (Note 4.19)

4.4 Investments

The Company classifies its investments as follows:

Held for trading

These are securities, which are either acquired for generating a profit from short-term fluctuation in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term profit making exists.

Surplus / (Deficit) arising on revaluation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account. Cost of investment is determined on weighted average basis.

Held to maturity

These are securities with fixed or determinable payments and fixed maturity in respect of which the Company has the positive intent and ability to hold to maturity.

These investments classified as 'held to maturity' are carried at amortised cost less impairment, if any.

Available for sale

Investments that do not fall under the held for trading or held to maturity categories.

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

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

Premium or discount on acquisition of investments is amortised through the profit and loss account over the remaining period till maturity using effective interest method.

In accordance with the requirements of the SBP, quoted securities other than those classified as 'held to maturity' are subsequently re-measured to market value. Surplus / (Deficit) arising on revaluation of quoted securities classified as 'available for sale', is taken to a separate account shown in the balance sheet below equity. Cost of investment is determined on weighted average basis.

Management has determined fair value of certain investments by using quotations from active market, and review of conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matter of judgement (e.g. evaluation, interest rates, etc.) and therefore, cannot be determined with precision.

Unquoted equity securities are valued at the lower of cost and break-up value less impairment losses, if any. Break-up value of unquoted equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in subsidiaries and associates if any (which qualify for accounting under International Accounting Standard - 28) are carried at cost less impairment, if any.

Impairment loss on investments in respect of available for sale (except term finance certificates) and held to maturity recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an investment below its cost is also considered an objective evidence of impairment. Provisions for diminution in the value of term finance certificates, bonds and sukuks is made as per the Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available for sale securities, the cumulative loss that has been recognised below equity is removed and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in profit and loss account.

Gain or loss on sale of investments is taken to profit and loss account.

4.5 Advances

Advances are stated net of specific and general provisions. Specific provision for doubtful debts is determined on the basis of Prudential Regulations issued by SBP and the other directives issued by the SBP and charged to the profit and loss account. These regulations prescribes an age based criteria (as supplemented by subjective evaluation of advances) for classification of non - performing loans and advances and computing provision / allowance there against. Advances are written off when there is no realistic prospect of recovery.

The Company reviews its loan portfolio to assess the amount of non-performing advances and provision required there against on a regular basis. While assessing this requirement various factors including the delinquency in the account, financial position of the borrowers and the requirements of the Prudential Regulations are considered.

4.6 Operating fixed assets

Tangible assets

Operating fixed assets except capital work in progress, are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged to profit and loss account on straight line basis so as to write-off the assets over their expected economic lives at the rates specified in note 9.2 to these financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date. Full month depreciation is charged in the month the assets are available for use and no depreciation is charged in the month of disposal.

Normal repairs and maintenance are charged to profit and loss account as and when incurred. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in operating fixed assets.

Gains and losses on disposal of assets are included in profit and loss account. The Company reviews the rate of depreciation / useful life, residual values and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of operating fixed assets with a corresponding effect on depreciation charge and impairment.

Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and impairment losses, if any. Intangible assets are amortised from the month when these are available for use, using the straight line method, whereby the cost of an intangible asset is amortised over the period which takes into account the economic benefits that will be available to the Company. The residual value, useful life and amortisation method is reviewed and adjusted, if appropriate, at each balance sheet date.

Capital works-in-progress

Capital works in progress are stated at cost less impairment, if any. These are transferred to specific assets as and when assets become available for use.

4.7 Taxation

Current

Provision for current taxation is based on the taxable income at the current rates of taxation after taking into account available tax credit and rebates, if any. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments / developments made during the year. The charge for current tax is calculated using prevailing tax rates enacted at the balance sheet date and, any adjustments to tax payable relating to prior years.

In making the estimates for income taxes currently payable by the Company, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provisions for deferred taxes, estimates of the Company's future taxable profits are also taken into account.

Deferred

Deferred tax is recognised using the balance sheet method on all temporary differences between the amounts attributed to the assets and liabilities for financial reporting purposes and amounts used for taxation purpose. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits would be available against which it can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is not probable that related tax benefits will be realised.

4.8 Borrowings and deposits

Borrowings and deposits are recorded at the amount of proceeds received. Mark-up on borrowings and deposits are charged to profit and loss account on a time proportion basis.

4.9 Foreign currencies

Foreign currency transactions

Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the exchange rates prevailing at the balance sheet date. Foreign currency transactions during the period are recorded at the rates prevailing on the date of transaction.

Functional and presentation currency

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

Translation gains and losses

Exchange gains and losses are included in profit and loss account.

4.10 Revenue recognition

Mark-up / return / interest income is recognised on a time proportion basis taking into account effective yield on the asset, except where recovery is considered doubtful, the income is recognised on receipt basis. Interest / return / mark-up on rescheduled / restructured advances and investments is recognised as permitted by the Prudential Regulations issued by the SBP.

A gain / loss on sale of securities is recognised in profit and loss account at the time of sale of relevant securities.

The surplus / deficit arising on revaluation of the Company's held for trading investment portfolio is taken to the profit and loss account.

Premium or discount on acquisition of investments is capitalised and amortised through the profit and loss account over the remaining period through effective interest method.

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

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

4.11 Impairment

The carrying amount of the Company's assets (other than deferred tax asset) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the relevant asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

4.12 Off setting

Other provisions are recognised when the Company has a legal or constructive obligation as a result of a past event, and it is probable that outflow of resources embodying economic benefits would 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.

4.13 Other provisions

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provision of the instrument. Financial assets are de-recognised when the contractual right future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specific in the contract discharge, cancel or expire. Any gain or loss on de-recognition of the financial asset and liability is recognised in the profit or loss account of the current period.

4.14 Financial assets and liabilities

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provision of the instrument. Financial assets are de-recognised when the contractual right future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specific in the contract discharge, cancel or expire. Any gain or loss on de-recognition of the financial asset and liability is recognised in the profit or loss account of the current period.

4.15 Dividend and appropriation to reserves

Dividend and appropriation to reserves, except appropriation which is required by the law after the balance sheet date, is recognised as liability in the Company's financial statements in the period in which these are approved.

4.16 Derivative financial instruments

Derivative financial instruments are initially recognised at their fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as asset when fair value is positive and liabilities when fair value is negative. Any change in the value of derivative financial instruments is taken to the profit and loss account.

4.17 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. 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.

4.18 Segment information

A segment is distinguishable component of the Company that is engaged in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The operations of the Company are currently based in Pakistan, therefore, information relating to geographical segment is not relevant. The Company's primary format of reporting is based on business segments.

Business segments

Following are the main segments of the Company:

Corporate Finance	Undertakes advisory services including mergers and acquisitions, listed and unlisted debt syndications, trustee activities and other investment banking activities.
Trading and Sales	Undertakes Company's fund management activities through leveraging and investing in liquid assets such as short term placements, government securities and reverse repo activities. It carries out spread based activities in the inter bank market and manages the interest rate risk exposure of the Company.
Commercial Banking	Includes loans, advances, leases and other transactions with corporate customers.

4.19 Staff retirement benefit

Defined benefit plan

The Company operates an unapproved funded gratuity scheme for all its permanent employees who have completed the qualifying period under the scheme. The scheme is administered by a Board of Trustees and contributions therein are made in accordance with the actuarial recommendations.The valuation in this regard is carried out at each balance sheet date, using the Projected Unit Credit Method for the valuation of the scheme.

Gratuity is payable to staff on completion of two years of service.

Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment. The company recognise past service cost as an expense at the earlier of the following dates:

(a) when the plan amendment or curtailment occurs; or
(b) and when the Bank recognises related restructuring costs or termination benefits.

The Company has adopted certain actuarial assumptions as disclosed in the note 31.2 for valuation of defined benefit obligation and fair value of plan assets, based on actuarial advice.

Defined contribution plan

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

4.20 Employees' compensated absences

Employees' entitlement to annual leave is recognised when they accrue to employees. A provision is made for estimated liability for annual leave as a result of services rendered by the employee against un-availed leaves upto the balance sheet date.

	Note	2015	2014
		(Rupees in '000)	
5. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		**70**	70
Foreign currencies		**706**	860
		776	930
With State Bank of Pakistan in			
Local currency current account	5.1	**44,808**	31,998
With National Bank of Pakistan in			
Local currency current account		**385**	335
Local currency deposit account	5.2	**145**	40
		530	375
		46,114	33,303

5.1 This represents the current account maintained for cash reserve requirement of the State Bank of Pakistan.

5.2 This carries mark-up at the rate of 4.0% per annum. (2014: 6.5%)

	Note	2015	2014
		(Rupees in '000)	
6. BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		**3,468**	32,394
On deposits accounts	6.1	**211,958**	228,665
		215,426	261,059

6.1 These deposit accounts carry annual mark-up ranging from 4% to 4.5% (2014: 6.5% to 8.3%).

7. INVESTMENTS

7.1 Investments by types

	Note	2015 Held by the Company	2015 Given as collateral	2015 Total	2014 Held by the Company	2014 Given as collateral	2014 Total
		(Rupees in '000)					
Held for trading securities	7.5						
Market treasury bills		638,631	4,322,407	4,961,038	173,977	5,503,919	5,677,896
Pakistan Investment Bonds		483,493	805,822	1,289,315	-	-	-
Shares in listed companies		50,461	-	50,461	71,495	-	71,495
		1,172,585	5,128,229	6,300,814	245,472	5,503,919	5,749,391
Available for sale securities	7.6						
Market treasury bills		1,924,043	1,924,044	3,848,087	484,458	-	484,458
Pakistan Investment Bonds		1,086,729	3,749,214	4,835,943	1,572,176	1,479,758	3,051,934
Units in mutual funds		300,000	-	300,000	300,000	-	300,000
Shares in listed companies		635,595	-	635,595	851,149	-	851,149
Shares in unlisted companies		296,860	-	296,860	296,860	-	296,860
Sukuk bonds		240,003	-	240,003	276,142	-	276,142
Term Finance Certificates - listed		1,630,340	-	1,630,340	1,822,388	-	1,822,388
Term Finance Certificates - unlisted		782,274	-	782,274	1,333,116	-	1,333,116
		6,895,844	5,673,258	12,569,102	6,936,289	1,479,758	8,416,047
Held to Maturity securities							
Unlisted preference shares		143,333	-	143,333	125,930	-	125,930
		143,333	-	143,333	125,930	-	125,930
Investments at cost		8,211,762	10,801,487	19,013,249	7,307,691	6,983,677	14,291,368
Provision for diminution in value of investments	7.3	(378,780)	-	(378,780)	(398,078)	-	(398,078)
Investments - net of provisions		7,832,982	10,801,487	18,634,469	6,909,613	6,983,677	13,893,290
Surplus / (deficit) on revaluation of held for trading securities	7.9	(126)	864	738	942	16	958
Surplus on revaluation of available for sale securities	17	118,606	53,560	172,166	164,725	55,897	220,622
Total investments at the market value		7,951,462	10,855,911	18,807,372	7,075,280	7,039,590	14,114,870

		Note	2015	2014
			(Rupees in '000)	
7.2	**Investments by segments**			
	Federal Government securities			
	- Market treasury bills		**8,809,125**	6,162,354
	-Pakistan Investment Bonds		**6,125,258**	3,051,934
	Fully paid-up ordinary shares			
	- Listed companies		**686,056**	922,644
	- Unlisted companies		**296,860**	296,860
			982,916	1,219,504
	Term Finance Certificates			
	- Listed		**1,630,340**	1,822,388
	- Unlisted		**782,274**	1,333,116
			2,412,614	3,155,504
	Units in mutual funds		**300,000**	300,000
	Sukuk certificates - unlisted		**240,003**	276,142
	Preference shares		**143,333**	125,930
	Total investments at cost		**19,013,249**	14,291,368
	Provision for diminution in value of investments	7.3	**(378,780)**	(398,078)
	Investments - net of provisions		**18,634,469**	13,893,290
	Surplus / (deficit) on revaluation of held for trading securities	7.9	**738**	958
	Surplus on revaluation of available for sale securities	17	**172,166**	220,622
	Total investments at market value		**18,807,372**	14,114,870
7.3	**Particulars of provision held against diminution in value of investments**			
	Opening balance		**398,078**	372,743
	Charge for the year		**24,506**	25,335
	Reversals		**(43,804)**	-
			(19,298)	25,335
	Closing balance		**378,780**	398,078
	Particulars of provision in respect of types and segments			
	Available for sale securities			
	Shares of listed company		**173,250**	190,453
	Shares of unlisted company		**192,959**	192,959
	Sukuk bonds - unlisted		**1,326**	3,421
	Term Finance Certificates - unlisted		**11,245**	11,245
			378,780	398,078

7.4 Market treasury bills carry yield ranging from 6.39% to 6.95% per annum (2014: 9.49% to 9.99% per annum) with maturities upto August 18, 2016 (2014: November 12, 2015).

7.5 Quality of held for trading securities

Number of Shares 2015	Number of Shares 2014		Market value 2015	Market value 2014	Cost 2015	Cost 2014	Long / medium term credit rating (Entity)	Rated by
			(Rupees in '000)					
		Market treasury bills	**4,961,019**	5,679,503	**4,961,038**	5,677,896	Unrated - Government	
		Pakistan Investment Bonds	**1,290,724**	-	**1,289,315**	-	Unrated - Government Securities	
		Shares in Listed Companies						
-	60,000	Allied Bank Limited	**-**	6,815	**-**	6,931	AA+/A1+	PACRA
-	50,000	Askari Bank Limited	**-**	1,154	**-**	1,156	AA-	JCR-VIS
40,000	-	Attock Refinery Limited	**8,475**	-	**8,558**	-	AA	PACRA
-	65,000	Cherat Cement Company Limited	**-**	4,464	**-**	4,526	A	PACRA
100,000	-	D.G.Khan Cement Company Limited	**14,759**	-	**14,725**	-	Unrated	
-	25,200	Engro Food Limited	**-**	2,735	**-**	2,756	Unrated	
-	100,000	Fauji Fertilizer Bin Qasim Limited	**-**	4,521	**-**	4,527	Unrated	
25,000	-	Fauji Fertilizer Company Limited	**2,950**	-	**2,787**	-	Unrated	
3,000	-	Engro Fertilizer Limited	**252**	-	**252**	-	AA-	PACRA
200,000	370,000	Fauji Cement Company Limited	**7,364**	9,561	**7,359**	9,423	Unrated	
-	150,000	Faysal Bank Limited	**-**	2,730	**-**	2,725	AA	PACRA
100,000	50,000	Ghani Gases Limited	**2,644**	1,430	**2,900**	1,490	Unrated	
9,400	-	Hascol Petroleum Limited	**1,356**	-	**1,455**	-	A+	JCR-VIS
300,000	-	Hum Network Limited	**3,942**		**3,956**		A+	PACRA
-	600,000	Lotte Chemical Pakistan Limited	**-**	4,116	**-**	4,391	Unrated	
-	100,000	Nishat Mills Limited	**-**	12,099	**-**	12,342	AA	PACRA
21,000	-	Oil & Gas Development Company Limited	**2,464**		**2,449**		Unrated	
-	200,000	Pakistan International Airline Corporation	**-**	1,490	**-**	1,534	Unrated	
-	20,000	Pakistan State Oil Company Limited	**-**	7,158	**-**	7,176	AA	PACRA
-	222,000	Pakistan Telecommunication Company Limited	**-**	5,113	**-**	5,057	Unrated	
-	50,000	Pioneer Cement Limited	**-**	4,281	**-**	4,250	Unrated	
-	1,300	Shell (Pakistan) Limited	**-**	337	**-**	363	Unrated	
-	70,000	Sui Northern Gas Pipelines Company Limited	**-**	2,010	**-**	2,022	AA-	PACRA
150,000	21,500	Sui Southern Gas Company Limited	**5,603**	834	**6,020**	828	AA-	PACRA
.			**49,808**	70,848	**50,461**	71,495		

7.6 Quality of available for sale securities

Number of Shares 2015	Number of Shares 2014		Market value 2015	Market value 2014	Cost 2015	Cost 2014	Long / medium term credit rating (Entity)	Rated by
			(Rupees in '000)					
		Market treasury bills	**3,851,936**	484,903	**3,848,087**	484,458	Unrated - Government	
		Pakistan Investment bonds	**5,012,796**	-	**4,835,943**	3,051,934	Unrated - Government	
		Shares / Certificates / Units in Listed Companies						
340,000	340,000	Allied Bank Limited	**32,048**	38,617	**38,677**	38,677	AA+/A1+	PACRA
11	490,011	Adamjee Insurance Company Limited	**1**	24,236	**1**	23,477	AA	PACRA
6,680,058	8,332,058	Agritech Limited	**62,459**	64,573	**200,402**	249,962	Unrated	
-	100,000	Askari Bank Limited	-	2,307	-	2,205	AA	JCR-VIS
-	72,500	Avanceon Limited	-	2,454	-	2,148	Unrated	
425,000	650,000	Bank Alfalah Limited	**12,249**	22,672	**12,764**	19,717	AA	PACRA
-	100,500	Berger Paints Pakistan Limited	-	10,626	-	7,212	Unrated	
-	195,000	Cherat Cement Company Limited	-	13,393	-	12,492	A	PACRA
50,000	150,000	D.G. Khan Cement Company Limited	**7,380**	16,580	**7,435**	13,555	Unrated	
100,000	-	Engro Polymer	**1,044**	-	**1,073**	-	A-	PACRA
175,000	-	Engro Powergen Qadripur Limited	**5,982**	-	**6,942**	-	Unrated	
300,000	-	Fauji cement Company Limited	**11,046**	-	**11,119**	-	Unrated	
-	535,000	Fauji Fertilizer Bin Qasim Limited	-	24,187	-	22,455	Unrated	
139,300	380,000	Fauji Fertilizer Company Limited	**16,435**	44,502	**16,916**	44,063	Unrated	
-	200,000	Fatima Fertilizer Company Limited	-	7,154	-	6,147	AA-	PACRA
-	55,000	General Tyre and Rubber Co. of Pak Limited	-	8,010	-	6,338	Unrated	
-	212,500	Ghani Gases Limited	-	6,075	-	5,836	Unrated	
-	27,500	Habib Bank Limited	-	5,947	-	5,877	AAA/A-1+	JCR-VIS
125,000	125,000	Habib Metropolitan Bank Limited	**3,809**	4,663	**4,419**	4,419	AA+	PACRA
60,000	85,000	Honda Atlas Cars (Pakistan) Limited	**14,336**	16,845	**14,582**	12,882	Unrated	
312,500	487,500	Hub Power Company Limited	**32,063**	38,201	**27,288**	31,563	AA+/A1+	PACRA
		Subtotal	**198,852**	351,042	**341,618**	509,025		

Number of Shares			Market value		Cost		Long / medium term credit rating (Entity)	Rated by
2015	2014		**2015**	2014	**2015**	2014		
			(Rupees in '000)					
		Brought forward	**198,852**	351,042	**341,618**	509,025	Unrated	
-	455,500	International Steels Limited	-	11,592	-	10,397	AA-	PACRA
200,000	300,000	K-Electric Limited	**1,488**	2,766	**1,621**	2,432	AA+	JCR-VIS
210,000	474,000	Kot Addu Power Company Limited	**17,010**	37,418	**14,272**	29,676	AA+	JCR-VIS
12,500	37,500	Lotee Chemical Pakistan Limited	**257**	81	**91**	274	Unrated	
40,000	84,800	MCB Bank Limited	**8,674**	25,919	**9,960**	23,121	AAA/A1+	PACRA
100,000	100,000	Maple Leaf Cement Factory Limited	**7,458**	4,425	**7,401**	3,128	A	PACRA
228,000	408,000	National Bank of Pakistan	**12,321**	28,340	**13,739**	24,303	AAA/A-1+	JCR-VIS
-	750,000	Next Capital Limited	-	4,313	-	7,500	Unrated	
500,000	-	NIB Bank	**950**	-	**993**	-	AA-	PACRA
60,000	445,000	Nishat Chunian Limited	**2,040**	20,212	**2,607**	19,335	A-	JCR-VIS
190,000	482,000	Nishat Mills Limited	**18,025**	58,317	**21,836**	57,201	AA	PACRA
450,000	50,000	Oil and Gas Development Company Limited	**52,803**	10,294	**63,056**	11,154	Unrated	
-	150,000	Pak Gen Power Limited	-	4,055	-	3,204	Unrated	
-	67,500	Pak Suzuki Motor Company Limited	-	25,051	-	20,098	Unrated	
355,400	110,400	Pakistan Petroleum Limited	**43,291**	19,488	**56,333**	24,369	Unrated	
42,160	79,660	Pakistan State Oil Company Limited	**13,734**	28,511	**15,036**	28,911	AA	PACRA
1,554,000	1,100,000	Pakistan Telecommunication Company Limited	**25,625**	25,333	**34,749**	27,329	Unrated	
200,000	575,000	Sui Northern Gas Pipelines Company Limited	**4,808**	16,508	**6,232**	13,912	AA-	PACRA
725,000	552,000	Sui Southern Gas Company Limited	**27,079**	21,407	**29,668**	18,321	AA-	PACRA
200,000	200,000	Telecard Limited	**576**	662	**1,076**	1,074	Unrated	
200,000	-	TRG Pak Limited	**6,930**	-	**7,358**	-	Unrated	
48,100	95,000	United Bank Limited	**7,453**	16,787	**7,949**	16,385	AA+/A-1+	JCR-VIS
			449,374	712,521	**635,595**	851,149		

Number of Certificates / Units 2015	2014		Market value 2015	Market value 2014	Cost 2015	Cost 2014	Long / medium term credit rating (Entity)	Rated by
			(Rupees in '000)					
		Certificates / units in listed mutual funds						
27,831,637	9,022,991	NAFA Income Opportunity Fund	**310,150**	100,741	**300,000**	100,000	A-(f)	PACRA
-	2,042,275	Al Ameen Islamic Aggressive Income Fund	-	202,798	-	200,000	BBB+(f)	JCR-VIS
			310,150	303,539	**300,000**	300,000		

Number of Shares 2015	2014	Shares in unlisted companies	Note	Book value 2015	Book value 2014	Cost 2015	Cost 2014	Long / medium term credit rating (Entity)	Rated by
				(Rupees in '000)					
29,685,986	29,685,986	Burj Bank Limited							
		CEO, Ahmed Khizer Khan							
29,685,986	29,685,986	Percentage holding: 3.63% (2014: 4.01%)	7.6.1	**64,573**	64,573	**296,860**	296,860	A-	JCR-VIS

7.6.1 These shares are valued at Rs. 2.175 per share being the fair value of comparable company, as the Company considers that the breakup value is not representative of its recoverable amount. Accordingly, an impairment loss of Rs. 6.5 per share was recognized in 2011. The break-up value is Rs. 5.52 per share as at September 30, 2015.

Number of Certificates of Rs. 5,000 each			Market value		Cost		Long / medium term credit rating (Entity)	Rated by
2015	2014		**2015**	2014	**2015**	2014		
			(Rupees in '000)					
		Sukuk						
30,000	30,000	Eden Housing Limited	**19,680**	29,520	**19,680**	19,680	Unrated	
12,000	12,000	Sitara Peroxide Limited	**30,037**	36,324	**31,363**	40,496	Unrated	
37,792	43,343	Liberty Powertech Limited	**188,960**	230,988	**188,960**	216,716	A+	PACRA
			238,677	296,832	**240,003**	276,892		
		Term Finance Certificates						
-	70,000	Allied Bank Limited	-	341,709	-	329,180	AA	PACRA
-	69,136	Askari Bank Limited	-	338,345	-	347,564	AA-	PACRA
20,000	-	Bank Alfalah Limited - II	**101,329**	-	**99,760**	-	AA-	PACRA
-	20,204	Bank Al Habib Limited - II	-	50,413	-	50,369	AA	PACRA
-	39,037	Engro Fertilizer Limited - I	-	133,507	-	140,533	AA	PACRA
29,400	29,400	Engro Fertilizer Limited - IV	**146,878**	146,265	**146,617**	146,514	AA	PACRA
65,000	-	Faysal Bank Limited	**331,648**		**324,734**		AA-	JCR-VIS
38,400	38,400	Jahangir Siddiqui & Company Limited	**46,946**	96,016	**48,344**	97,241	AA+	PACRA
120,000	120,000	NIB Bank Limited	**593,644**	591,381	**599,640**	599,880	A+	PACRA
80,000	-	Soneri Bank Limited	**391,886**	-	**400,000**	-	A+	PACRA
-	20,000	Summit Bank Limited	-	85,429	-	99,862	A- (SO)	JCR-VIS
6,000	6,000	Trust Investment Bank Limited	-	-	**11,245**	11,245	Unrated	
			1,612,331	1,783,065	**1,630,340**	1,822,388		

Number of Certificates of Rs. 5,000 each			Market value		Cost		Long / medium term credit rating (Entity)	Rated by
2015	2014		**2015**	2014	**2015**	2014		
			(Rupees in '000)					
		Unlisted						
60,000	60,000	Askari Bank Limited	**302,216**	321,611	**301,064**	301,394	AA-	PACRA
-	20,000	Bank Alfalah Limited - IV	**-**	103,276	**-**	99,800	AA-	PACRA
-	65,000	Faysal Bank Limited	**-**	339,497	**-**	325,156	AA-	JCR-VIS
10,000	10,000	Independent Media Corporation (Private) Limited	**27,500**	37,500	**27,500**	37,500	BBB-	JCR-VIS
80,000	80,000	JDW Sugar Mills Limited - 2	**222,222**	311,111	**222,222**	311,111	A+	JCR-VIS
40,000	40,000	Pak Electron Limited	**145,238**	161,905	**145,238**	161,905	Unrated	
20,000	20,000	Jahangir Siddiqui & Company Ltd (3rd Issue)	**86,326**	99,285	**86,250**	96,250	AA+	PACRA
			783,502	1,374,185	**782,274**	1,333,116		

7.7 Quality of held to maturity securities

Number of Certificates of Rs. 2.5 each			Market value		Cost	
2015	2014		**2015**	2014	**2015**	2014
40,000,000	40,000,000	**Preference shares**	**-**	-	**143,333**	125,930
		Total	**17,334,166**	10,769,969	**19,013,249**	14,292,118

7.8 In accordance with BSD Circular No. 1 dated October 21, 2011 issued by the SBP, the Company has availed the benefit of Forced Sales Values (FSVs) against the non-performing investments. Had this benefit of FSV not been taken by the Company, the specific provision against impaired investment would have been higher by Rs. 26.195 million (2014: Rs. 16.355 million). Further, this amount arising from availing the benefit of FSV is not available for distribution amongst the shareholders either in the form of cash or stock dividend.

		Note	2015	2014
			(Rupees in '000)	
7.9	**Unrealised gain / (loss) on revaluation of investments classified as held for trading - net**			
	Market treasury bills		**(19)**	1,607
	Pakistan investment bonds		**1,409**	-
	Ordinary shares of listed companies		**(652)**	(649)
			738	958
8.	**ADVANCES**			
	In Pakistan			
	Loans, cash credits, finances, etc.		**4,302,503**	4,428,538
	Net investment in finance lease	8.2	**64,069**	-
	Staff loans	8.5 & 8.7	**43,904**	34,921
	Advances - gross		**4,410,476**	4,463,459
	Provision against non-performing loans and advances	8.4	**(907,528)**	(871,281)
	Advances - net of provision		**3,502,948**	3,592,178
8.1	**Particulars of advances - gross**			
	In local currency		**4,410,476**	4,463,459
	In foreign currencies		**-**	-
			4,410,476	4,463,459
8.1.1	Short-term (upto one year)		**1,986,003**	2,048,434
	Long-term (over one year)		**2,424,473**	2,415,024
			4,410,476	4,463,458

8.2 Net investment in finance lease

Description	2015 No later than one year	2015 Later than one and less than five years	2015 Over five years	2015 Total	2014 No later than one year	2014 Later than one and less than five years	2014 Over five years	2014 Total
	(Rupees in '000)							
Lease rentals receivable	9,718	63,078	-	72,796	-	-	-	-
Guaranteed residual value	-	9,869		9,869	-	-	-	-
Minimum lease payments	9,718	72,947	-	82,665	-	-	-	-
Finance charge for future periods	(5,969)	(12,627)	-	(18,596)	-	-	-	-
Present value of minimum lease payments	3,749	60,320	-	64,069	-	-	-	-

8.2.1 The Company's implicit rate of return on leases ranges between 11% and 13% (2014: nill) per annum. These are secured against leased assets and security deposits generally upto 20% (2014: nill) of the cost of leased assets.

8.2.2 Lease rentals received during the year aggregate to Rs. 1.340 million (2014: Rs. nill).

8.3 The staff loans include personal loans and house loans advanced to employees in accordance with their terms of employment. These personal loans and house loans carry mark-up at the rates of 3% and 5% (2014: 3% and 5%) respectively.

8.4 Advances include Rs. 1,300.078 million (2014: Rs. 1,330.507 million) which has been placed under non-performing status as detailed below:

	2015					
	Non-performing advances			**Provision required and held**		
	Domestic	**Overseas**	**Total**	**Domestic**	**Overseas**	**Total**
	(Rupees in '000)					
Category of classification						
Other assets especially mentioned	**-**	**-**	**-**	**-**	**-**	**-**
Substandard	**236,481**	**-**	**236,481**	**32,999**	**-**	**32,999**
Doubtful	**8,904**	**-**	**8,904**	**8,904**	**-**	**8,904**
Loss	**1,054,693**	**-**	**1,054,693**	**865,625**	**-**	**865,625**
	1,300,078	**-**	**1,300,078**	**907,528**	**-**	**907,528**

	2014					
	Non-performing advances			Provision required and held		
	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)					
Category of classification						
Other assets especially mentioned	-	-	-	-	-	-
Substandard	366,064	-	366,064	29,475	-	29,475
Doubtful	75,000	-	75,000	-	-	-
Loss	889,443	-	889,443	841,806	-	841,806
	1,330,507	-	1,330,507	871,281	-	871,281

8.5 Particulars of provision for non-performing advances - in local currency

		2015			2014		
	Note	**Specific**	**General**	**Total**	Specific	General	Total
		(Rupees in '000)					
Opening balance		**871,281**	**-**	**871,281**	546,057	-	546,057
Charge for the year		**37,308**	**-**	**37,308**	325,224	-	325,224
Reversals		**(1,061)**	**-**	**(1,061)**	-	-	-
		36,247	**-**	**36,247**	325,224	-	325,224
Amounts written off		**-**	**-**	**-**	-	-	-
Closing balance		**907,528**	**-**	**907,528**	871,281	-	871,281

8.5.1 Particulars of provision for non-performing advances

	2015			2014		
	Specific	**General**	**Total**	Specific	General	Total
	(Rupees in '000)					
In local currency	**907,528**	**-**	**907,528**	871,281	-	871,281

8.6 In accordance with BSD Circular No. 1 dated October 21, 2011 issued by the SBP, the Company has availed the benefit of Forced Sales Value (FSV) against the non-performing advances. Had this benefit of FSV not been taken by the Company, the specific provision against non-performing advances would have been higher by Rs. 215.189 million (2014: Rs. 147.178). Further, this amount arising from availing the benefit of FSV is not available for distribution amongst the shareholders either in the form of cash or stock dividend.

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

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

	Note	2015	2014
		(Rupees in '000)	
Balance at beginning of the year		**34,921**	109,694
Loans granted during the year		**25,681**	2,897
Repayments during the year		**(16,698)**	(77,670)
Balance at end of the year		**43,904**	34,921

9. OPERATING FIXED ASSETS

	Note	2015	2014
Capital work-in-progress	9.1	**154,343**	154,343
Property and equipment	9.2	**36,457**	54,527
Intangible asset	9.3	**511**	1,482
		191,311	210,352

9.1 This represents office building situated at The Ocean Mall, Clifton, Karachi purchased by the Company to transfer its registered and principal office.

9.2 Property and equipment

	Cost			Accumulated depreciation				
	At January 1, 2015	Additions/ (disposal)	As at December 31, 2015	At January 1, 2015	Charge/ (disposals)	At December 31, 2015	Net book value at December 31, 2015	Annual rate of depreciation (%)
	Rupees in '000							
Furniture and fixtures	34,955 -	145	35,100	21,989	6,559	28,548	6,552	20%
Electrical, office and computer equipment	32,814	2,598 (296)	35,116	23,564	4,901 (137)	28,328	6,788	20% to 25%
Vehicles	39,368	- (1,962)	37,406	7,057	9,195 (1,962)	14,290	23,116	25%
2015	**107,137**	**2,743** **(2,258)**	**107,622** **-**	**52,610**	**20,655** **(2,099)**	**71,166**	**36,457**	
2014	93,280	37,818 (23,961)	107,137 (21,408)	55,875	18,143 (21,408)	52,610	54,527	

9.3 Intangible assets

	Cost			Accumulated Amortization				
	As at January 1, 2015	Additions/ (Deletion)	As at December 31, 2015	As at January 1, 2015	Charge/ (disposals)	As at December 31, 2015	Net book value as at December 31, 2015	Amortization Rate (%)
Computer software	Rupees in '000							
2015	**18,550**	**122**	**18,672**	**17,068**	**1,094**	**18,162**	**511**	**33%**
2014	17,850	700	18,550	13,397	3,671	17,068	1,482	33%

9.4 The following operating fixed assets whose original cost or book value exceeds one million rupees or two hundred and fifty thousand rupees respectively, whichever is lower were disposed of during the year.

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Mode of disposal	Particulars of purchaser
	Rupees in '000						
Honda City	1,209	1,209	-	650	650	Settlement	Mr. Naim Ilyas, Contract Employee

9.5 Assets having cost of Rs. 66.036 million (2014: Rs 35.189 million) are fully depreciated.

10. DEFERRED TAX ASSET - NET

	Note	2015 (Rupees in '000)	2014 (Rupees in '000)
Deferred tax asset - net		**259,691**	272,920
The balance of deferred taxation comprises			
Debit / (credit) balances arising on account of:			
Surplus on revaluation of assets		**(42,303)**	(44,093)
Accelerated tax depreciation allowance		**(6,945)**	6,809
Provision for gratuity, leave fare assistance and leave encashment		**632**	6,706
Provision against non - performing loans		**290,008**	287,523
Provision against investments		**18,297**	15,975
		259,691	272,920

Movement in temporary differences during the year

	Balance at 1 January, 2015	Recognised in profit and loss	Recognised in equity	Balance at 31 December, 2015
	(Rupees in '000)			
Debit / (Credit) balances arising on account of:				
Deficit / (surplus) on revaluation of assets	**(45,035)**	**(363)**	**(2,370)**	**(42,303)**
Accelerated tax depreciation allowance	**6,809**	**13,754**	**-**	**(6,945)**
Provision for gratuity, LFA & leave encashment	**6,706**	**6,074**	**-**	**632**
Provision against non performing loans	**287,523**	**(2,487)**	**-**	**290,008**
Provision against investments	**16,917**	**(1,380)**	**-**	**18,297**
	272,920	**15,600**	**(2,370)**	**259,691**

	Balance at 1 January, 2014	Recognised in profit and loss	Recognised in equity	Balance at 31 December, 2014
	(Rupees in '000)			
Debit / (Credit) balances arising on account of:				
Deficit / (surplus) on revaluation of assets	(10,670)	(882)	(33,483)	(45,035)
Accelerated tax depreciation allowance	5,766	1,043	-	6,809
Provision for gratuity, LFA & leave encashment	7,859	(1,153)	-	6,706
Provision against non performing loans	185,660	101,863	-	287,523
Provision against investments	16,281	636	-	16,917
	204,896	101,507	(33,483)	272,920

		Note	2015	2014
			(Rupees in '000)	
11.	**OTHER ASSETS**			
	Income / Mark-up accrued in local currency		**171,404**	210,933
	Advances, deposits, advance rent and other prepayments		**19,345**	40,992
	Dividend receivable		**435**	377
	Security deposits		**7,231**	7,232
			198,415	259,534
12.	**BORROWINGS**			
	In Pakistan (local currency)		**11,652,435**	9,221,225
12.1	**Details of borrowings secured / unsecured**			
	Secured			
	Borrowings from State Bank of Pakistan-Financing Facility for Storage of Agricultural Produce (FFSAP)	12.2	**16,446**	23,022
	Imported & Locally Manufactured Plant & Machinery (LTFF)	12.3	**273,150**	
	Repurchase agreement borrowings	12.4	**10,425,339**	7,281,536
	Term borrowings	12.5	**937,500**	1,416,667
			11,652,435	8,721,225
	Unsecured			
	Call borrowings		**-**	500,000
			11,652,435	9,221,225

12.2 The Company has entered into agreement with the SBP for extending Financing Facility for Storage of Agricultural Produce (FFSAP). The borrowing carries mark-up rate of 6.5% (2014 : 6.5%). The borrowing will mature in November 2019.

12.3 The Company has entered into agreement with the SBP for extending Long Term Financing Facility (LTFF) for Imported & Locally Manufactured Plant & Machinery. The borrowing carries mark-up rate of 3.5% per annum (2014 : Nil). The borrowing will mature in November 2023.

12.4 These carry mark-up at the rates ranging from 6.40% to 6.55% per annum (2014: 9.65% to 10.25%) and are secured against government securities carrying amount of Rs. 10.6 billion (2014: Rs. 7,516 million). These borrowings will mature up to February 2016 (2014: February 2015).

12.5 This represents finance obtained from Allied Bank Limited to finance the regular business operations of the Company. The finance is secured by pledge of listed TFCs and open end mutual funds. It carries mark-up at the rate of 6 months KIBOR + 0.5% per annum. It is repayable in semi annual installments and shall be repaid by 2017.

		Note	2015	2014
			(Rupees in '000)	
13.	**DEPOSITS AND OTHER ACCOUNTS**			
	Customers			
	Term Deposits - Remunerative	13.2	**240,502**	136,060
	Financial Institutions			
	Term Deposits - Remunerative	13.3	**1,650,000**	250,000
			1,890,502	386,060
13.1	**Particulars of deposits**			
	In local currency		**1,890,502**	386,060
	In foreign currencies		**-**	-
			1,890,502	386,060

13.2 This includes non mark-up COIs issued to employees amounting to Rs. 0.14 million (2014: Rs. 0.06 million) maturing up to November 2016 (2014: October 2015).

13.3 The mark-up rates on these COIs range between 6.8% to 7.5% per annum (2014 : 10% per annum). These COIs will mature up to March 2016 (2014: October 2015).

14. OTHER LIABILITIES

	Note	2015	2014
		(Rupees in '000)	
Mark-up / Return / Interest payable in local currency		**80,403**	74,048
Accrued expenses		**11,950**	14,882
Provision for taxation - net		**108,199**	117,395
Dividend payable		**150,000**	75,000
Payable Brokerage/NCCPL		**57,815**	-
Payable to defined benefit plan		**1,307**	18,535
Payable to an associated undertaking		**4,900**	4,900
Government levies payable		**2,864**	-
Provision for compensated absences		**1,321**	1,564
Provison for Audit Fee		**1,357**	-
Advance Insurance Premium on Lease		**41**	-
Finance Lease Deposit		**9,869**	-
Provision for staff rewards		**54,836**	37,029
		484,862	343,353

15. SHARE CAPITAL

15.1 Authorised capital

2015	2014		2015	2014
(Number of shares)			(Rupees in '000)	
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each	**10,000,000**	10,000,000

15.2 Issued, subscribed and paid-up share capital

2015	2014		2015	2014
600,000,000	600,000,000	Ordinary shares of Rs. 10 each Fully paid in cash	**6,000,000**	6,000,000
600,000,000	600,000,000		**6,000,000**	6,000,000

15.3 Major shareholders (holding more than 5% of total paid-up capital)

	2015		2014	
Name of shareholder	**Number of shares held**	**Percentage of shareholding**	Number of shares held	Percentage of shareholding
Government of Pakistan *	**300,000,000**	**50%**	300,000,000	50%
Iran Foreign Investment Company *	**300,000,000**	**50%**	300,000,000	50%
	600,000,000	**100%**	600,000,000	100%

* This includes nominal shares allotted to the nominee Directors of the Company nominated by Government of Pakistan and Iran Foreign Investment Company.

16. RESERVES

	(Rupees in '000)	
Statutory reserves		
Opening balance	**553,966**	483,592
Transfer during the year	**119,483**	70,374
Closing balance	**673,449**	553,966

According to BPD Circular No. 15 dated 31 May 2004 issued by SBP, an amount not less than 20% of the after tax profits shall be transferred to create a reserve fund till such time the reserve fund equals the amount of the paid-up capital and after that a sum not less than 5% of profit after tax shall be credited to the statutory reserve.

	Note	2015	2014
17. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX		**(Rupees in '000)**	
(Deficit) / surplus arising on revaluation of quoted equity shares		**(13,148)**	51,998
Surplus arising on revaluation of mutual funds		**10,150**	3,539
Surplus arising on revaluation of market treasury bills		**3,849**	529
Surplus arising on revaluation of TFCs		**(5,538)**	12,990
Surplus arising on revaluation of PIB		**176,853**	151,567
		172,166	220,623
Related deferred tax (liability)		**(42,303)**	(44,586)
		129,863	176,037

18. CONTINGENCIES AND COMMITMENTS

18.1 The department of inland revenue has re-opened the assessment for the tax years 2009, 2010, 2011 and 2012 and raised an additional demand of Rs 84.3 million in respect of allocation of capital gain, expenses against exempt capital gains and dividend income subject to tax at reduced rate and Workers' Welfare Fund (WWF), against which the Company has made adequate provision.

The Company has filed appeals with the Commissioner Appeal against the aforementioned orders and the management is confident that the outcome of the appeals will be in favour of the Company.

18.2 During the year, Ocean Tower management has raised an invoice of Rs 6 million (2014: 6 million) against service charges and maintenance charges. However the Company has not recorded the expense in the books of accounts as the Company through its legal advisor is confident that no such charges are required to be paid by the Company as clause 41 relating to service charges of the agreement only applies to the period and in case the sub-lessee (the Company) fails to take possession of the premises within 15 days of intimation by the lessor (Ocean Tower Management) and the Company took over the possession within 15 days. Furthermore, clause 46 relaing to maintainance charges of the agreement requires the sub-lessee to pay the building maintenance charges as determined /decided by the building management from time to time. Since the Company has not moved into the new office there is no requirement for the services. Also no service agreement has been signed. Had the expense been provided in the books of accounts, profit before tax would have been decreased by Rs. 6 million (2014: 6 million) and unappropriated profits would have been decreased by Rs. 12 million (2014: 6 million).

	2015	2014
18.3 Commitments	**(Rupees in '000)**	
Repurchase agreement borrowings	**106,732**	8,325,636
Credit extension	**411,204**	293,068

19. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

Off balance sheet financial instruments referred to as derivatives, contracts the characteristics of which are derived from those of underlying assets. These include forwards and swaps in money and foreign exchange markets. The Company's exposure in these instruments represents equity futures. The Company also enters into repo transactions against government securities carrying fixed interest rates and having fixed contractual maturities. The credit risk associated with repo transactions is secured through underlying government securities.

20. DERIVATIVE INSTRUMENTS

The Company at present does not offer structured derivative products such as interest rate swaps, forward rate swaps, forward rate agreements or forward exchange options. However, the Company treasury and investment group buy and sell derivative instruments such as equity futures.

20.1 Equity futures

An equity futures contract is a standardized contract, traded on a futures counter of the stock exchange, to buy or sell a certain underlying scrip at a certain date in the future, at a specified price.

The Company uses equity futures as a hedging instrument to hedge its equity portfolio against equity price risk. Only selected shares are allowed to be traded on futures exchange. Equity futures give flexibility to the Company either to take delivery on the future settlement date or to settle it by adjusting the notional value of the contract based on the current market rates.

Maximum exposure limit to the equity futures is 10% of tier 1 capital of the Company, based on prevailing SBP regulations.

	Note	2015	2014
		(Rupees in '000)	
21. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances to			
- customers		**362,930**	437,537
- employees		**1,788**	3,450
On investments in			
- held-for-trading securities		**5,355**	-
- available-for-sale securities		**1,112,481**	764,568
- held-to-maturity securities		**17,403**	16,154
On deposits with financial institutions		**8,473**	9,388
On placements		**1,244**	2,310
		1,509,674	1,233,407
22. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits and other accounts		**110,994**	16,739
Securities sold under repurchase agreements		**414,725**	304,415
On borrowing from State Bank of Pakistan against			
- refinance scheme for storage agriculture facility		**936**	1,611
- refinance scheme for Imported & Locally Manufactured Plant & Machinery (LTFF)		**584**	
Other short-term borrowings		**-**	27,760
Long-term borrowings		**99,886**	157,521
		627,125	508,046
23. GAIN ON SALE OF SECURITIES - net			
Market treasury bills		**230**	2,220
Ordinary shares of listed companies		**57,318**	130,975
Units of mutual funds		**25,737**	183,146
Term Finance Certificates		**15,737**	1,646
Pakistan Investment Bond		**214,545**	9,990
		313,567	327,977

24. OTHER INCOME

This represents gain on sale of operating fixed assets amounting to Rs. 0.828 million (2014: Rs 1.962 million)

25. ADMINISTRATIVE EXPENSES

	Note	2015	2014
Salaries, allowances and benefits		**176,176**	154,219
Charge for defined benefit plan		**9,600**	9,585
Contribution to defined contribution plan		**7,850**	4,681
Non-executive Directors' fee		**1,830**	2,126
Rent and utilities		**23,753**	21,289
Repairs and maintenance		**10,792**	7,857
Insurance		**3,905**	2,827
Communication		**3,372**	2,962
Advertisement		**1,129**	456
Depreciation		**20,655**	18,143
Amortisation		**1,094**	3,671
Printing and stationery		**888**	1,881
Legal and professional charges		**3,168**	4,077
Travelling, conveyance and entertainment		**20,641**	23,202
Brokerage and commissions		**6,084**	5,320
Bank charges		**729**	546
Fee and subscriptions		**6,373**	17,262
Auditors' remuneration	25.1	**1,426**	1,383
Donations and charity	25.2	**415**	300
Others		**2,303**	3,259
		302,183	285,046

	Note	2015	2014
		(Rupees in '000)	
25.1 Auditors' remuneration			
Audit fee		**518**	495
Half yearly review		**204**	193
Special certifications and others		**583**	585
Out of pocket expenses		**121**	110
		1,426	1,383

25.2 Donations and charity

None of the directors, executives or their spouses had any interest in the donee. The details of donations made during the year is as follows:

	2015	2014
Sharmeen Khan Memorial Foundation	**200**	-
Institute of Business Administration	**215**	-
OAKS for Construction for Rehabilitation of Water Wells	**-**	100
Marie Adelaide Leprosy Centre	**-**	200
	415	300

26. OTHER CHARGES / (REVERSALS) - NET

This represents reversal of penalties imposed by State Bank of Pakistan amounting to Rs 0.154 million (2014: Rs 1.896 million)

27. TAXATION

	2015	2014
Current	**267,480**	213,635
Prior year	**42,925**	-
Deferred	**15,512**	(101,507)
	325,917	112,128

27.1 Relationship between tax expense and accounting profit

	2015	2014
Profit before tax	**923,331**	463,997
Tax on income @ 32% (2014: 33%)	**295,466**	153,120
Net tax effect on income taxed at reduced rates	**(11,144)**	(94,809)
Net tax effect on income subject to FTR	**(2,765)**	(3,446)
Net tax effect of income / expenses not subject to tax	**(5,788)**	(6,820)
Tax effect of expenses that are not	**-**	
deductible in determining taxable profit	**(18,297)**	57,601
Effect of change in rate of tax	**8,270**	638
Prior years charge	**-**	(181)
Others	**1,738**	6,026
Tax charge	**267,480**	112,129

28. BASIC / DILUTED EARNINGS

	2015	2014
Profit after taxation for the year	**597,414**	351,869
	(Number of shares in '000)	
Weighted average number of ordinary shares outstanding during the year	**600,000**	600,000
	(Rupees per share)	
Basic / diluted earnings	**1.00**	0.59

29. CASH AND CASH EQUIVALENTS

	Note	2015 (Rupees in '000)	2014 (Rupees in '000)
Cash and balances with treasury banks	5	**46,114**	33,303
Balances with other banks	6	**215,426**	261,059
		261,540	294,362

30. STAFF STRENGTH

	Number of employees 2015	Number of employees 2014
Permanent	**47**	40
Contractual	**1**	1
Company's own staff strength at the end of the year	**48**	41
Outsourced	**8**	8
Total staff strength	**56**	49

31. DEFINED BENEFIT PLAN

31.1 General description

As mentioned in note 4.19, the Company operates an unapproved unfunded gratuity scheme for all its permanent employees. The benefits under the gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service in lump sum. The benefit is equal to one month's last drawn salary for each year of eligible service or part thereof, subject to a minimum of two years of service.

31.2 Principal actuarial assumptions

The actuarial valuation was carried out as at 31 December 2015 using the "Projected Unit Credit Actuarial Cost Method". The information provided in notes 31.2 to 31.9 has been obtained from the actuarial valuation carried out as at 31 December 2015.

Actuarial Assumptions

	2015	2014
Financial Assumptions		
Discount rate	**9.00%**	11.25%
Expected rate of increase in salaries	**8.00%**	9.75%
Demographic Assumptions		
Mortality rates (for death in service)	SLIC (2001-05)	SLIC (2001-05)
Rates of employee turnover	Moderate	Moderate

31.3 Reconciliation of amount payable to defined benefit obligation

	2015 (Rupees in '000)	2014 (Rupees in '000)
Present value of defined benefit obligation	**25,727**	18,106
Fair value of any assets	**-**	-
Payable to defined benefit plan	**25,727**	18,106

31.4 Movement in the present value of defined benefit obligation

	2015	2014
Present value of defined benefit obligation at the beginning of the year	**18,106**	21,421
Service cost	**6,841**	6,135
Interest cost on define benefit obligation	**2,355**	3,450
Actual benefits paid during the year	**(3,545)**	(11,638)
Remeasurement (gain) / loss on obligation	**1,970**	(1,262)
Present value of defined benefit obligation at the end of the year	**25,727**	18,106

	Note	2015	2014
31.5 Movement in the net benefit liability (asset)		**(Rupees in '000)**	
Opening balance		**18,106**	21,421
Net periodic benefit cost for the year		**9,196**	9,585
Actual benefits paid during the year		**(3,545)**	(11,638)
Remeasurement loss / (gain) recognised in OCI during the year		**1,970**	(1,262)
Closing balance		**25,727**	18,106

31.6 Defined benefit cost for the year

	2015	2014
Cost recognised in Profit and Loss for the year		
Service cost		
Current service cost	**6,841**	6,135
Past service cost	**-**	-
	6,841	6,135
Net interest cost		
Interest cost on defined benefit obligation	**2,355**	3,450
Interest income on plan assets	**-**	-
	2,355	3,450
	9,196	9,585
Remeasurement recognised in OCI during the year		
Actuarial loss / (gain) on obligation	**1,970**	(1,262)
Return on plan assets net of interest income	**-**	-
	1,970	(1,262)
Total defined benefit cost recognised in Profit and Loss and Other comprehensive income	**11,166**	8,323

31.7 Remeasurement recognised in OCI during the year

	2015	2014
Loss / (gain) due to change in financial assumptions	**909**	(160)
Loss / (gain) due to change in experience adjustments	**1,061**	(1,102)
	1,970	(1,262)

31.8 Sensitivity analysis on significant actuarial assumptions

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	2015	2014
	(Rupees in '000)	
Discount Rate +0.5%	**24,566**	19,037
Discount Rate -0.5%	**26,982**	17,244
Long Term Salary Increases +0.5%	**27,051**	17,189
Long Term Salary Increases -0.5%	**24,494**	19,089

31.9 The gratuity cost to be recognised in profit and loss for the year ended December 31, 2015 works out to Rs. 9.196 million (2014: Rs. 9.585 million).

32. DEFINED CONTRIBUTION PLAN

The Company operates an approved provident fund scheme for all its permanent employees to which both the Company and employees contribute at 10% of basic salary in equal monthly contributions.

	2015	2014
	(Rupees in '000)	
Contribution from the Company	**7,850**	4,681
Contribution from the employees	**7,850**	4,681
Employees covered under the plan	**48**	41

33. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Manag ing Director / Chief Executive Officer		Director		Executives	
	2015	2014	**2015**	2014	**2015**	2014
			(Rupees in ' 000)			
Fees	**-**	-	**1,830**	2,126	**-**	-
Managerial remuneration	**28,405**	10,179	**-**	-	**33,355**	22,581
Contribution to defined contribution plan	**3,027**	1,020	**-**	-	**2,561**	2,138
Rent and house maintenance	**-**	4,071	**-**	-	**11,901**	9,032
Utilities	**1,152**	1,124	**-**	-	**2,975**	2,258
Medical	**-**	61	**-**	-	**3,463**	2,404
Others	**15,348**	5,700	**-**	-	**15,019**	19,196
	47,932	22,155	**1,830**	2,126	**69,274**	57,609
Number of persons	**1**	1	*** 7**	* 7	***16**	14

The Managing Director / Chief Executive Officer is provided with free use of the Company maintained cars. All non-executive directors are given traveling allowance of Euro 5,000 per meeting for attending the board meeting held during the year.
*This also includes outgoing directors / executives during the year.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

34.1 On balance sheet financial instruments

	2015		2014	
	Book value	**Fair value**	Book value	Fair value
	(Rupees in ' 000)		(Rupees in ' 000)	
Assets				
Cash and balances with treasury banks	**46,114**	**46,114**	33,303	33,303
Balances with other banks	**215,426**	**215,426**	261,059	261,059
Lendings to financial institutions	**-**	**-**	-	-
Investments	**18,807,372**	**18,807,372**	14,114,870	14,114,870
Advances	**3,502,948**	**3,502,948**	3,592,178	3,592,178
Other assets	**198,415**	**198,415**	259,534	259,534
	22,770,275	**22,770,275**	18,260,944	18,260,944
Liabilities				
Borrowings from financial institutions	**11,652,435**	**11,652,435**	9,221,225	9,221,225
Deposits and other accounts	**1,890,502**	**1,890,502**	386,060	386,060
Other liabilities	**484,862**	**484,862**	344,186	344,186
	14,027,799	**14,027,799**	9,951,471	9,951,471
Off-balance sheet financial instruments	-		-	

The fair value of traded investments is based on quoted market price.
In the opinion of the management, the fair value of the remaining financial assets and liabilities is not significantly different from their carrying values.

35. SEGMENT ANALYSIS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate finance	Trading and sales	Commercial banking	Total
		(Rupees in ' 000)		
2015				
Total income - Gross	**13,825**	**1,390,313**	**465,296**	**1,869,434**
Total mark-up / return / interest expense	**-**	**530,867**	**96,258**	**627,125**
Segment provision / (reversal) / impairment	**-**	**22,827**	**(5,878)**	**16,949**
	-	**553,694**	**90,380**	**644,074**
Net operating income	**13,825**	**836,619**	**374,916**	**1,225,360**
Administrative expenses and other charges				**302,029**
Profit before taxation				**923,331**
Segment assets	-	**17,877,609**	**5,343,668**	**23,221,277**
Segment impaired assets / non-performing loans	-	**289,261**	**1,627,182**	**1,916,443**
Segment provision required and held	-	**(22,827)**	**(1,263,481)**	**(1,286,308)**
Segment liabilities	-	**12,797,040**	**1,230,252**	**14,027,292**
Segment return on assets - %	-	**4.68%**	**7.02%**	**5.28%**
Segment cost of funds - %	-	**4.15%**	**7.82%**	**4.47%**
2014				
Total income - gross	14,985	899,576	691,191	1,605,752
Total mark-up / return / interest expense	-	348,914	159,132	508,046
Segment provision / (reversal) / impairment	-	(2,357)	352,916	350,559
	-	346,557	512,048	858,605
Net operating income	14,985	553,019	179,143	747,147
Administrative expenses and other charges				283,150
Profit before taxation				463,997
Segment assets	-	12,580,041	6,164,175	18,744,216
Segment non-performing loans	-	1,076	1,955,500	1,956,576
Segment provision required and held	-	(414)	(1,268,945)	(1,269,359)
Segment liabilities	-	8,060,314	1,891,157	9,951,471
Segment return on assets - %	-	4.40%	2.91%	3.99%
Segment cost of funds - %	-	4.33%	8.41%	5.11%

36. RELATED PARTY TRANSACTIONS

Related parties comprise of major shareholders, directors and key management personnel and their close family members and retirement benefit funds.

Transactions with employees, as per the terms of employment, and transactions with other related parties are executed substantially on the same terms, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk.

The details of transactions with related parties, other than those which have been specifically disclosed elsewhere in the financial statements are as follows:

36.1. The Key Management Personnel / Directors compensation are as follows:

	2015	2014
	(Rupees in '000)	
Loans and advances to key management personnel:		
Balance at beginning of the year	**17,228**	101,212
- Loans granted during the year	**22,169**	2,000
- Repayments during the year	**(9,462)**	(85,984)
Balance at the end of the year	**29,935**	17,228
Mark-up earned on loans and advances to key management personnel	**1,788**	770
Non-executive directors' remuneration	**1,830**	2,126
Salaries and benefits	**111,619**	76,607
Contribution to defined contribution plan	**5,588**	3,158
Disposal of fixed assets to key personnel	**-**	21,165
36.2. Contribution to defined contribution plan	**6,957**	**4,681**
36.3. Receivable from Iran Foreign Investment Company - Net	**2,218**	**5,870**
36.4. Dividend payable to Iran Foreign Investment Company	**150,000**	**75,000**
36.5. Dividend paid to Ministry of Finance, Government of Pakistan	**75,000**	**-**

37. CAPITAL ASSESSMENT AND ADEQUACY - BASEL III SPECIFIC

37.1 Capital adequacy

The objective of capital management is to safeguard the Company's ability to continue as a going concern, so that it could continue to manage risk and provide adequate returns to shareholders by pricing products and services commensurate with the level of risk.

It is the policy of the Company to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Company recognises the need to maintain a balance between the higher returns and manage acceptable risk appetite that might be possible with greater gearing and the advantages and security supported by a sound capital position.

Goals of managing capital

The goals of managing capital of the Company are as follows:

- To ensure availability of adequate capital at a reasonable cost so as to enable the Company to grow accordingly

- To achieve a low cost of capital with appropriate mix of capital elements

- To be an appropriately capitalized institution, as prescribed by regulatory authorities from time to time

- To maintain highest quality ratings and to protect the Company against unexpected events

The Capital of the Company is managed keeping in view the minimum "Capital Adequacy Ratio" required by SBP through BSD Circular No. 8 dated June 27, 2006 and BPRD Circular No. 04 of 2013 dated May 16, 2013. The adequacy of the capital is tested with reference to the Risk Weighted Assets of the Company.

The Company's operations are categorised as at trading book and banking book and risk-weighted assets are determined according to specified requirements of SBP in order to seek and reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprises of credit, market and operational risk.

The calculation of Capital Adequacy enables the Company to assess its long-term soundness. It is critically important to continuously monitor the exposure across the entire organization and create aggregate view on the same by generating management level information trial to manage risk and return trade-offs.

The Company is in compliance of the Minimum Capital Requirement, set by the State Bank of Pakistan.

Scope of applications

The Company has implemented standardized approach of Basel III on standalone basis. The objectives of Basel III aims to further strengthen the existing capital framework by amending certain provisions of Basel II and introduction of new requirements.

The Company at present does not have any overseas operations, subsidiary / associate or engage in joint venture with any other entity.

37.2 Capital Adequacy Ratio (CAR) disclosure template:

CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2015

Rows #		2015 (Rupees in '000) Amount	2014 Amount
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital / Capital deposited with SBP	6,000,000	6,000,000
2	Balance in Share Premium Account		
3	Reserve for issue of bonus shares		
4	Discount on issue of shares		
5	General / Statutory Reserves	673,449	553,966
6	Gain / (loss) on derivatives held as Cash Flow Hedge		
7	Unappropriated / unremitted profit / (loss)	2,390,166	2,062,742
8	Minority Interests arising from CET 1 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**	9,063,615	8,616,708
10	Total regulatory adjustments applied to CET 1 (Note 37.2.1)	(654,895)	(567,664)
11	**Common Equity Tier 1**	8,408,720	8,049,044
	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	**AT 1 before regulatory adjustments**	0	0
18	Total regulatory adjustment applied to AT 1 capital **(Note 37.2.2)**	0	0
19	Additional Tier 1 capital after regulatory adjustments		
20	**Additional Tier 1 capital recognized for capital adequacy**	0	0
21	**Tier 1 Capital (CET 1 + admissible AT 1) (11+20)**	8,408,720	8,049,044
	Tier 2 Capital		
22	Qualifying Tier 2 capital instruments under Basel III plus any related share premium		
23	Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules		
24	Tier 2 capital instruments issued to third parties by consolidated subsidiaries		
	(amount allowed in group tier 2)		
25	of which: instruments issued by subsidiaries subject to phase out		
26	General provisions or general reserves for loan losses up to maximum 1.25% of Credit Risk Weighted Assets		
27	Revaluation Reserves (net of taxes)		
28	of which: revaluation reserves on fixed assets		
29	of which: unrealized gains/losses on AFS	115,350	123,548
30	Foreign Exchange Translation Reserves		

		2015		2014
		(Rupees in '000)		
		Amount		Amount
31	Undisclosed / other reserves (if any)			
32	**T2 before regulatory adjustments**	115,350		123,548
33	Total regulatory adjustment applied to T2 capital **(Note 37.2.3)**	(115,350)		(123,548)
34	Tier 2 capital (T2) after regulatory adjustments	0		0
35	Tier 2 capital recognised for capital adequacy	0		0
36	Portion of Additional Tier 1 capital recognised in Tier 2 capital	0		0
37	**Total Tier 2 capital admissible for capital adequacy**	0		0
38	**Total Capital (T1 + admissible T2) (21+37)**	**8,408,720**		**8,049,044**
39	**Total Risk Weighted Assets (RWA) {for details refer Note 37.5}**	**10,048,068**		**10,869,061**
	Capital Ratios and buffers (in percentage of risk weighted assets)			
40	CET1 to total RWA	**83.68%**		**74.05%**
41	Tier 1 capital to total RWA	**83.68%**		**74.05%**
42	Total capital to total RWA	**83.68%**		**74.05%**
43	Bank specific buffer requirement (minimum CET 1 requirement plus capital conservation			
	buffer plus any other buffer requirement)	10%		10%
44	of which: capital conservation buffer requirement			
45	of which: countercyclical buffer requirement			
46	of which: D-SIB or G-SIB buffer requirement			
47	CET 1 available to meet buffers (as a percentage of risk weighted assets)	77.68%		68.55%
	National minimum capital requirements prescribed by SBP			
48	**CET 1 minimum ratio**	**6.00%**		**5.50%**
49	**Tier 1 minimum ratio**	**7.50%**		**7.00%**
50	**Total capital minimum ratio**	**10.00%**		**10.00%**

Regulatory Adjustments and Additional Information		2015 Amount (Rupees in '000)	2015 Amounts subject to Pre-Basel III treatment*	2014 Amount (Rupees in '000)	2014 Amounts subject to Pre-Basel III treatment*
37.2.1	**Common Equity Tier 1 Capital: Regulatory Adjustments**				
1	Goodwill (net of related deferred tax liability)				
2	All other intangibles (net of any associated deferred tax liability)	511		1,483	
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 CET 1 capital instruments of banking, financial and insurance entities				
7	Cash flow hedge reserve				
8	Investment in own shares / CET 1 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)	43,769	65,654	38,851	155,404
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	National specific regulatory adjustments applied to CET 1 capital				
18	National specific regulatory adjustments applied to CET 1 capital				
19	Investments in TFCs of other banks exceeding the prescribed limit	297,523	-	338,032	-
20	Any other deduction specified by SBP (mention details)				
21	Adjustment to CET 1 due to insufficient AT 1 and Tier 2 to cover deductions	313,092		189,298	
22	Total regulatory adjustments applied to CET 1 (sum of 1 to 21)	654,895		567,664	

Note 37.2.2	**Additional Tier 1 & Tier 1 Capital: Regulatory Adjustments**				
23	Investment in mutual funds exceeding the prescribed limit (SBP-specific adjustment)				
24	Investment in own AT 1 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)	32,433	48,651	16,904	67,617
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	280,658		172,393	
30	Total regulatory adjustment applied to AT 1 capital (sum of 23 to 29)	-		-	

Note 37.2.3	**Tier 2 Capital: Regulatory Adjustments**				
31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital				
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)	396,009	295,942	594,014	1,183,767
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 T 2 capital (sum of 31 to 35)	115,350		123,548	

		2015	2014
		Rupees in '000	
Note 37.2.4	**Additional Information**	**Amount**	**Amount**
	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)	779,299	1,566,454
(i)	of which: deferred tax assets		
(ii)	of which: defined benefit pension fund net assets		
(iii)	of which: recognised 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	779,299	1,566,454
(iv)	of which: recognised portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity		
	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)	259,691	272,920
	Applicable caps on the inclusion of provisions in Tier 2		
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)		
42	Cap on inclusion of provisions in Tier 2 under standardised 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		

37.3 Capital Structure Reconciliation

Table: 37.3.1	Balance sheet of the published financial statements	Under regulatory scope of consolidation
(in thousand PKR)	**As at period end**	**As at period end**
Assets (1)	**(2)**	**(3)**
Cash and balances with treasury banks	46,114	46,114
Balanced with other banks	215,426	215,426
Lending to financial institutions	-	-
Investments	18,807,372	18,807,372
Advances	3,502,948	3,502,948
Operating fixed assets	191,311	191,311
Deferred tax assets	259,691	259,691
Other assets	198,415	198,415
Total Assets	**23,221,277**	**23,221,277**
Liabilities & Equity		
Bills payable	-	-
Borrowings	11,652,435	11,652,435
Deposits and other accounts	1,890,502	1,890,502
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	484,862	484,862
Total Liabilities	**14,027,799**	**14,027,799**
Share capital / Head office capital account	6,000,000	6,000,000
Reserves	673,449	673,449
Unappropriated / unremitted profit (loss)	2,390,166	2,390,166
Minority interest	-	-
Surplus on revaluation of assets	129,863	129,863
Total Liabilities & Equity	**9,193,478**	**9,193,478**

Table: 37.3.2	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period end	As at period end	
Assets (1)	(2)	(3)	(4)
Cash and balances with treasury banks	46,114	46,114	
Balanced with other banks	215,426	215,426	
Lending to financial institutions	-	-	
Investments	18,807,372	18,807,372	
of which: non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	1,750,079	2,086,840	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 CET 1, AT 1, T 2)	-	-	d
of which: others (mention details)	-	-	e
Advances	3,502,948	3,502,948	
shortfall in provisions / excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital	-	-	g
Fixed Assets	191,311	191,311	
Deferred Tax Assets	259,691	259,691	
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	198,415	198,415	
of which: Goodwill	-	-	j
of which: Intangibles	511	511	k
of which: Defined-benefit pension fund net assets	-	-	l
Total Assets	**23,221,277**	**23,221,277**	

Liabilities & Equity			
Bills payable	-	-	
Borrowings	11,652,435	11,652,435	
Deposits and other accounts	1,890,502	1,890,502	
Sub-ordinated loans	-	-	
of which: eligible for inclusion in AT 1	-	-	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	484,862	484,862	
Total Liabilities	**14,027,799**	**14,027,799**	

Share capital	6,000,000	6,000,000	
of which: amount eligible for CET 1	6,000,000	6,000,000	s
of which: amount eligible for AT 1	-	-	t
Reserves	673,449	673,449	
of which: portion eligible for inclusion in CET 1(provide breakup)	673,449	673,449	u
of which: portion eligible for inclusion in Tier 2	-	-	v
Unappropriated profit / (loss)	2,390,166	2,390,166	w
Minority interest	-	-	
of which: portion eligible for inclusion in CET 1	-	-	x
of which: portion eligible for inclusion in AT 1	-	-	y
of which: portion eligible for inclusion in Tier 2	-	-	z
Surplus on revaluation of assets	129,863	129,863	
of which: Revaluation reserves on Fixed Assets	-	-	aa
of which: Unrealized Gains / Losses on AFS	129,863	129,863	
In case of Deficit on revaluation (deduction from CET 1)	-	-	ab
Total Liabilities & Equity	9,193,478	9,193,478	

	Basel III Disclosure Template (with added column)			
	Table: 37.3.3	**Component of regulatory capital reported by bank**	**Source based on reference number from step 2**	
	Common Equity Tier 1 Capital (CET 1): Instruments and Reserves			
1	Fully Paid-up Capital / Capital deposited with SBP	6,000,000	(s)	
2	Balance in Share Premium Account	-		
3	Reserve for issue of Bonus Shares	-		
4	General / Statutory Reserves	673,449	(u)	
5	Gain / (loss) on derivatives held as Cash Flow Hedge	-		
6	Unappropriated / unremitted profits / (loss)	2,390,166	(w)	
7	Minority Interests arising from CET 1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET 1 capital of the consolidation group)	-	(x)	
8	**CET 1 before Regulatory Adjustments**	9,063,615		
	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)	511	(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%	where 'x' depends on transitional arrangement for capital deduction (e.g. 0%, 20% etc.), Section 2.4.11
13	Defined-benefit pension fund net assets	-	{(l) - (q)} * x%	
14	Reciprocal cross holdings in CET 1 capital instruments	-	(d)	
15	Cash flow hedge reserve	-		
16	Investment in own shares / CET 1 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)	43,769	(a) - (ac) - (ae)	Portion of amount above the threshold that is to be deducted from CET 1, whereas "ac" is the portion to be deducted from AT 1 and "ae" is the portion to be deducted from T 2
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)	Portion of amount above the threshold that is to be deducted from CET 1, whereas "ad" is the portion to be deducted from AT 1 and "af" is the portion to be deducted from T 2

22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23	Amount exceeding 15% threshold		
24	of which: significant investments in the common stocks of financial entities	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments applied to CET 1 capital	-	
27	of which: investment in TFCs of other banks exceeding the prescribed limit	297,523	
28	of which: any other deduction specified by SBP (mention details)	-	
29	Regulatory adjustment applied to CET 1 due to insufficient AT 1 and Tier 2 to cover deductions	313,092	
30	Total regulatory adjustments applied to CET 1 (sum of 9 to 29) Common Equity Tier 1	654,895	
31	**Common Equity Tier 1**	**8,408,720**	

	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	**AT 1 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 AT 1 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)	(32,433)	(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	280,658	
45	Total of Regulatory Adjustment applied to AT 1 capital (sum of 38 to 44)	-	
46	Additional Tier 1 capital	-	
47	**Additional Tier 1 capital recognised for capital adequacy**	-	
48	**Tier 1 Capital (CET 1 + admissible AT 1) (31+47)**	8,408,720	

	Tier 2 Capital		
49	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	(n)
50	Capital instruments subject to phase out arrangement from Tier 2 (pre-Basel III instruments)	-	
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	-	(g)
54	Revaluation Reserves	-	
55	of which: revaluation reserves on fixed assets	-	portion of (aa)
56	of which: unrealized Gain / Loss on AFS	115,350	
57	Foreign Exchange Translation Reserves	-	(v)
58	Undisclosed / other reserves (if any)	115,350	
59	**T2 before Regulatory Adjustments**	115,350	
	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)	(396,009)	(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 (sum of 60 to 64)	(115,350)	
66	Tier 2 capital (T2)	-	
67	Tier 2 capital recognised for capital adequacy	-	
68	Excess Additional Tier 1 capital recognised in Tier 2 capital	-	
69	Total Tier 2 capital admissible for capital adequacy	-	
70	**Total Capital (T1 + admissible T2) (48+69)**	**8,408,720**	

Note 37.4 Main Features Template of Regulatory Capital Instruments

Disclosure Template for Main Features of Regulatory Capital Instruments					
	Main Features	Common Shares	Instrument - 2	Inst.- 3 & so on	Explanation
1	Issuer	PAIR Investment Company Limited			Identifies issuer's legal entity
2	Unique identifier (e.g. KSE Symbol or Bloomberg identifier etc.)	Not Applicable			
3	Governing law(s) of the instrument	Banking Companies Ordinance 1962, Companies Ordinance 1984 and other corporate laws as promulgated by SECP			Specifies the governing law(s) of the instrument
	Regulatory treatment				
4	Transitional Basel III rules	Not Applicable			Specifies the regulatory capital treatment during Basel III transitional phase (i.e. the component of capital that the instrument is being phased-out from). Enter: [Common Equity Tier 1] [Additional Tier 1] [Tier 2]
5	Post-transitional Basel III rules	Not Applicable			Specifies regulatory capital treatment under Basel III rules not taking into account transitional treatment. Enter: [Common Equity Tier 1] [Additional Tier 1] [Tier 2] [Ineligible]
6	Eligible at solo / group / group & solo	Solo			Specifies the level(s) within the group at which the instrument is included in capital. [Solo] [Group] [Solo and Group]
7	Instrument type	Ordinary Shares			Enter: [Ordinary shares] [Perpetual non-cumulative preference shares] [perpetual debt instruments] [Other Tier 2] (others: please specify)
8	Amount recognised in regulatory capital (currency in PKR thousands, as of reporting date)	PKR 6,000,000			Specifies amount recognised in regulatory capital.
9	Par value of instrument	PKR 10			Par value of instrument
10	Accounting classification	Shareholders's equity			Specifies accounting classification. Helps assess loss absorbency. Enter: [Shareholders' equity] [Liability - amortized cost] [Liability - fair value option] [Non-controlling interest in consolidated subsidiary]
11	Original date of issuance		2007		Specifies the date of issuance
12	Perpetual or dated		Perpetual		Specifies whether dated or perpetual. Enter: [Perpetual / no Maturity] [Dated]
13	Original maturity date		No Maturity		For dated instrument, specifies original maturity date
14	Issuer call subject to prior supervisory approval		No		Specifies whether there is an issuer call option. Helps assess permanence. Enter: [Yes] [No]
15	Optional call date, contingent call dates and redemption amount	Not Applicable			For instrument with issuer call option, specifies the first date of call if the instrument has a call option on a specific date (day, month and year) and in addition, mentions if the instrument has a tax and/or regulatory event call. Also specifies the redemption price. Helps assess the permanence.
16	Subsequent call dates, if applicable	Not Applicable			Specifies subsequent call dates, if applicable. Helps assess the permanence.
	Coupons / dividends				
17	Fixed or floating dividend / coupon	Not Applicable			Enter [fixed], [floating], [fixed to floating], [floating to fixed]
18	Coupon rate and any related index / benchmark	Not Applicable			
19	Existence of a dividend stopper	No			Specifies whether the non-payment of a coupon or dividend on the instrument prohibits the payment of dividends on common shares (i.e. whether there is a dividend stopper) Enter: [yes], [no]
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary			Enter: [fully discretionary] [partially discretionary] [mandatory]
21	Existence of step up or other incentive to redeem	No			Specifies whether there is a step-up or other incentive to redeem. Enter: [Yes] [No]
22	Noncumulative or cumulative	Not Applicable			Specifies whether dividends / coupons are cumulative or noncumulative. Enter: [Noncumulative] [Cumulative]
23	Convertible or non-convertible	Non-convertible			Specifies whether instrument is convertible or not. Helps assess the loss absorbency. Enter: [Convertible] [Nonconvertible]
24	If convertible, conversion trigger (s)	No			Specifies the conditions under which the instrument will convert, including point of non-viability. Where one or more authorities have the ability to trigger conversion, the authorities should be listed. For each of the authorities it should be stated whether it is the terms of the contract of the instrument that provide the legal basis for the authority to trigger conversion (a contractual approach) or whether the legal basis is provided by statutory means (a statutory approach)

25	If convertible, fully or partially	**Not Applicable**			Specifies whether the instrument will: (i) always convert fully, (ii) may convert fully or partially, or (iii) will always convert partially Enter: one of the options.
26	If convertible, conversion rate	**Not Applicable**			Specifies the rate of conversion into the more loss absorbent instrument. Helps to assess the degree of loss absorbency.
27	If convertible, mandatory or optional conversion	**Not Applicable**			For convertible instruments, specifies whether conversion is mandatory or optional. Helps assess the loss absorbency. Enter: [Mandatory] [Optional] [NA]
28	If convertible, specify instrument type convertible into	**Not Applicable**			For convertible instruments, specifies instrument type convertible into. Helps assess the loss absorbency. Enter: [Common Equity Tier 1] [Additional Tier 1] [Tier 2]
29	If convertible, specify issuer of instrument it converts into	**Not Applicable**			If convertible, specifies the issuer of the instrument into which it converts.
	Write-down feature	**No**			Specifies whether there is a write down feature. Helps assess the loss absorbency. Enter: [Yes] [No]
31	If write-down, write-down trigger(s)	**Not Applicable**			Specifies the trigger at which write-down occurs, including the point of non-viability. Where one or more authorities have the ability to trigger write-down, the authorities should be listed. For each of the authorities it should be stated whether it is the terms of the contract of the instrument that provide the legal basis for the authority to trigger write-down (a contractual approach) or whether the legal basis is provided by statutory means (a statutory approach).
32	If write-down, fully or partially	**Not Applicable**			For each write-down trigger separately, specifies whether the instrument will (i) always be written-down fully, (ii) may be written down partially, or (iii) will always be written down partially. Help assess the level of loss absorbency at write-down.
33	If write-down, permanent or temporary	**Not Applicable**			For write down instrument, specifies whether write down is permanent or temporary. Helps assess the loss absorbency. Enter: [Permanent] [Temporary] [NA]
34	If temporary write-down, description of write-up mechanism	**Not Applicable**			For instrument that has a temporary write-down, description of write-up mechanism.
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	**Not Applicable**			Specifies instrument to which it is most immediately subordinate. Helps assess the loss absorbency on gone-concern basis.
36	Non-compliant transitioned features	**No**			Specifies whether there are non-compliant features. Enter: [Yes] [No]
37	If yes, specify non-compliant features	**Not Applicable**			If there are non-compliant features, specifies which ones. Helps assess the instrument loss absorbency.

37.5 Risk Weighted Assets

The capital requirements for the Company as per major risk categories are given below:

	2015		2014	
	Capital requirements	**Risk weighted assets**	Capital requirements	Risk weighted assets
Credit risk	**(Rupees in '000)**		**(Rupees in '000)**	
Claims on:				
Banks	**9,005**	**90,049**	7,048	70,476
Corporate	**388,403**	**3,884,028**	392,838	3,928,381
Retail portfolio	**370**	**3,699**	206	2,061
Secured by residential property	**1,364**	**13,640**	1,129	11,286
Past due loans	**91,288**	**912,880**	83,970	839,700
Listed equity investments	**104,550**	**1,045,497**	156,725	1,567,248
Unlisted equity investments	**28,693**	**286,934**	29,847	298,469
Investments in fixed assets	**19,131**	**191,311**	20,887	208,869
All other assets	**67,573**	**675,728**	73,083	730,828
	710,377	**7,103,766**	765,733	7,657,318
Market risk				
Interest rate risk	**35,864**	**448,302**	16,353	204,410
Equity risk	**76,938**	**961,731**	121,546	1,519,324
	112,802	**1,410,033**	137,899	1,723,734
Operational risk	**122,742**	**1,534,269**	119,041	1,488,009
	945,921	**10,048,068**	1,022,673	10,869,061

Capital Adequacy Ratios	**2015**		2014	
	Required	**Actual**	Required	Actual
CET 1 to total RWA	6.00%	83.68%	5.50%	74.05%
Tier 1 capital to total RWA	7.50%	83.68%	7.00%	74.05%
Total capital to total RWA	10.00%	83.68%	10.00%	74.05%

38. RISK MANAGEMENT

The primary risks associated with the Company's exposure are:

Credit Risk: the risk of loss resulting from the client's or counterparty's default.
Market Risk: the exposure to market variables such as interest rates and equity prices.
Operational Risk: the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events,and therefore includes legal risk.

The Company's Credit & Risk Management Department has Basel-Compliant, Credit, Market, Liquidity and Operational Risk functions.

The Company's portfolio and exposures are governed through relevant policies, procedures and various risk measurement techniques by adopting Internal Capital Adequacy Assessment Process (ICAAP) and Stress Testing with a purpose to achieve efficiency, effectiveness and compliance. Internal Risk Rating mechanism and transaction level risk analytics have been adopted in order to have ongoing risk sensitive assessment and reporting. The Company is more focused towards implementing system based risk assessment by acquiring risk systems in order to have more efficiency in the overall risk management processes.

38.1. Credit risk

Credit risk is the risk of loss to the Company as a result of failure by a client or counterparty to meet its contractual obligations. It is inherent in loans, commitments to lend, traded products, repurchase agreements (reverse repos), placements and other lending transactions. The role of Credit Risk Management particularly includes:

- Participation in portfolio planning and management

- Establishment of credit policies and standards that conform to regulatory requirements and the Company's overall objectives

- Working with Business Units in keeping aggregate credit risk exposure within the Company's risk appetite

- Organising portfolio reviews focusing on quality assessment, risk profiles and industry concentrations

- Setting systems to identify significant portfolio indicators, problem credits and level of provisioning required

The Company has designed an Internal Risk Rating Models and methodology to gauge credit risk elements in the banking book of the Company

The credit products mainly comprise of fund-based & non-fund based, including short term and long term financing, project finance, term lending, reverse repurchase, bridge finance, investment in TFCs , Sukuk bonds and placements with financials institutions, etc. Exposures are collateralised by cash equivalents, fixed assets, and current assets including property plant and equipment, land and building, hypothecation, pledge on stocks and receivables as the case may be. The Company manages limits and controls the concentrations of credit risk as identified, particular to individual counterparties and groups and to industries where appropriate.

Concentrations of credit risk exist if clients are engaged in similar activities, or are located in the same geographic region or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. The Company sets limits on its credit exposure to counterparty, groups and to industries which are in line with SBP standards.

Stress testing on credit portfolio is being carried out on regular basis to assess the impact of defaults on Company's earning and capital adequacy. Credit concentration, rating migration, default shocks and risk aggregation of large exposures are few of the main shocks used to gauge the strength of Credit risk standing of the Company.

38.1.1 Credit Risk – General Disclosures Basel II / III specific

The Company is more focused on the intent of Basel II/ III rather than just treating it as a regulatory requirement. Therefore, in addition to the adoption of Standardized approach and reporting to SBP, the Company has already adopted the practice of ongoing assessment as required under the advanced approaches of Basel II .The Company has adopted Pillar II ICAAP requirements duly approved by the Board of Directors.

38.1.2 Credit Risk: Disclosure for portfolio subject to the Standardized Approach

For the calculation of Risk Weighted Assets under Standardized Approach, external credit ratings have been used for all exposures, where available, against banks lending, corporate lending and debt instruments. The external ratings are further mapped with SBP ratings scale to arrive at risk weights of each transaction.

Types of exposures and ECAI's used :

Exposures	JCR-VIS	PACRA
Banks	✓	✓
Corporate	✓	✓

Credit exposures subject to standardised approach
Exposures

	Rating Category	Amount Outstanding	Deduction	Net amount
		----(Rupees in '000)----		
Corporate	1	736,592	-	736,592
	2	871,921	-	871,921
	3,4	27,840	-	27,840
	5,6	-	-	-
	Unrated 1	1,233,511	-	1,233,511
	Unrated 2	1,631,518	-	1,631,518
Banks	1	10,875,578	10,425,339	450,239
Sovereigns		8,909,539	-	8,909,539
Retail Portfolio		4,932	-	4,932
Residential Mortgage Finance		38,972	-	38,972
Past Due Loans		910,456	-	910,456
Listed Equity investmnents		1,045,497	-	1,045,497
Unlisted Equity investmnents		191,290	-	191,290
Cash and Cash Equivalents		776	-	776
Others		103,244	-	103,244
		26,581,666	10,425,339	16,156,327

CRM - Credit Risk Mitigation

38.1.2.1 Credit Risk: Disclosure with respect to Credit Risk Mitigation for Standardized approach - Basel II specific

The credit policy of the Company covers credit risk mitigation process and requirements for all secured transactions. Key elements include:

- Collateral type;
- Collateral quality and ranking;
- Collateral valuation process, and
- Margin requirements

Equitable Mortgage, Token Registered Mortgage, Hypothecation Charge Over Fixed Assets , Current Assets, Pledge of Shares, Lending against Government Securities (for repo style transaction), GoP Guarantee and Pledge of stocks are the main type of collaterals taken against the exposure.

38.1.3 Segmental information

38.1.3.1 Segments by class of business

	2015					
	Advances - Gross		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Cement	75,000	2%	61,962	3%	-	-
Sugar	455,736	10%	10,000	1%	-	-
Electronics and electrical appliances	-	-	-	-	-	-
Construction	314,443	7%	-	-	26,000	5%
Power (electricity), gas, water, sanitary	760,52	17%	-	-	74,033	14%
Financial	-	-	1,650,000	87%	106,732	21%
Services	459,871	11%	-	-	-	-
Textile	864,817	20%	-	-	126,850	24%
Transport, storage and communication	-	-	-	-	-	-
Fertilizer	-	0%	-	-	-	-
Infrastructure	256,997	6%	-	-	-	-
Paper and board	86,250	2%	-	-	-	-
Steel	546,665	13%	-	-	124,320	24%
Oil and Gas	146,429	3%	-	-	-	-
Others	399,712	9%	168,540	9%	60,000	12%
	4,366,572	100%	1,890,502	100%	517,935	100%

	2014					
	Advances - Gross		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Cement	75,000	2%	-	-	-	-
Sugar	655,036	15%	-	-	-	-
Electronics and electrical appliances	20,000	15%	-	-	-	-
Construction	314,443	7%	-	-	293,068	3%
Power (electricity), gas, water, sanitary	738,580	17%	50,000	13%	-	-
Financial	-	-	250,000	65%	8,325,636	97%
Services	289,674	6%	-	0%	-	-
Textile	641,667	14%	-	-	-	-
Fertilizer	428,571	10%	-	-	-	-
Infrastructure	254,503	6%	-	-	-	-
Individuals	-	0%	-	0%	-	-
Paper and board	88,889	2%	-	-	-	-
Steel	483,827	11%	-	-	-	-
Oil and Gas	214,286	5%	-	-	-	-
Others	224,063	5%	86,060	22%	-	-
	4,428,538	**100%**	**386,060**	**100%**	**8,618,704**	**100%**

38.1.3.2 Segment by sector

	2015					
	Advances - Gross		**Deposits**		**Contingencies and commitments**	
	Rupees in '000	**Percent**	**Rupees in '000**	**Percent**	**Rupees in '000**	**Percent**
Public / Government	**-**	**-**	**-**	**-**	**106,732**	**21%**
Private	**4,366,572**	**100%**	**1,890,502**	**100%**	**411,204**	**79%**
	4,366,572	**100%**	**1,890,502**	**100%**	**517,936**	**100%**

	2014					
	Advances - Gross		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	-	0%	-	0%	8,325,636	97%
Private	4,428,538	100%	386,060	100%	293,068	3%
	4,428,538	100%	386,060	100%	8,618,704	100%

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

	2015		2014	
	Classified Advances	**Specific Provisions Held**	Classified Advances	Specific Provisions Held
Cement	**75,000**	**75,000**	75,000	75,000
Construction	**314,443**	**314,443**	314,443	314,443
Textile	**500,000**	**476,182**	500,000	452,363
Infrastructure	**231,481**	**31,749**	231,481	21,142
Sugar	**78,904**	**8,904**	108,333	8,333
Others	**100,250**	**1,250**	101,250	-
	1,300,078	**907,528**	1,330,507	871,281

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

Public / Government	-	-	-	-
Private	**1,300,078**	**907,528**	1,330,507	871,281
	1,300,078	**907,528**	1,330,507	871,281

38.1.3.5 Geographical segment analysis

	2015			
	Profit before taxation	**Total assets employed**	**Net assets employed**	**Contingencies & commitments**
	Rupees in '000			
Pakistan	**923,331**	**23,221,277**	**9,193,478**	**517,936**

	2014			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
	Rupees in '000			
Pakistan	463,997	18,744,216	8,792,745	8,618,704

38.2 Equity position risk in the trading book-Basel II / III specific

Equity position risk in trading book arises due to changes in prices of individual stocks or levels of equity indices. The Company's equity trading book comprises of Treasury Capital Market's (TCM), Held for trading (HFT) & Available for Sale (AFS) portfolios.

As of December 31, 2015 the equity portfolio of the Company comprised of investment in equities Majortiy of listed and unlisted equities are classified in Held for trading (HFT) and Available for Sale (AFS) while some unlisted equities are classified in Held to Maturity (HTM) category. The marked to market valuation on the listed equities is done on daily basis and any unrealised gain / loss is booked in the profit and loss account and the statement of financial position respectively.

38.3 Market risk

Trading activities are executed in the Treasury & Investment Unit (T&IU). Major equity holdings are held to earn capital gain and dividend to support the Company's business activities while some of the investment positions of equity holding are made for revenue generation as part of strategic initiatives. The Company is active in the Money Market, Fixed Income and Equity market that carry interest rate and equity price risk on both trading and banking book respectively. Management level Market Risk Committee has been invoked to ensure specific & general risk assessment of all market-related products on timely basis.

Controls are also applied to prevent any undue risk concentrations in trading books, taking into account variations in price volatility and market depth and liquidity. They include controls on exposure to individual market risk variables, such as individual interest or equity price (risk factors), and on positions in the securities of individual issuers.

Market risk measures and controls are applied at the portfolio level, and concentration limits and other controls are applied where necessary to individual risk types, to particular books and to specific exposures. Portfolio risk measures are common to all market risks, but concentration limits and other controls are tailored to the nature of the activities and the risks they create.

The Company has developed Market Risk Policy, which covers the techniques to gauge, monitor and report the impact of interest rate and price risk implications.

38.3.1 Foreign Exchange Risk

Foreign Exchange Risk is the risk of loss resulting from changes in exchange rates. The Company does not carry any product specific Foreign Exchange Risk.

	2015			
	Assets	**Liabilities**	**Off-balance sheet items**	**Net currency exposure**
	-----(Rupees in '000)-----			
Pakistan Rupees	**23,213,453**	**14,027,799**	**-**	**9,185,654**
US Dollars	**7,515**	**-**	**-**	**7,515**
Euros	**309**	**-**	**-**	**309**
	23,221,277	**14,027,799**	**-**	**9,193,478**

	2014			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	-----(Rupees in '000)-----			
Pakistan Rupees	18,744,216	9,951,471	-	8,792,745
US Dollars	813,036	-	-	813,036
Euros	47	-	-	47
	19,557,299	9,951,471	-	9,605,828

38.3.2 Equity Position Risk

The objective of 'Held for Trading' portfolio is to take advantages of short-term capital gains, while the 'Available for Sale' portfolio is maintained with a medium-term view of capital gains and dividend income. The Company has also invested in mutual funds categorize as "Available for Sale". Investment policy has been developed to discuss in detail the objectives / policies, risks / mitigates, limits / controls for exposures against price risk.

38.3.3 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II / III Specific

The Company's Banking Book consists of significant amount of interest rate sensitive assets. The investment portfolio comprises of floating interest rate TFCs and Sukuk that are mainly linked to six month KIBOR. Therefore, the overall frequency of banking book interest rate is around six months. Interest rate position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date, the instrument's repayment nature varies from monthly payments to bullet maturity.

Capital Adequacy Stress test exercise has been conducted by using duration method for measuring the upward and downward shocks of interest rate. This provides the Company risk taking and absorption capacity and its implication on capital adequacy in the worst case scenarios.

38.3.4 **Mismatch of interest rate sensitive assets and liabilities**

	2015											
	Effective yield / interest rate	Total	Exposed to yield / interest risk									Non-interest bearing financial instruments
			Up to one month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 years	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.01%	46,114										46,114
Balances with other banks	4.37%	215,426	215,426									
Lendings to financial institutions	0.00%											
Investments - net	7.87%	18,807,372	1,082,237	2,152,969	4,340,671	6,052,209	1,060,643	345,961	2,696,610		-	1,076,072
Advances - net	8.53%	3,502,948	849,076	964,561	659,673	327,879	3,617	3,007	4,414	284,999	16,921	388,801
Other assets - net	0.00%	191,311										191,311
		22,763,171	2,146,739	3,117,530	5,000,344	6,380,088	1,064,260	348,968	2,701,024	284,999	16,921	1,702,298
Liabilities												
Borrowings from financial institutions	6.41%	11,652,435	7,247,343	3,677,996	437,500	-	-	16,446	-	273,150	-	-
Deposits and other accounts	7.29%	1,890,502	170,354	1,706,608	13,460	-	-	-	-	-	-	80
Other liabilities - net	0.00%	484,862	-	-	-	-	-	-	-	-	-	484,862
		14,027,799	7,417,697	5,384,604	450,960	-	-	16,446	-	273,150	-	484,942
On-balance sheet gap		8,735,372	(5,270,958)	(2,269,105)	4,549,384	6,380,088	1,064,260	332,522	2,701,024	11,849	16,921	1,217,356
Non financial net assets		458,109										
Total net assets		9,193,481										

	2015											
	Effective yield / interest rate	Total	Exposed to yield / interest risk									Non-interest bearing financial instruments
			Up to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 years	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	
	(Rupees in '000)											
Off-balance sheet financial instruments												
Equity Future		-	-	-	-	-	-	-	-	-	-	-
"Forward Lending (including call lending, repurchase agreement lending, commitments to extend credit, etc.)"		-	-	-	-	-	-	-	-	-	-	-
"Forward borrowings (including call borrowing, repurchase agreement borrowing, etc.)"		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		8,735,372	(5,270,958)	(2,269,105)	4,549,384	6,380,088	1,064,260	332,522	2,701,024	11,849	16,921	1,217,356
Cumulative yield / interest risk sensitivity gap		8,735,372	(5,270,958)	(7,530,039)	(2,983,459)	3,392,752	4,457,012	4,789,534	7,490,558	7,502,407	7,519,328	8,736,622

	Effective yield / interest rate	2014										
		Total	Exposed to yield / interest risk									Non-interest bearing financial instruments
			Up to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 years	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.01%	33,303	40									33,263
Balances with other banks	6.17%	261,059	247,871									13,188
Lendings to financial institutions	0.00%	-	-	-	-	-	-	-	-	-	-	-
Investments - net	10.69%	14,114,870	1,341,605	4,833,544	2,494,047	925,262	1,368,918	1,019,182	351,557	463,845	-	1,316,910
Advances - net	12.83%	3,592,178	1,068,894	1,480,400	627,043	-	1,276	1,330	23,023	2,513	29,733	357,966
Other assets - net	0.00%	210,933										210,933
		18,212,343	2,658,410	6,313,944	3,121,090	925,262	1,370,194	1,020,512	374,580	466,358	29,733	1,932,260
Liabilities												
Borrowings from financial institutions	9.96%	9,221,225	7,381,536	1,316,667	500,000	-	-	-	23,022	-	-	-
Deposits and other accounts	9.96%	386,060	21,000	365,000	-	-	-	-	-	-	-	60
Other liabilities - net	0.00%	344,186	-	-	-	-	-	-	-	-	-	344,186
		9,951,471	7,402,536	1,681,667	500,000	-	-	-	23,022	-	-	344,246
On-balance sheet gap		8,260,872	(4,744,126)	4,632,277	2,621,090	925,262	1,370,194	1,020,512	351,558	466,358	29,733	1,588,014
Non financial net assets		531,873										
Total net assets		8,792,745										
Off-balance sheet financial instruments												
Equity Future		-	-	-	-	-	-	-	-	-	-	-
Forward Lending		-	-	-	-	-	-	-	-	-	-	-
Forward borrowings		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		**8,260,872**	**(4,744,126)**	**4,632,277**	**2,621,090**	**925,262**	**1,370,194**	**1,020,512**	**351,558**	**466,358**	**29,733**	**1,588,014**
Cumulative yield / interest risk sensitivity gap		**8,260,872**	**(4,744,126)**	**(111,849)**	**2,509,241**	**3,434,503**	**4,804,697**	**5,825,209**	**6,176,767**	**6,643,125**	**6,672,858**	**8,260,872**

38.4 Liquidity risk

TThe Company's approach to liquidity management is to ensure, that it will always have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions without incurring unacceptable losses or risking sustained damage.

Liquidity risk policy has been designed that entails careful monitoring and control of the daily liquidity position, and regular liquidity stress tests under a variety of scenarios. Scenarios encompass both normal and stressed market conditions, including general market crises and the possibility that access to markets could be impacted by a stress event affecting some part of the Company's business.

The Company has developed Liquidity Risk Policy, which covers the techniques to gauge, monitor and report the impact of potential liquidity risk indicators and its implications.

38.4.1 Maturity of assets and liabilities

The maturity profile has been prepared on the basis of contractual maturities and the position is discussed by the Assets and Liabilities Management Committee (ALCO) on monthly basis. The withdrawal pattern of these cash flows reflects a more meaningful analysis of the liquidity risk of the Company.

38.4.1.1 Maturities of assets and liabilities

	2015									
	Total	**Up to 1 month**	**Over 1 month to 3 months**	**Over 3 months to 6 months**	**Over 6 months to 1 years**	**Over 1 year to 2 years**	**Over 2 years to 3 years**	**Over 3 years to 5 years**	**Over 5 years to 10 years**	**Over 10 years**
	---------- (Rupees in '000) ----------									
Assets										
Cash and balances with treasury banks	**46,114**	46,114	-	-	-	-	-	-	-	-
Balances with other banks	**215,426**	215,426	-	-	-	-	-	-	-	-
Lendings to financial institutions	**-**	-	-	-	-	-	-	-	-	-
Investments - net	**18,807,372**	275,717	2,180,418	3,646,364	6,285,379	1,493,102	617,703	2,999,957	1,161,852	146,878
Advances - net	**3,502,948**	170,170	341,009	149,480	417,816	834,004	758,317	448,337	324,989	58,828
Operating fixed assets	**191,311**							-	-	-
Deferred tax asset - net	**259,691**							-	-	-
Other assets - net	**198,415**	52,711	24,866	102,135	11,719	4,900		-	-	-
	23,221,277	**760,138**	**2,546,293**	**3,897,979**	**6,714,914**	**2,332,006**	**1,376,020**	**3,448,294**	**1,486,841**	**205,706**
Liabilities										
Borrowings from financial institutions	**11,652,435**	7,250,631	3,302,996	62,500	190,788	381,576	173,877	153,667	136,400	-
Deposits and other accounts	**1,890,502**	170,354	1,706,608	13,460	80					
Other liabilities - net	**484,862**	219,805	64,705	195,451	-	4,900	-	-	-	-
	14,027,799	**7,640,790**	**5,074,309**	**271,411**	**190,868**	**386,476**	**173,877**	**153,667**	**136,400**	**-**
Net assets	**9,193,478**	**(6,880,652)**	**(2,528,016)**	**3,626,568**	**6,524,046**	**1,945,530**	**1,202,143**	**3,294,627**	**1,350,441**	**205,706**
Represented by:										
Share capital	**6,000,000**									
Reserves	**673,449**									
Unappropriated profit	**2,390,166**									
Surplus on revaluation of assets-net of deferred tax	**129,863**									
	9,193,478									

	2014									
	Total	Up to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 years	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	33,303	33,303	-	-	-	-	-	-	-	-
Balances with other banks	261,059	261,059	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments - net	14,114,870	1,119,151	3,833,485	863,404	1,866,992	2,055,431	1,385,471	1,410,670	1,434,001	146,265
Advances - net	3,592,178	332,086	232,528	168,475	444,064	864,941	790,154	585,341	161,226	13,363
Other assets - net	259,534	37,240	74,372	131,396	7,968	-	8,558	-	-	-
Operating fixed assets	210,352	14,763	-	18,642	1,992	11,909	1,749	2,383	4,571	154,343
Deferred tax asset - net	272,920	-	6,626	-	-	266,294	-	-	-	-
	18,744,216	1,797,602	4,147,011	1,181,917	2,321,016	3,198,575	2,185,932	1,998,394	1,599,798	313,971
Liabilities										
Borrowings from financial institutions	9,221,225	7,384,824	691,667	-	190,788	381,576	381,576	190,794	-	
Deposits and other accounts	386,060	21,000	365,000	-	60					
Other liabilities - net	344,186	162,115	116,686	60,485	-	4,900	-	-	-	-
	9,951,471	7,567,939	1,173,353	60,485	190,848	386,476	381,576	190,794	-	-
Net assets	8,792,745	(5,770,337)	2,973,658	1,121,432	2,130,168	2,812,099	1,804,356	1,807,600	1,599,798	313,971
Represented by:										
Share capital	6,000,000									
Reserves	553,966									
Unappropriated profit	2,062,742									
Surplus on revaluation of assets-net of deferred tax	176,037									
	8,792,745									

38.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. PAIR Investment Company, in the light of SBP guidelines on Operational Risk Framework via BPRD Circular # 04-2014 dated May 20, 2014, has developed Operational Risk Management Framework considering the regulatory guidelines and best practices in the market. The internal and regulatory reporting pertaining to Operational Risk Management shall start from 1st Quarter CY`16, as timelines defined by the regulator. Once the freamework is implemented, the Company will be able to manage operational risks in a more systematic way that includes analyzing current systems for data collection, migration, validation and retention for current and historical reference and calculation.

38.5.1 Operational risk disclosure - Basel II/III specific

Basic Indicator approach of Basel II/ III has been used to calculate Operational Risk charge of the Company.

39. GENERAL

39.1 These financial statements were authorized for issue on February 12, 2016 by the Board of Directors of the Company.

39.2 The Pakistan Credit Rating Agency Limited (PACRA) has maintained the long term entity rating to AA (Double A) and the short term rating at A1+ (A one plus) of the Company.

39.3 The Board of Director of the Company has proposed cash dividend of Rs. 300 million (2014: Rs. 150 million) for the year ended December 31, 2015 in their meeting held on February 12, 2016. These financial statements do not include the effect of this appropriation which will be accounted for subsequent to the year end.

Chairman	Chief Executive & Managing Director	Director	Director

PAÏR

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