INVESTING FOR IMPACT

ANNUAL REPORT 2017

PAÏR

FORGING THE PATH
TO A PROSPEROUS FUTURE

At PAÏR, we see every day as an opportunity to explore new horizons, strategize for success and forge a prosperous path for our stakeholders in Pakistan and Iran. With the lifting of sanctions in Iran, there is now an increased scope for greater business opportunities; a chance to change perceptions and further benefit our customers through earnings on their investments. We are proud to say that together, we are stepping up our efforts to take PAÏR to new heights of success, and thank you for your commitment and belief in our abilities to serve you better.

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AIMING FOR IMPACT

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 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 denotes that 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 to improve 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

Mr. Zahoor Ahmed	Chairman (Acting)
Mr. Hamid Eftekhari Kondelaji	Managing Director / CEO
Mr. Aamer Mahmood Hussain	Director
Mr. Hemmat Jafari	Director
Mr. Seyed Ahmad Araghchi	Director
Ms. Kauser Safdar	Chief Financial Officer
Mr. Amir Aizaz	Company Secretary

Audit Committee

Mr. Aamer Mahmood Hussain	Chairman
Mr. Hemmat Jafari	Member
Mr. Zahoor Ahmed	Member
Mr. Amin Kazmi	Secretary - Audit Committee

Risk Management Committee

Mr. Aamer Mahmood Hussain	Chairman
Mr. Hamid Eftekhari Kondelaji	Managing Director / CEO
Mr. Hemmat Jafari	Member
Syed Salman Raza	Secretary - Risk Management Committee

Human Resource Committee

Mr. Zahoor Ahmed	Chairman
Mr. Seyed Ahmad Araghchi	Member
Mr. Hamid Eftekhari Kondelaji	Managing Director / CEO
Ms. Saadia Shaikh	Secretary - Human Resource Committee

Board Strategic Investment Committee

MR. Seyed Ahmad Araghchi	Chairman
Mr. Zahoor Ahmed	Member
Mr. Hamid Eftekhari Kondelaji	Managing Director / CEO
Mr. Ahmad Bilal Darr	Secretary – Board Strategic Investment Committee

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisors

Mohsin Tayebaly & Co.
Corporate Legal Consultants

Bankers

Allied Bank Limited
MCB Bank Limited
National Bank of Pakistan

BOARD COMMITTEES
TERMS OF REFERENCE

The Board Risk Management Committee

The Board Risk Management Committee (BRMC) is responsible to ensure a continuous Board-level formal oversight 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 risk perspective to 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, and a review of the risk limits under the Company's overall risk appetite, determined through risk assessment rating methodologies by keeping in view the nature, size and complexity of the transactions.

Board Audit Committee

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

The BAC 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, and monitoring compliance with the best practices of the Corporate Governance and the applicable legal and regulatory requirements. The other function of BAC includes the assurance that an independent and effective internal audit function is in place.

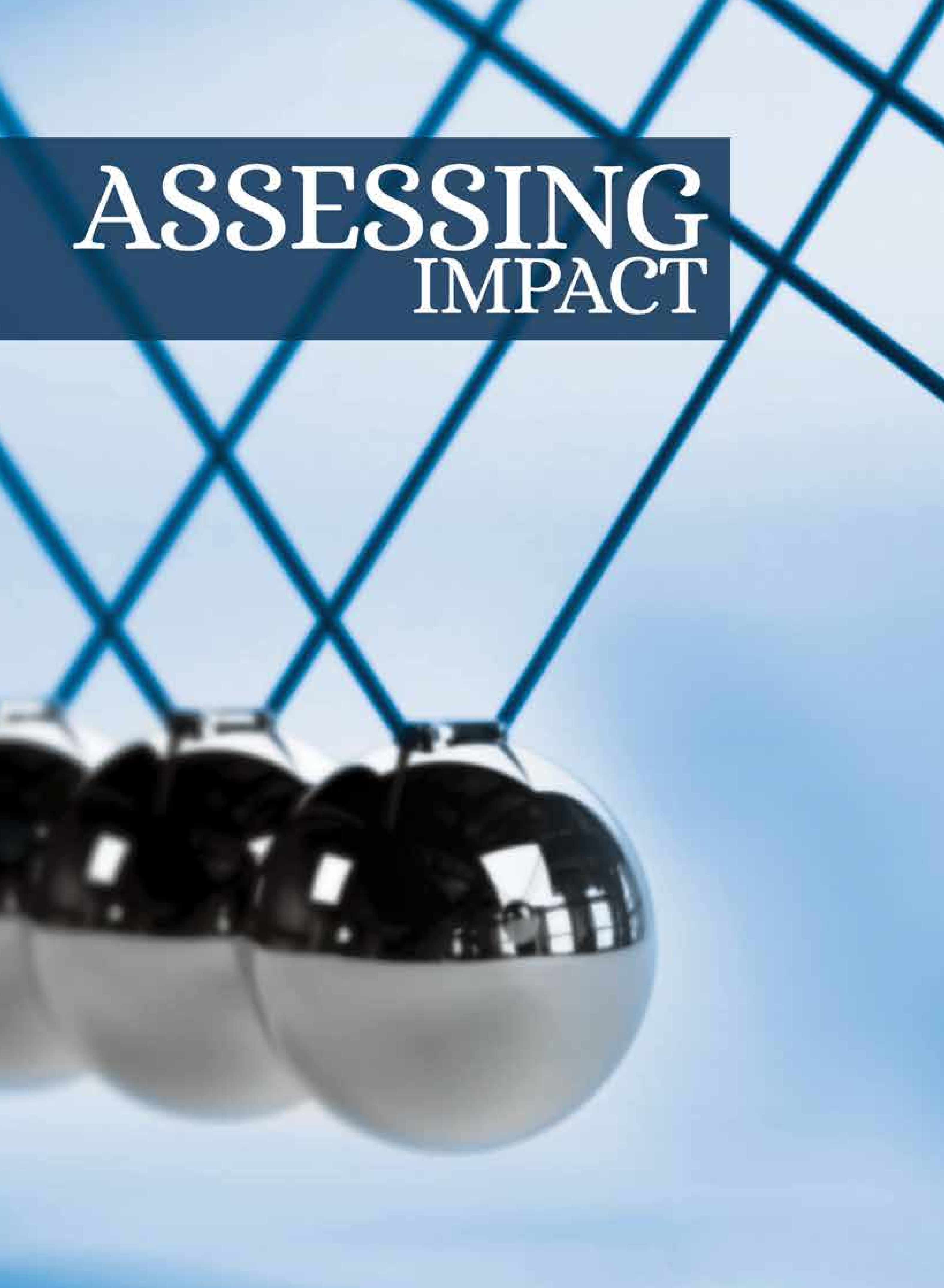
Human Resource & Compensation Committee

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, set-up 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 long-term strategic plans, operational plans and material strategic initiatives, including acquisitions, mergers, disposals, strategic projects/investments, joint ventures and any new business/expansion, recommending such to the Board for approval.

ASSESSING IMPACT



TEN YEARS' VERTICAL ANALYSIS -

Statement Of Financial Position / Profit & Loss Account

For the Year Ended December 31

	2017	%	2016	%	2015	%	2014	%
Assets								
Cash and balances with treasury banks	37,870	0.21	64,205	0.35	46,114	0.20	33,303	0.18
Balances with other banks	91,727	0.52	432,783	2.33	215,426	0.93	261,059	1.39
Lendings to financial institutions	970,000	5.48	-	-	-	-	-	-
Investments	11,044,299	62.45	11,842,973	63.68	18,543,009	79.85	14,114,870	75.30
Advances	4,652,932	26.31	5,424,351	29.17	3,502,948	15.09	3,592,178	19.16
Operating fixed assets	198,003	1.12	176,982	0.95	191,311	0.82	210,352	1.12
Deferred tax assets - net	260,554	1.47	238,128	1.28	259,691	1.12	272,920	1.46
Other assets	430,280	2.43	419,049	2.25	462,778	1.99	259,534	1.38
Total Assets	**17,685,665**	**100.00**	**18,598,471**	**100.00**	**23,221,277**	**100.00**	**18,744,216**	**100.00**
Liabilities								
Borrowings from financial institutions	6,370,738	36.02	6,549,981	35.22	11,652,435	50.18	9,221,225	49.20
Deposits and other accounts	1,814,001	10.26	2,079,728	11.18	1,890,502	8.14	386,060	2.06
Other liabilities	245,594	1.39	518,803	2.79	484,862	2.09	344,186	1.84
	8,430,333	47.67	9,148,512	49.19	14,027,799	60.41	9,951,471	53.09
Net Assets	**9,255,332**	**52.33**	**9,449,959**	**50.81**	**9,193,478**	**39.59**	**8,792,745**	**46.91**
Represented By:								
Share Capital	6,000,000	33.93	6,000,000	32.26	6,000,000	25.84	6,000,000	32.01
Advance against share capital	-							-
Reserves	840,066	4.75	794,107	4.27	673,449	2.90	553,966	2.96
Unappropriated Profit	2,452,552	13.87	2,572,774	13.83	2,390,166	10.29	2,062,742	11.00
Surplus / (deficit) on revaluation of assets - net of tax	(37,286)	(0.21)	83,078	0.45	129,863	0.56	176,037	0.94
Total Equity and Liabilities	9,255,332	52.33	9,449,959	50.81	9,193,478	39.59	8,792,745	46.91
Profit and Loss Account								
Mark-up / return / interest earned	1,045,117	89.05	1,243,694	95.90	1,509,674	80.76	1,233,407	76.81
Fee, commission and brokerage income	10,327	0.88	19,631	1.51	13,825	0.74	14,985	0.93
Dividend income	39,683	3.38	30,205	2.33	30,260	1.62	27,125	1.69
Gain on sale of securities - net	79,271	6.75	2,993	0.23	313,567	16.77	327,977	20.43
Other income / charges	(771)	(0.07)	413	0.03	2,108	0.11	2,258	0.14
Total Income	**1,173,627**	**100.00**	**1,296,936**	**100.00**	**1,869,434**	**100.00**	**1,605,752**	**100.00**
Mark-up / return / interest expensed	387,358	33.01	533,274	41.12	627,125	33.55	508,046	31.64
Provision and Impairment	66,591	5.67	(415,856)	(32.06)	16,949	0.91	350,559	21.83
Total non mark-up / return / interest expenses	351,464	18.80	318,427	24.55	302,029	16.16	283,150	17.63
Taxation - net	138,419	11.79	257,800	19.88	325,917	17.43	112,128	6.98
Profit after taxation	**229,795**	**19.58**	**603,291**	**46.52**	**597,414**	**31.96**	**351,869**	**21.91**

(Rupees in '000)

2013	%	2012 (Restated)	%	2011 (Restated)	%	2010	%	2009	%	2008	%
27,829	0.16	43,999	0.28	9,143	0.08	10,552	0.10	2,633	0.03	506,887	8.72
158,417	0.92	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
12,745,355	73.75	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
3,678,206	21.28	4,325,337	27.49	2,475,156	20.89	2,103,430	20.09	945,387	11.41	327,318	5.63
196,201	1.14	56,047	0.36	48,060	0.41	44,762	0.43	26,071	0.31	21,478	0.37
204,896	1.19	110,582	0.70	80,756	0.68	21,661	0.21	109,799	1.33	7,283	0.13
270,782	1.57	253,291	1.61	237,980	2.01	176,414	1.68	119,188	1.44	47,126	0.81
17,281,686	**100.00**	**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**
8,489,171	49.12	6,721,178	42.71	3,695,484	31.20	2,863,481	27.35	1,857,327	22.42	459,957	7.91
25,080	0.15	545,080	3.46	260,000	2.19	-	-	-	-	-	-
326,705	1.89	273,446	1.74	161,760	1.37	172,683	1.65	134,609	1.62	32,523	0.56
8,840,956	51.16	7,539,704	47.91	4,117,244	34.73	3,036,164	29.00	1,991,936	24.04	492,480	8.47
8,440,730	**48.84**	**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	34.72	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	-	-
483,592	2.80	415,746	2.64	327,714	2.77	279,204	2.67	163,533	1.97	89,250	1.53
1,781,247	10.31	1,611,197	10.24	1,309,028	11.05	1,116,823	10.66	654,137	7.90	357,003	6.14
175,891	1.02	170,767	1.09	92,121	0.78	38,418	0.37	(14,977)	(0.18)	(123,267)	(2.12)
8,440,730	**48.84**	**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**
1,153,996	80.12	1,487,341	89.63	1,323,067	95.78	1,030,191	85.75	809,863	83.19	527,054	84.76
18,210	1.26	23,359	1.41	12,797	0.93	7,185	0.60	17,906	1.84	3,621	0.58
22,765	1.58	18,093	1.09	20,492	1.48	22,564	1.88	17,924	1.84	60,266	9.69
246,533	17.12	128,809	7.76	31,468	2.28	134,480	11.19	126,684	13.01	-	-
(1,089)	(0.08)	1,830	0.11	(6,417)	(0.47)	6,942	0.58	1,185	0.12	30,875	4.97
1,440,415	**100.00**	**1,659,432**	**100.00**	**1,381,407**	**100.00**	**1,201,362**	**100.00**	**973,562**	**100.00**	**621,816**	**100.00**
488,889	33.94	678,102	40.86	402,712	29.15	193,494	16.11	124,744	12.81	31,898	5.13
274,562	19.06	106,953	6.45	324,136	23.46	(79,955)	(6.66)	255,745	26.27	37,500	6.03
220,483	15.31	238,798	14.39	167,757	12.14	209,239	17.42	110,083	11.31	82,513	13.27
117,251	8.14	195,417	11.78	244,253	17.68	300,227	24.99	111,573	11.46	151,759	24.41
339,230	**23.55**	**440,162**	**26.52**	**242,549**	**17.56**	**578,357**	**48.14**	**371,417**	**38.15**	**318,146**	**51.16**

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

	2017	%	2016	%	2015	%	2014	%
Assets								
Cash and balances with treasury banks	37,870	(41.02)	64,205	39.23	46,114	38.47	33,303	19.67
Balances with other banks	91,727	(78.81)	432,783	100.90	215,426	(17.48)	261,059	64.79
Lendings to financial institutions	970,000	100.00	-	-	-	-	-	-
Investments	11,044,299	(6.74)	11,842,973	(36.13)	18,543,009	31.37	14,114,870	10.75
Advances	4,652,932	(14.22)	5,424,351	54.85	3,502,948	(2.48)	3,592,178	(2.34)
Operating fixed assets	198,003	11.88	176,982	(7.49)	191,311	(9.05)	210,352	7.21
Deferred tax assets - net	260,554	9.42	238,128	(8.30)	259,691	(4.85)	272,920	33.20
Other assets	430,280	2.68	419,049	(9.45)	462,778	78.31	259,534	(4.15)
Total Assets	**17,685,665**	**(4.91)**	**18,598,471**	**(19.91)**	**23,221,277**	**23.89**	**18,744,216**	**8.46**
Total Equity	9,255,332	(2.06)	9,449,959	2.79	9,193,478	4.56	8,792,745	4.17
Borrowings from financial institutions	6,370,738	(2.74)	6,549,981	(43.79)	11,652,435	26.37	9,221,225	8.62
Deposits and other accounts	1,814,001	(12.78)	2,079,728	10.01	1,890,502	389.69	386,060	1,439.31
Other liabilities	245,594	(52.66)	518,803	7.00	484,862	40.87	344,186	5.35
Total Equity and Liabilities	**17,685,665**	**(4.91)**	**18,598,471**	**(19.91)**	**23,221,277**	**23.89**	**18,744,216**	**8.46**
Profit and Loss Account								
Mark-up / return / interest earned	1,045,117	(15.97)	1,243,694	(17.62)	1,509,674	22.40	1,233,407	6.88
Mark-up / return / interest expensed	387,358	(27.36)	533,274	(14.97)	627,125	23.44	508,046	3.92
Net mark-up / interest income	657,759	(7.41)	710,420	(19.50)	882,549	21.67	725,361	9.06
Net mark-up / interest income after provision	591,168	(47.51)	1,126,276	30.12	865,600	130.95	374,802	(4.03)
Non Markup / Interest Income								
Fee, commission and brokerage income	10,327	(47.39)	19,631	42.00	13,825	(7.74)	14,985	(17.71)
Dividend income	39,683	31.38	30,205	(0.18)	30,260	11.56	27,125	19.15
Income from dealing in foreign currencies	(771)	(288.97)	408	(24.72)	542	181.02	(669)	(200.75)
Gain on sale of securities - net	69,591	2,225.13	4,913	(99.05)	313,567	(4.39)	327,977	33.04
Unrealised (loss) / Gain on revaluation of investments classified as held for trading	9,680	(604.17)	(1,920)	(360.16)	738	(22.96)	958	(122.10)
Other income / charges	-	(100.00)	5	(99.40)	828	(57.95)	1,969	(23.71)
Total non mark-up / return / interest income	128,510	150.40	53,242	(85.73)	359,760	(3.38)	372,345	30.00
Total non mark-up / interest expenses	351,464	10.38	318,427	5.43	302,029	6.67	283,150	28.42
Profit before tax	368,214	(57.14)	861,071	(6.95)	923,331	99.00	463,997	1.65
Taxation - net	138,419	(46.31)	257,800	(20.90)	325,917	190.67	112,128	(4.37)
Profit after taxation	**229,795**	**(61.79)**	**603,291**	**0.66**	**597,414**	**69.78**	**351,869**	**3.73**
Basic and diluted earnings per share	**0.38**	**(62.38)**	**1.01**	**1.00**	**1.00**	**69.49**	**0.59**	**3.51**

(Rupees in '000)

2013	%	2012 (Restated)	%	2011 (Restated)	%	2010	%	2009	%	2008	%
27,829	(36.75)	43,999	381.23	9,143	(13.35)	10,552	300.76	2,633	(99.48)	506,887	2,526.09
158,417	48.63	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
12,745,355	17.56	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
3,678,206	(14.96)	4,325,337	74.75	2,475,156	17.67	2,103,430	122.49	945,387	188.83	327,318	100.00
196,201	250.07	56,047	16.62	48,060	7.37	44,762	71.69	26,071	21.38	21,478	50.09
204,896	85.29	110,582	36.93	80,756	272.82	21,661	(80.27)	109,799	1,407.61	7,283	100.00
270,782	6.91	253,291	6.43	237,980	34.90	176,414	48.01	119,188	152.91	47,126	30.35
17,281,686	**9.81**	**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**
8,440,730	2.96	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
8,489,171	26.30	6,721,178	81.88	3,695,484	29.06	2,863,481	54.17	1,857,327	303.80	459,957	100.00
25,080	(95.40)	545,080	109.65	260,000	100.00	-	-	-	-	-	(100.00)
326,705	19.48	273,446	69.04	161,760	(6.33)	172,683	28.28	134,609	313.89	32,523	(49.36)
17,281,686	**9.81**	**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**
1,153,996	(22.41)	1,487,341	12.42	1,323,067	28.43	1,030,191	27.21	809,863	53.66	527,054	123.84
488,889	(27.90)	678,102	68.38	402,712	108.13	193,494	55.11	124,744	291.07	31,898	100.00
665,107	(17.81)	809,239	(12.07)	920,355	10.00	836,697	22.12	685,119	38.36	495,156	110.29
390,545	(44.39)	702,286	17.79	596,219	(34.96)	916,652	113.49	429,374	(6.18)	457,656	100.00
18,210	(22.04)	23,359	82.54	12,797	78.11	7,185	(59.87)	17,906	394.50	3,621	100.00
22,765	25.83	18,093	(11.71)	20,492	(9.18)	22,564	25.89	17,924	(70.26)	60,266	100.00
664	(10.90)	745	2,158.15	33	100.00	-	-	-	-	-	-
246,533	91.39	128,809	309.33	31,468	(76.60)	134,480	6.15	126,684	310.31	30,875	6,626.58
(4,334)	(812.57)	608	(107.53)	(8,080)	(212.21)	7,201	(1,248.48)	(627)	(100.00)	-	-
2,581	441.09	477	(70.74)	1,630	(729)	(259)	(114)	1,812	100	-	-
286,419	66.43	172,091	194.98	58,340	(65.92)	171,171	4.56	163,699	72.75	94,762	20,545.32
220,483	(7.67)	238,798	42.35	167,757	(19.83)	209,239	90.07	110,083	33.41	82,513	111.15
456,481	(28.18)	635,579	30.56	486,802	(44.59)	878,584	81.91	482,990	2.78	469,905	138.72
117,251	(40.00)	195,417	(19.99)	244,253	(18.64)	300,227	169.09	111,573	(26.48)	151,759	120.79
339,230	**(22.93)**	**440,162**	**81.47**	**242,549**	**(58.06)**	**578,357**	**55.72**	**371,417**	**16.74**	**318,146**	**148.34**
0.57	**(21.92)**	**0.73**	**82.50**	**0.40**	**(59.18)**	**0.98**	**32.10**	**32.43**	**-**	**0.74**	**45.10**

CASH FLOW SUMMARY

For the Year Ended December 31

(Rupees in '000)

	2017	2016	2015	2014	2013	2012 (Restated)	2011	2010
Cash flows from operating activities	(213,566)	(725,103)	4,181,808	1,601,343	(3,888,232)	1,963,372	1,708,563	448,811
Cash flows from investing activities	446,175	1,110,551	(4,139,630)	(1,493,227)	3,973,893	(1,817,605)	(2,042,105)	(1,906,710)
Cash flows from financing activities	(600,000)	(150,000)	(75,000)	-	(50,000)	(25,000)	-	509,175
Cash and cash equivalents at beginning of the year	496,988	261,540	294,362	186,246	150,585	29,818	363,360	1,312,084
Cash and cash equivalents at end of the year	129,597	496,988	261,540	294,362	186,246	150,585	29,818	363,360

KEY FINANCIAL RATIOS

For the Year Ended December 31

	2017	2016	2015	2014	2013	2012 (Restated)	2011	2010
Profitability Ratios (%)								
Gross Profit Margin	62.94	57.12	58.46	58.81	57.64	54.41	69.56	81.22
Operating Margin	31.37	66.34	49.39	28.90	31.69	38.30	35.24	73.13
Net Profit Margin	19.58	46.44	31.96	21.91	23.55	26.52	17.56	48.14
Yield on Investment	6.73	6.23	9.13	9.13	8.26	12.15	12.87	13.60
Yield on Advances	7.17	7.35	10.28	10.28	10.96	12.26	13.44	11.20
Debt Equity Ratio	88.43	91.32	147.31	109.26	100.87	88.64	51.18	38.52
Return to Share Holders (%)								
Return on Average Assets (ROA)	2.03	4.11	4.40	2.58	2.76	4.61	4.36	9.37
Return on Average Equity (ROE)	3.94	9.22	10.27	5.38	5.49	7.98	6.42	12.80
Return on Capital Employed (ROCE)	1.32	3.33	2.63	1.91	2.00	2.85	2.08	5.62
Earning per Share	0.38	1.00	1.00	0.59	0.57	0.73	0.40	0.98
Earning Growth	0.91	0.69	1.16	1.11	0.87	1.20	1.15	1.23
Profit Growth	0.43	0.93	1.99	1.02	0.72	1.31	0.55	1.82
Breakup Value per Share	15.43	15.75	15.32	14.65	14.07	13.66	12.88	12.57
Performance / Liquidity (%)								
Total Assets Turnover	6.47	6.19	8.91	8.91	8.72	12.03	12.38	12.81
Total Liabilities / Equity	91.09	96.81	152.58	113.18	104.74	91.97	53.27	40.84
Paid-up Capital / Total Assets	33.93	32.26	25.84	32.01	34.72	38.13	50.65	57.30
Equity / Total Assets	52.33	50.81	39.59	46.91	48.84	52.09	65.24	71.00

STATEMENT OF VALUE ADDED

For the Year Ended December 31

Rupees in '000

WEALTH GENERATED	2017	2016	2015	2014	2013	2012
Financial & Other Income	1,173,627	1,296,936	1,869,434	1,605,752	1,440,415	1,659,432
Financial & Other Expenses	604,858	215,231	730,728	951,456	797,052	875,557
	568,769	**1,081,705**	**1,138,706**	**654,296**	**643,363**	**783,875**

WEALTH DISTRIBUTED	2017	%	2016	%	2015	%	2014	%	2013	%	2012	%
To Employees												
Salaries, benefits and related costs	186,462	33%	205,369	19%	193,626	17%	168,485	26%	157,420	24%	124,931	16%
To Government												
Income Tax	138,419	24%	257,800	24%	325,917	29%	112,128	17%	117,251	18%	195,343	25%
To Shareholders												
Cash dividend	150,000	26%	300,000	28%	300,000	26%	150,000	23%	100,000	16%	50,000	6%
Stock dividend	-	-	-	-	-	-	-	-	-	-	-	-
Retained for reinvestment & future growth												
Depreciation, Amortisation and retained Profit	93,888	17%	318,536	29%	319,163	28%	223,683	34%	268,692	42%	413,601	53%
	568,769	**100%**	**1,081,705**	**100%**	**1,138,706**	**100%**	**654,296**	**100%**	**643,363**	**100%**	**783,875**	**100%**

ANALYZING FOR IMPACT

DIRECTORS' REPORT

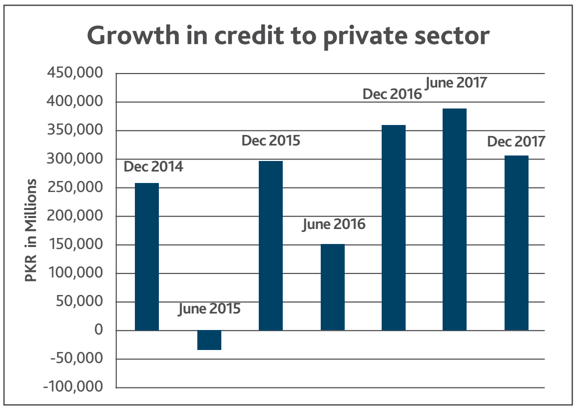
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

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, 2017. 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 of September 24, 2004.

Economic Overview

Economic performance in 2017 remained strong. Real GDP growth maintained its upward trajectory and increased to a decade-high of 5.3 percent. The other macroeconomic indicators, such as subdued inflation, investment growth, and rising private sector credit showed an encouraging picture. However, decline in exports is overshadowing the otherwise reviving economic activity. According to the State Bank of Pakistan's recent report on economy, the revival in agriculture during FY17 is notable which is supported by favorable policy measures, including subsidy on fertilizer, reduction in sales tax on tractors, and increased access to finance. Better agriculture had, in turn, positive spillover for trade and manufacturing sectors. Further, Public Sector Development Programme (PSDP) and China-Pakistan Economic Corridor (CPEC) related activities also continued to boost construction-related industries, such as cement and steel. At the same time, a hefty increase in machinery imports was also noted.

The GDP growth hit multi-year highs and reached 4.7%. The commodity producing sector has performed a little less than the last year, however, the industrial sector which contributed 21.02% in GDP recorded a growth of 6.80% as compared to 4.81% last year. The industrial sector performance shows that it has surpassed the targeted growth of 6.4%, which is an indicator that industrial revival is taking place on the fast track. Improved gas supplies to industries will enable the industrial sector to continue to perform better in a more cost-effective manner.



The overall improvement in business sentiments along with supportive policies (historically low interest rate, high infrastructure spending and better law and order) has encouraged a number of companies to pursue expansion plans. This was reflected in a significant surge in private sector credit off-take during FY17, with a sizable share of fixed investment loans. As per State Bank of Pakistan, the private sector credit off-take stood at PKR 5,501 billion at the end of FY17 which used to be PKR 4,037 billion at the end of FY14. Large Scale Manufacturing ("LSM") sector picked up gradually and clocked in at highest for the nine years. This is an encouraging economic sign as one of the major drivers of pickup in LSM activity has been the increase in manufacturing of iron and steel products that is being used in the ongoing construction and infrastructure development projects. This would eventually help increase the country's economic output in the medium to long term. The LSM growth is expected to stay strong going forward as construction and other infrastructure activities pick up in the months leading to elections. Decade low interest rates coupled with soft inflation will continue to boost local demand, as evident in the trend in private credit off-take has recorded the strongest expansion in over a decade.

CPI inflation remained quite stable in the first two quarters of FY17, but picked up gradually in the third & fourth quarter. The average inflation for FY17 was 4.0 percent, compared to 2.6 percent in the same period last year. However, it still remained significantly lower than the annual target of 6.0 percent. The average CPI inflation is expected to be well within control in the near term, whereby it is expected that the average CPI is going to pick up some momentum in the months to come largely due to base effect and can potentially go up to 5.3-5.4% range over the next 3-4 months. The commodity prices (oil mainly) coupled with exchange rate changes will also be playing their roles.

The currency devaluation would help in arresting pressure off the external account to an extent. However, sharp rise in inflation is not expected amid currency adjustment as most of the commodity prices in the domestic market are already at a higher level than that of international markets.

The KSE-100 index generated a positive return of 2.5% during the last week of FY17 to close at 40,471 points, ironically marking a sweet end to a rather troublesome year. Appointment of Mr. Miftah Ismail as Adviser to the PM on Finance, Revenue and Economic Affairs and his pro-business plans alongside diluting political noise, charged the market bulls at the start of FY18. While in the view of some experts, the market is set to achieve over 47,000 points by the end of next year, certain challenges need to be addressed in the interim, including peaceful and timely elections in 2018, contained external account pressures, stable currency etc.

Financial Highlights

The Company earned gross markup income of PKR 1045.12 million and non-markup income of PKR 128.51 million. The total assets were maintained at PKR 17.68 billion as against PKR 18.5 billion as at December 31, 2016. The decline includes decrease in long-term government securities, some of which matured; some were sold to realize the capital gains & decrease in advances where the lag between the disbursement and repayments of the loans remained unmet. Further Advances also decreased due to reclassification of PKR 761.295 million to investments in the form of Term Finance Certificates portfolio, thus closing at PKR 4.46 billion as compared to PKR 5.4 billion as at the close of the year ended December 31, 2016.

The streak of control over non-performing loans continued and there was no new addition in the non-performing portfolio. The Management has made vigorous efforts for settlement of non-performing loans; as a result, reversals of PKR 45.99 million could be materialized. P&L charge of PKR 42.36 million was taken as Provision against non-performing loans during the year due to reduction in the Forced Sales Value benefit available under the Prudential Regulations on the legacy portfolio. Sharp decline in the share market prices has taken a toll on the Company's portfolio and a P&L charge of PKR 70.69 million is taken as Provision for diminution in value of investments. During the year, a charge of PKR 55.091 million was taken in the administrative expenses in respect of Workers Welfare Fund ("WWF"). It includes the charge for the prior year too. Excluding the charge for WWF, the admin expenses for FY17 stood at PKR 296.32 million, which is 6.86% less than the admin expenses of FY16, which were PKR 318.14 million.

Credit Rating

Pakistan Credit Rating Agency Limited (PACRA) has reaffirmed entity rating Long-Term Entity Rating 'AA' (Double A) and a Short-Term Entity Rating of 'A1+' (A One Plus). These ratings indicate a very low expectation of credit risk emanating very strong capacity for timely payment of financial commitments. The ratings of PAÏR primarily reflect the joint sovereign ownership of Pakistan and Iran.

Statement of Internal Controls

The Board is pleased to endorse the statement made by the Management relating to internal controls, including the Management's evaluation of ICFR. The Management's statement on Internal Controls is included in the Annual Report.

Corporate and Financial Reporting Framework

The Board of Directors of PAÏR, for the purpose of establishing a framework of good corporate governance has implemented the relevant provisions of the Code of Corporate Governance for the year ended December 31, 2017. Review report on the Statement of Compliance with the Code of Corporate Governance from the external auditors is annexed with this report. As required under 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 therefrom 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.
- Key operating and financial data for the years 2008-2017 in 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

Taking cognizance of various types of business risks, an effective risk management framework is embedded in PAÏR`s strategy and organization structure. An independent Credit and Risk Management Department (CRMD) 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 towards deployment of stringent risk management polices to assess, mitigate and monitor major risks associated with business operations of the Company. Accordingly, the Company has established a set of activities and created core functions to administer, manage and report in order to complement its core business objectives and to remain abreast with latest developments & challenges to safeguard Shareholders' interests / enhance Shareholders' wealth.

The Company has implemented a robust Internal Capital Adequacy Assessment Process (ICAAP) to establish 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 future operations of the Company. The deployment of this process allowed an adequate management of capital as the Capital Adequacy Ratio stood at 60.16% against the regulatory requirement of 10% plus Capital Conservation Buffer (CCB) of 1.275%. This contributed to the development of risk appetite and concentrations levels with respect to the transaction level risk profiling as well as integrated portfolio management.

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

The Credit & Risk Management Department is also involved in the development of entity-wide policies, procedures, systems and reporting mechanism to achieve and maintain entity-wide best rating status and adaption of risk management principles in true letter and spirit. Further, Board Risk Management Committee and Board of Directors of the organization oversee the strategy related to risk management. In addition, the Internal Audit department conducts independent, risk-based review and verification of major functions throughout the year for evaluation of control systems supplemented by Internal Control and Compliance Divisions.

Events after the Date of Statement of Financial Position

There have not been any material 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.

Corporate Social Responsibility

The Company firmly believes in being a responsible corporate citizen and plays an integral role in our long-term success, and strives to incorporate the approach into every aspect of its work culture. In addition to our priority of operating profitability, the Company is aware of its responsibilities that go beyond its business, particularly its commitment towards employees, society and the environment. In FY17, we have extended our support to the following organizations engaged in various philanthropic activities:

- National Institute of Child Health
- Al Umeed Rehabilitation Association
- Patient Aid Foundation
- The Kidney Center

The Company will continue to encourage community growth and development, thereby contributing in building a sustainable future in FY18 and beyond. Being a joint venture between the two brotherly countries, inclusion of the charitable organizations from Iran will also be ensured, subject to the regulatory approvals for the latter.

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

Board of Directors and their Meetings

Four (4) Board Meetings were held during the year 2017. The director(s) who were not able to attend any of the meeting(s) were duly granted leave of absence by the Board. The directors of the Company attended the meetings, as under:

Name of Director	Representing	Meetings Attended
Seyed Ahmad Araghchi - Chairman	IFIC - Iran	4
Nadeem Karamat - MD/CEO*	MOF - Pakistan	2
Hamid Eftekhari Kondelaji - Director**	IFIC - Iran	4
Aamer Mahmood Hussain - Director	MOF - Pakistan	4
Hemmat Jafari - Director	IFIC - Iran	4
Zahoor Ahmed - Director***	MOF - Pakistan	4

*Mr. Nadeem Karamat completed his three years tenure as MD/CEO on May 15, 2017.

** Mr. Hamid Eftekhari Kondelaji was appointed as MD/CEO in place of Mr. Nadeem Karamat and attended his first board meeting as MD/CEO on 04 August, 2017.

***Under the bylaws of the Company, with the appointment of Mr. Hamid Eftekhari Kondelaji being the nominee of Iranian shareholders, the position of Chairman of the Board of Directors is vacant since August 2017. The appointment of Chairman of the Board of Directors is awaited from the Ministry of Finance, Government of Pakistan. The Board members with mutual consent have selected Mr. Zahoor Ahmed, who also is a nominee of MOF, to act as Chairman of the Board of Directors for the interim period.

Board Committees and their Meetings

Four (4) meetings of Board Audit Committee (BAC) and Board Risk Management Committee (BRMC), Three (3) meetings of Board Human Resource Compensation Committee (BHRCC) and Board Strategic Investment Committee (BSIC) were held during 2017.

The member(s) who were not able to attend any of the meeting(s) were duly granted 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
Seyed Ahmad Araghchi	IFIC - Iran	Member BHRCC Chairman BSIC			3	3
Nadeem Karamat	MOF - Pakistan	Member BRMC Member BHRCC Member BSIC		2	1	2
Hamid Eftekhari Kondelaji	IFIC - Iran	Member BAC Chairman BRMC Member BRMC Member BHRCC Member BSIC	2	2 2	1	3
Aamer Mahmood Hussain	MOF - Pakistan	Chairman BAC Chairman BRMC Member BRMC	4	2 2		
Zahoor Ahmed	MOF - Pakistan	Member BAC Chairman BHRCC Chairman BSIC	2		3	1
Hemmat Jafari	IFIC - Iran	Member BAC Member BRMC	4	4		

Staff End-of-Service Benefits

The Bank 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 as at December 31st 2017, were:

Value of Investments and Bank Balances	Provident Fund	Gratuity
	------------PKR '000------------	
2017	55,699	34,152
2016	59,052	32,219

Earnings Per Share

Basic and Diluted earnings per share have been disclosed in note 29 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%**

Appointment of Auditors

The present auditors M/s. KPMG Taseer Hadi & Company, Chartered Accountants, retired and being eligible, offer themselves for re-appointment in the forthcoming Annual General Meeting. Therefore, on the suggestion of the Audit Committee, the Board of Directors recommends the Shareholders to appoint M/s. KPMG Taseer Hadi & Company, Chartered Accountants as the statutory auditor of the Company for the financial year ending December 31, 2018.

Future Outlook

FY18 being the election year, poses uncertainties in terms of political and economic challenges. However, the future outlook for Pakistan is positive. With the highest GDP growth in a decade, the country is showing signs of sustainable economic growth. The industrial growth has and will accelerate on the back of higher activity in large-scale manufacturing and construction, the latter being driven primarily by initiation of China-Pakistan Economic Corridor (CPEC) infrastructure and energy projects.

PAÏR investment sees a wide scope of business for itself in the year 2018, however, it takes full cognizance of the challenges in terms of high cost of funds and shrinking spread of the financial industry. Therefore, it will be focusing on raising low funds from non-conventional sources for a DFI and will be expanding its customer base through its diversified product portfolio.

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

Karachi,
Date: March 04, 2018

Zahoor Ahmed
Chairman of the Board of Directors

آڈیٹرز کا تقرر:

موجودہ آڈیٹرز KPMG Taseer Hadi اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس ریٹائر ہو چکے ہیں اور اہلیت کی بنا پر آئندہ سالانہ اجلاسِ عام میں خود کو دوبارہ تقرری کے لیے پیش کرتے ہیں۔ لہٰذا آڈٹ کمیٹی کی سفارش پر بورڈ آف ڈائریکٹرز نے شیئر ہولڈرز کو سفارش کی ہے کہ وہ میسرز KPMG Taseer Hadi اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کو 31 دسمبر 2018 کو ختم ہونے والے مالی سال کیلئے دوبارہ کمپنی کا قانونی آڈیٹر مقرر کریں۔

مستقبل کی توقعات:

مالی سال 2018 انتخابات کا سال ہونے کی بنا پر سیاسی اور معاشی چیلنجوں کے حوالے سے بے یقینی کا حامل ہے، تاہم پاکستان کے مستقبل کی توقعات مثبت ہیں عشرے میں GDP کی سب سے بلند نمو کے ساتھ ملک پائیدار معاشی ترقی کے آثار دکھا رہا ہے۔

وسیع پیمانے پر LSM اور تعمیرات میں زبردست سرگرمی کے بل پر صنعتی نمو میں تیزی آئی ہے اور مزید آئے گی، اس میں سے آخر الذکر بنیادی طور پر پاک چین اقتصادی راہداری (CPEC) سے انفرااسٹرکچر اور توانائی کے منصوبوں کے آغاز سے متحرک ہوئی ہیں۔

پائر انویسٹمنٹ سال 2018 کو اپنے کاروبار میں وسعت کے سال کے طور پر دیکھتا ہے تاہم وہ مالیاتی صنعت کے پھیلاؤ میں فنڈز کی زیادہ لاگت اور سکڑتے ہوئے منافع کے لحاظ سے چیلنجز کی مکمل واقفیت رکھتا ہے۔ لہٰذا وہ ایک ڈی ایف آئی کے لئے غیر روایتی ذرائع سے چھوٹے فنڈز جمع کرنے پر توجہ مرکوز کرے گا۔ اور اس کے متوقع پروڈکٹ پورٹ فولیو کے ذریعے صارفین کو وسعت دے گا۔

اظہارِ ستائش اور اعتراف (Appreciation and acknowledgement)

ہم تہہ دل سے اپنے صارفین اور شرکائے کاروبار کا شکریہ ادا کرتے ہیں کہ جنہوں نے ہم پر بھرپور اعتماد کا اظہار کیا۔ ہم ایران فارن انویسٹمنٹ کمپنی، وزارت خزانہ، حکومت پاکستان، بینک دولتِ پاکستان اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی دل کی گہرائیوں سے قدر کرتے ہیں جنہوں نے ہماری کمپنی کی بھرپور رہنمائی اور اعانت فرمائی۔ آخر میں ہم ہمارے وابستگان، عملے اور رفقاء سے بھی اظہارِ تشکر بجالاتے ہیں، جنہوں نے ہمارے کاروبار کی ترقی و فروغ کے لئے اپنا زبردست عزم اور حصہ فراہم کیا۔

برائے ومنجانب بورڈ آف ڈائریکٹرز:

ظہور احمد
چیئرمین ۔ بورڈ آف ڈائریکٹرز

کراچی: 04 مارچ 2018

کمیٹی رکن کی جانب سے اجلاس میں شرکت کی تفصیلات درجہ ذیل ہیں۔

ڈائریکٹر کا نام	نمائندہ برائے	عہدہ اور کمیٹی کا نام	BAC	BRMC	BHRC	BSIC
سید احمد اراکچی	آئی ایف آئی سی۔ایران	BHRC ممبر BSICچیئرمین			3	3
ندیم کرامت	ایم او ایف۔پاکستان	BRMCممبر BHRCممبر BSICممبر		2	1	2
حامد افتخاری کونڈیلاجی	آئی ایف آئی سی۔ایران	BACممبر BRMCچیئرمین BRMCممبر BHRCممبر BSICممبر	2	2 2	1	3
عامر محمود حسین	ایم او ایف۔پاکستان	BACچیئرمین BRMCچیئرمین BRMCممبر	4	2 2		
ظہور احمد	ایم او ایف پاکستان	BACممبر BHRCچیئرمین BSICچیئرمین	2		3	1
ہمت جعفری	آئی ایف آئی سی ایران	BACممبر BRMCممبر	4	4		

عملے کے لیے بعد از ملازمت فوائد:

کمپنی کے پاس بعد از ملازمت کے دو فنڈز ہیں۔ پروویڈنٹ فنڈ اور گریجویٹی فنڈ میں سے کی جانے والی سرمایہ کاریاں اور بینک بیلنس کی تفصیلات درج ذیل ہیں۔ جو کہ 31 دسمبر 2017 کے غیر آڈٹ شدہ گوشواروں پر مشتمل ہیں۔

سرمایہ کاری اور بینک بیلنسز کی قدر	پرووڈینٹ فنڈ	گریجویٹی فنڈ
	---ہزار روپے---	
2017	**55,699**	**34,152**
2016	**59,052**	**32,219**

آمدن فی حصص:

بنیادی اور تخفیف شدہ آمدن فی حصص کو مالیاتی گوشواروں کے نوٹ نمبر 29 میں ظاہر کر دیا گیا ہے۔

شیئر ہولڈنگ کا اسلوب:

شیئر ہولڈرز	شیئر ہولڈنگ
وزارت خزانہ کے ذریعے حکومت پاکستان	50%
ایران فارن انویسٹمنٹ کمپنی کے ذریعے حکومت ایران	50%
کل	100%

نظم کاری کا محکمہ (CRMD) پوری کمپنی کے طریقہ کار، نظام ہائے کار اور طریقہ کار گزارشات کی تشکیل و فروغ میں شامل رہا ہے۔ تا کہ کمپنی کی Rating بہترین رکھی جائے اور خطرات کی نظم کاری کے اصولوں کو معنی ومفہوم کے ساتھ اختیار کیا جائے۔ مزید یہ کہ بورڈ کی خطرات کی نظم کاری کرنے والی کمیٹی آپ کی کمپنی کی خطرات کی نظم کاری سے متعلق حکمت عملی کی نگرانی کرتی ہے۔ اس کے ساتھ اندرونی آڈٹ کا محکمہ آزادانہ طور پر بڑے بڑے خطرات کا جائزہ لیتا ہے۔ اور یہ کام سال بھر جاری رہتا ہے۔ اس میں کمپلائنس کا محکمہ اندرونی آڈٹ کے محکمہ کی مدد کرتا ہے۔

مالیاتی گوشواروں کی تاریخ کے بعد ہونے والے واقعات:

مالیاتی گوشواروں کی تاریخ کے بعد ایسا کوئی واقعہ رونما نہیں ہوا جس کی وجہ سے ان گوشواروں میں تبدیلی کی ضرورت ہو، ماسوا ان واقعات کے جن کے بارے میں ان گوشواروں میں بیان پہلے سے شامل ہے۔

ادارہ جاتی سماجی ذمہ داری:

پائر میں ہم اس بات کا یقین رکھتے ہیں کہ طویل المدت کامیابی کے لئے ہمیں لازمی بطور ایک ذمہ دار کاروباری شہری کا کردار ادا کرنا ہے اور ہم کوشش کرتے ہیں کہ ہمارے ہر کام میں یہ عنصر نمایاں رہے۔ عملی کامیابی اور منافع کے کمانے کی ترجیح کے علاوہ ہم اپنی سماجی ذمہ داری سے بھی واقف ہیں۔ ان میں ہمارے ملازمین، معاشرے اور ماحول کی بھلائی سب سے بڑھ کر ہیں۔ مالی سال 2017 میں ہم نے درج ذیل مختلف اداروں، جو کہ انسانی فلاحی سرگرمیوں میں مصروف ہیں، ان کی مالی امداد کی ہے۔

- نیشنل انسٹی ٹیوٹ آف چائلڈ ہیلتھ
- الامیدری ہیبلیٹیشن ایسوسی ایشن
- پیشنٹ ایڈ فاؤنڈیشن
- کڈنی سینٹر

ہم معاشرے کی ترقی ونشونما کی حوصلہ افزائی کرتے رہیں گے اور مالی سال 2018 اور اس سے بھی آگے پائیدار مستقبل کی تعمیر میں حصہ ڈالتے رہیں گے۔ دو برادرانہ ملکوں کی مشترکہ کمپنی ہونے کے ناطے ایران سے فلاحی اداروں کی شمولیت کو بھی یقینی بنایا جائے گا۔ جسے انضباطی منظوریوں کے اطلاق کے بعد کیا جا سکے گا۔

پائر سالانہ بنیاد پر اپنے عملے کے ایک فرد کو بذریعہ شفاف قرعہ اندازی حج کی ادائیگی کے لئے امداد بھی فراہم کرتا ہے۔

بورڈ آف ڈائریکٹرا وران کے اجلاس:

سال 2017 میں بورڈ کے چار (4) اجلاس منعقد ہوئے۔ ڈائریکٹرز جو اجلاس میں شریک ہونے سے قاصر تھے، انہیں بورڈ کی جانب سے حاضری سے رخصت مرحمت کی گئی تھی۔ کمپنی کے ڈائریکٹرز نے درج ذیل اجلاسوں میں شرکت کی۔

ڈائریکٹرز کے نام	نمائندہ برائے	اجلاس میں شرکت کی تعداد
سید احمد اراگچی	آئی ایف آئی سی۔ایران	4
ندیم کرامت، ایم ڈی/سی ای او*	ایم او ایف۔پاکستان	2
حامد افتخاری کونڈیلاجی، ڈائریکٹر**	آئی ایف آئی سی۔ایران	4
عامر محمود حسین، ڈائریکٹر	ایم او ایف۔پاکستان	4
ہمت جعفری، ڈائریکٹر	آئی ایف آئی سی۔ایران	2
ظہور احمد، ڈائریکٹر***	ایم او ایف۔پاکستان	1

* 15 مئی 2017 کو جناب ندیم کرامت نے بطور ایم ڈی/سی ای او اپنی تین سالہ معیاد مکمل کر لی۔

** جناب حامد افتخاری کونڈیلاجی کو جناب ندیم کرامت کی جگہ ایم ڈی/سی ای او مقرر کیا گیا اور انہوں نے 4 اگست 2017 کو بطور ایم ڈی/سی ای او اپنے پہلے بورڈ اجلاس میں شرکت کی

*** کمپنی کے ذیلی قوانین کے تحت جناب حامد افتخاری کونڈیلاجی کی ایرانی شیئر ہولڈرز کے نامزد نمائندے کی حیثیت سے تقرری کے ساتھ چیئر مین بورڈ آف ڈائریکٹرز کا عہدہ اگست 2017 سے خالی ہے۔ وزارتِ خزانہ، حکومتِ پاکستان کی طرف سے بورڈ آف ڈائریکٹرز کے چیئر مین کی تقرری کا انتظار کیا جا رہا ہے۔ بورڈ ممبران نے باہمی رضامندی سے جناب ظہور احمد کو، جو ایم او ایف کے ہی نامزد کردہ ہیں، عبوری مدت کے لیے بورڈ آف ڈائریکٹرز کے چیئر مین کی حیثیت سے کام کرنے کے لیے منتخب کیا ہے۔

بورڈ کمیٹیز اوران کے اجلاس:

2017 میں بورڈ آڈٹ کمیٹی BAC اور بورڈ رسک مینجمنٹ کمیٹی (BRMC) کے 4 جبکہ بورڈ ہیومن ریسورس کمپنسیشن کمیٹی (BHRC) اور بورڈ اسٹریٹجک انویسٹمنٹ کمیٹی (BSIC) کے 3 اجلاس منعقد کئے گئے۔

ڈائریکٹر جو اجلاس میں شریک ہونے سے قاصر تھے، انہیں بورڈ کی جانب سے حاضری سے رخصت مرحمت کی گئی تھی۔

غیر فعال قرضوں پر قابو کا سلسلہ برقرار رہا، جیسا کہ نان پرفارمنگ پورٹ فولیو میں کوئی نیا اضافہ نہیں ہوا۔ انتظامیہ نے غیر فعال قرضوں کی وصولیابی کے لیے سخت کوششیں کیں، جس کے نتیجے میں 45.99 ملین روپے کی واپسی ممکن ہو پائی۔ موروثی (legacy) پورٹ فولیو پر پروڈینشل ریگولیشنز کے تحت دستیاب فورسڈ سیلز ویلیو بینیفٹ میں کمی کی وجہ سے سال کے دوران غیر فعال قرضوں کے مقابل 42.36 ملین روپے کے P&L چارجز بطور تموین (Provision) لیے گئے۔ شیئر مارکیٹ کی قیمتوں میں تیزی نے کمپنی کے پورٹ فولیو کو متاثر کیا ہے اور سرمایہ کاریوں کی قدر میں کمی کے لیے 70.69 ملین روپے کا P&L چارج بطور تموین (Provision) لیا گیا۔ سال کے دوران انتظامی اخراجات میں 55.091 ملین روپے کا چارج ورکرز ویلفیئر فنڈ ("WWF") کی مد میں لیا گیا۔ اس میں گزشتہ سال کے لیے چارج بھی شامل تھا۔ WWF کے لیے چارج کے سوا مالی سال کے لیے انتظامی اخراجات 296.32 ملین روپے رہے جو مالی سال کے انتظامی اخراجات سے 6.86% کم رہے جو 318.14 ملین روپے تھے۔

کریڈیٹ ریٹنگ:

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (پیکرا) نے کمپنی کی طویل المدت درجہ بندی (ڈبل اے) اور قلیل المدت درجہ بندی (اے ون پلس) کی توثیق کی ہے۔ یہ ریٹنگز مالیاتی وعدوں کی بروقت ادائیگی کی بہت مستحکم صلاحیت کی بدولت کریڈٹ رسک کی بہت کم توقعات کی نشان دہی کرتی ہیں۔ پائر کی ریٹنگز بنیادی طور پر پاکستان اور ایران کی مشترکہ خودمختار ملکیت کی عکاسی کرتی ہیں۔

اندرونی کنٹرول کا بیان:

بورڈ مسرت کے ساتھ انتظامیہ کی جانب سے اندرونی کنٹرول پر جاری کردہ بیان بشمول آئی سی ایف آر کے بارے میں تخمینہ کی تصدیق کرتا ہے۔ انتظامیہ کا اندرونی کنٹرول پر بیان سالانہ رپورٹ میں شامل ہے۔

ادارہ جاتی اور مالیاتی رپورٹنگ کا دائرہ کار:

31 دسمبر 2017 کو ختم ہونے والے مالیاتی سال میں پائر کے بورڈ آف ڈائریکٹرز نے ایک اچھے ادارہ جاتی نظم ونسق کے نفاذ کی خاطر ادارہ جاتی نظم کے ضابطے کی متعلقہ شقوں پر عمل درآمد کیا ہے۔ ادارہ جاتی ضابطوں کی پابندی کے مطابق بیرونی آڈیٹر کی جائزہ رپورٹ اس رپورٹ کے ساتھ منسلک ہے۔ جیسا کہ ادارہ جاتی نظم کے ضابطے کے تحت درکار ہے، بورڈ آف ڈائریکٹرز بیان کرتے ہیں کہ:

- پائر کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے، اسکے امور کار، اسکی سرگرمیوں کے نتائج، نقد بہاؤ اور ملکیت میں تبدیلی کو منصفانہ طور پر پیش کرتے ہیں۔
- کمپنی نے مناسب کھاتے اپنے پاس رکھے ہیں۔
- حسابات کے مناسب طریقہ کار کو مالیاتی گوشواروں کی تشکیل کے لئے مستقل بنیادوں پر بروئے کار لایا گیا ہے اور ان میں استعمال کیے جانے والے محتاط اندازے بھی معقول تھے۔
- ان مالیاتی گوشواروں کے بنانے میں انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈز جس حد تک پاکستان میں لاگو ہیں، کی پیروی کی گئی ہے اور جہاں انحراف کیا گیا ہے اس کو مناسب انداز میں ظاہر کر دیا گیا ہے۔
- ایک مسلسل جاری عمل کے طور پر، اندرونی کنٹرول کے نظام کو موثر انداز سے نافذ رکھنے کے لئے کوشش کی جارہی ہے جو کہ حکام کی شرائط کے بھی عین مطابق ہو۔
- پائر کے ایک جاری وساری کاروبار ہونے کی صلاحیت پر کوئی شک وشبہ نہیں ہے۔
- ادارہ جاتی نظم کے ضابطے کے بہترین طور طریقوں سے کوئی عملی انحراف نہیں کیا گیا۔
- 2008 سے 2017 تک کی کلیدی عملی اور مالیاتی معلومات خلاصے کی شکل میں اس رپورٹ میں شامل کی گئی ہے۔
- ٹیکس بقایا جات کی رقم اور اس سے منسلک وجوہات ان مالیاتی گوشواروں میں مناسب طور پر ظاہر کر دی گئی ہیں۔

خطرات کی نظم کاری کا دائرہ:

مختلف کاروباری خطرات کی آگاہی رکھتے ہوئے ایک موثر خطرات کی نظم کاری کا دائرہ کار پائر کی ادارہ جاتی حکمت عملی کا حصہ ہے۔ ایک خودمختار خطرات کی نظم کاری کا محکمہ (CRMD) ایک مرکزی حصہ کے طور پر کام کررہا ہے تاکہ پورے ادارے میں خطرات کی نظم کاری سرگرمیوں کو BASEL II/III کے مطابق مضبوط کیا جائے۔ پائر بینک دولت پاکستان کے تحت دیئے جانے والے (Standarized Approach for Credit & Market Risk)، (Basic Indicator Approach for Operational Risk) کے مطابق شرائط کفایت سرمایہ کے ساتھ مکمل ہم آہنگ ہے۔

موجودہ معاشی صورتحال کے پیش نظر کمپنی اس بات پر آمادہ ہے کہ وہ اپنی توجہ نظم کاری کی سخت پالیسیز کو استعمال میں لاتے ہوئے کمپنی کے کاروبار سے منسلک بڑے خطرات کا تعین کرنے اور ان سے بچاؤ کی تدبیر کرے اور ان کی نگرانی کرے۔ ان امور کی وجہ سے آپ کی کمپنی نے سرگرمیوں کے ایک مجموعہ کی تشکیل کی ہے، جس کے تحت ایک مرکزی طریقے کار کے ساتھ کمپنی کے اغراض ومقاصد کی ایک منظم طرح سے تکمیل کی جائے اور نئی کاروباری پیش رفت اور دشواریوں کو بروقت سمجھتے ہوئے کمپنی کے شیئر ہولڈرز کے مفادات کا تحفظ کیا جائے اور ان کی دولت میں اضافہ کیا جائے۔

آپ کی کمپنی نے ایک بہترین اندرونی شرائط کفایت سرمایہ (ICAAP) کی جانچ پڑتال کا طریقہ کار اپنایا ہوا ہے تاکہ زیادہ حساس خطرات کا تخمینہ، سرمائے کی منصوبہ بندی، کمپنی بھر میں خطرات کے میلان کی باضابطگی قائم کی جائے تاکہ اندرونی اور بیرونی خطرات سے آگاہی رکھی جائے جو کہ کمپنی کے کام پر اثر انداز ہوتے ہیں۔ اس پر عمل کرنے سے کفایت سرمایہ کی مناسب نظم کاری ممکن ہوئی ہے، جس کا تناسب کفایت سرمایہ 69.5% رہا جبکہ ریگولیٹری شرط کے مطابق یہ 10.25% تک ہونا چاہیے۔ اسکی وجہ سے لین دین کے سطح کے خطرات کی خاکہ سازی کے ساتھ ساتھ (Integrated Portfolio Management) کے لحاظ سے (Concentration Level) اور انفرادی لین دین کی حدود کا تعین کیا گیا ہے۔ پائر وقتاً فوقتاً اپنی نامیاتی قوت کا اندازہ لگانے کے لئے (آزمائشی دباؤ) کا انعقاد کرتا رہتا ہے۔ یہ فرضی جائزہ دباؤ کے حالات میں کاروبار کے ہموار و یکساں کو یقینی بنانے میں مدد دیتا ہے۔ اس کے لیے CRMD مختلف خطرات پر مختلف دباؤ ڈال کر دیکھتا ہے جس میں شرح سود، قرضے کی فراہمی، حصص کی قیمت اور زرِسیال شامل ہیں۔ تازہ ترین آزمائش دباؤ کے طریقہ کار سے جو نتائج برآمد ہوئے ہیں ان کے مطابق آپ کے ادارے کی مالیاتی حیثیت ومقام ٹھوس ومضبوط معلوم ہوتی ہے۔ آزمائش دباؤ کے طریقہ کار جو پائر کی جانب سے نافذ ہیں وہ بینک دولت پاکستان کے رہنما اصولوں سے مکمل طور پر پیوستہ وہم آہنگ ہیں۔

پائر(PAIR)انویسٹمنٹ کمپنی لمیٹڈ

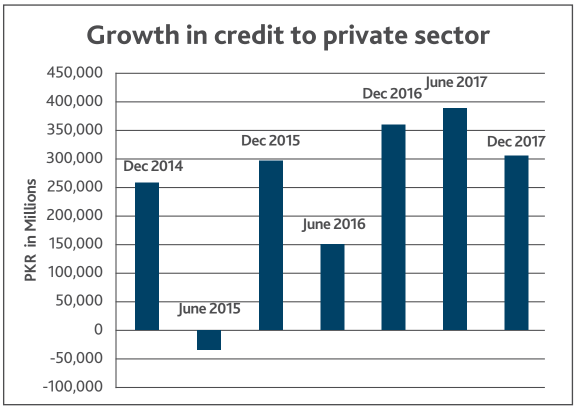
۳۱دسمبر۲۰۱۷ءکوختم ہونے والے سال کے لیے ڈائریکٹرز رپورٹ

میں بورڈ آف ڈائریکٹرز کی طرف سے 31دسمبر 2017ءکوختم ہونے والے سال کے لیے پائر انویسٹمنٹ کمپنی لمیٹڈ (پائر) کے مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتا ہوں۔ یہ مالیاتی گوشوارے BSD سرکولرنمبر 11 بتاریخ04اگست 2004اور BSD سرکولرنمبر 14 بتاریخ24 ستمبر 2004 کے تقاضوں کی تعمیل میں تیار کیے گئے ہیں۔

اقتصادی جائزہ

2017 میں اقتصادی کارکردگی مستحکم رہی۔ GDP کی حقیقی نمواس کے اوپری رخ پر برقرار رکھی گئی اوراس میں عشرے کی بلند ترین سطح5.3فی صد تک اضافہ ہوا۔ دیگر مجموعی اقتصادی اشاروں، مثلاً کم زورافراطِ زر، سرمایہ کاری میں اضافے ،اورنجی شعبے کے بڑھتے قرضوں نے ایک حوصلہ افزاتصویردکھائی۔ تاہم برآمدات میں کمی سے بصورتِ دیگر بحال ہوتی اقتصادی سرگرمی ماند پڑرہی ہے۔معیشت پر اسٹیٹ بینک آف پاکستان کی حالیہ رپورٹ کے مطابق مالی سال 2017 کے دوران زراعت کی بحالی قابلِ توجہ ہے جسے سازگار پالیسی اقدامات سے مدد ملی، جن میں کھادوں پر رعایت، ٹریکٹرز پرسیلزٹیکس میں کمی اور قرضوں تک بہتر رسائی شامل ہیں۔ زراعت میں بہتری نے تجارت اور صنعتی شعبوں پر مثبت اثرات مرتب کیے۔ مزید برآں پبلک سیکٹرڈیولپمنٹ پروگرام (PSDP) اور چین پاکستان اقتصادی راہداری (CPEC) سے متعلق سرگرمیوں نے بھی تعمیرات سے متعلق صنعتوں مثلاً سیمنٹ اوراسٹیل کوتقویت دینے کا سلسلہ جاری رکھا۔ اس دوران میں مشینری کی درآمدات میں زبردست اضافہ نوٹ کیا گیا۔

کاروباری احساسات میں مجموعی بہتری کے ہمراہ مدد ومعاون پالیسیوں (تاریخ کی کم ترین شرح سود، انفرااسٹرکچر پر بھاری اخراجات اور امن وامان میں بہتری) سے بہت سی کمپنیوں کواپنے توسیعی منصوبے آگے بڑھانے کا حوصلہ ملا ہے۔ مالی سال 2017 کے دوران نجی شعبے کی طرف سے قرض کے حصول میں نمایاں تیزی سے اس کی عکاسی ہوتی ہے، جس کا بڑا حصہ فکسڈ انویسٹمنٹ لونز پر مشتمل ہے۔



اسٹیٹ بینک آف پاکستان کے مطابق مالی سال 2017 کے اختتام پر نجی شعبے کی طرف سے لیے قرض کی مالیت 5,501ارب روپے ہے جو مالی سال 2014 کے اختتام پر 4,037ارب روپے تھی۔ بڑی سطح کی صنعتوں (LSM) کے شعبے نے رفتہ رفتہ رفتار پکڑی اور نو سال کے لیے سب سے بلند کارکردگی دکھائی ۔ یہ ایک حوصلہ افزا اقتصادی علامت ہے، جیسا کہ فولاد اوراسٹیل پروڈکٹس کی تیاری میں ایک اضافہ LSM کی سرگرمی میں اضافے کے بڑے محرکات میں سے ایک ہے جنہیں جاری تعمیراتی اور انفرااسٹرکچر کی ترقی کے منصوبوں میں استعمال کیا جارہا ہے۔ اس سے بالآخر درمیانی اور طویل مدت میں ملک کی اقتصادی پیداوار میں اضافے میں مدد ملے گی۔ آنے والے دنوں میں LSM کی نمو مستحکم رہنے کی توقع ہے جیسا کہ انتخابات کے قریبی مہینوں میں تعمیراتی اور انفرااسٹرکچر کی سرگرمیاں زور پکڑیں گی۔ عشرے کی کم ترین شرح سود، نرم افراطِ زر کے ساتھ مل کر بدستور مقامی طلب کوتقویت دیتی رہے گی، جیسا نجی شعبے کی طرف سے قرض لینے کے رجحان سے واضح ہے جس میں ایک عشرے سے زائد عرصے کے بعد مستحکم ترین نمو ریکارڈ کی گئی ہے۔

مالی سال 2017 کی پہلی دوسہ ماہیوں میں CPI افراطِ زر کافی مستحکم رہی، لیکن تیسری اور چوتھی سہ ماہی میں بتدریج بڑھی۔ مالی سال 2017 میں اوسط افراطِ زر، گزشتہ سال اسی مدت میں 2.6فی صد کے مقابلے میں 4.0فی صد تھی۔ تاہم یہ 6.0فی صد کے سالانہ ہدف سے نمایاں حد تک کم تھی۔ اوسط CPI افراطِ زر مستقبل قریب میں بخوبی کنٹرول میں رہنے کی توقع ہے، جب کہ توقع کی جاتی ہے اوسط CPI بنیادی اثر کی وجہ سے آنے والے مہینوں میں کچھ زور پکڑے گی اور آئندہ تین چار ماہ میں اس کے %5.3-5.4 کی حد تک اوپر جانے کا امکان ہے جب اجناس کی قیمتیں (بنیادی طور پر تیل کی قیمت) بھی زرِ مبادلہ کی شرح میں تبدیلیوں کے ساتھ مل کر اپنا کردار ادا کررہی ہوں گی۔ کرنسی کی قدر میں کمی سے کسی حد تک بیرونی کھاتے پر دباؤ برداشت کرنے میں مدد ملے گی۔ تاہم کرنسی ایڈجسٹمنٹ کی وجہ سے افراطِ زر میں تیزی سے اضافے کی توقع نہیں ہے، جب کہ ملکی مارکیٹ میں اجناس کی قیمتیں پہلے ہی بین الاقوامی مارکیٹس کے مقابلے میں زیادہ بلند سطح پر ہیں۔

KSE-100 نے مالی سال 2017 کے آخری ہفتے کے دوران %2.5 کا مثبت منافع کمایا اور 40,471 پوائنٹس پر بند ہوا اور خاصے مشکلات بھرے سال کا ایک خوش گوار اختتام ہوا۔ جناب مفتاح اسماعیل کی وزیراعظم کے فنانس، ریونیو اور اکنامک افیئرز کے مشیر کی حیثیت سے تقرری اور کم ہوتے سیاسی شورشرابے کے ساتھ ان کے کاروبار دوست ہونے سے مالی سال 2018 کے آغاز پر مارکیٹ میں تیزی کی لہر دوڑادی ہے اور بعض ماہرین کی نظر میں عبوری حکومت کے دور میں مارکیٹ اگلے سال کے اختتام تک 47,000 پوائنٹس سے زائد حاصل کرنے کے لیے تیار ہے، البتہ عبوری حکومت میں انتخابات کے پُرامن اور بروقت انعقاد میں کامیابی، بیرونی کھاتے کا دباؤ محدود رکھنے، مستحکم کرنسی سمیت بعض مخصوص چیلنجوں سے عہدہ برآ ہونا پڑے گا۔

مالیاتی جھلکیاں:

کمپنی نے 1045.12 ملین روپے مجموعی مارک اپ اور 128.51 ملین روپے نان مارک اپ آمدنی حاصل کی۔ مجموعی اثاثے بمطابق 31دسمبر 2016، 18.5ارب روپے کے مقابلے میں 17.68ارب روپے پر برقرار رکھے گئے۔ اس کمی کی وجوہات میں طویل مدتی حکومتی سیکیورٹی میں کمی، جن میں سے بعض نے اپنی مدت مکمل کرلی تھی جبکہ بعض منافع حاصل کرنے کے لیے فروخت کردی گئیں، اور قرضوں میں کمی جہاں رقوم کی تقسیم اور قرض کی وصولیوں کے درمیان خلا برقرار رہا۔ مزید برآں 761.295 ملین روپے کی ٹرم فنانس سرٹیفکیٹس پورٹ فولیو کی شکل میں دوبارہ درجہ بندی کے نتیجے میں قرضوں میں بھی کمی ہوئی جو سال 31دسمبر 2016 کے اختتام پر 5.4ارب روپے کے مقابلے میں 4.46ارب روپے پر بند ہوئے۔

STATEMENT OF INTERNAL CONTROLS

For the Year Ended December 31, 2017

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 Systems by 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 organization structure and institutes 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 Controls is established and efforts are made to implement sound control procedures and to maintain a suitable control environment.

The Management of PAÏR Investment has adapted the internationally accepted COSO Integrated Framework, in accordance with the guidelines on Internal Controls from the 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 the COSO Framework on 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 implements initiatives which require 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, Long Form Report (LFR) on the assessment of DFI's ICFR for the year 2016 was issued by the statutory auditors and has been submitted to SBP. None of the deficiencies identified are expected to have a material impact on Financial Reporting. Respective departments have carried out testing of the effectiveness of ICFR prevalent throughout the DFI for the year 2017. Statutory auditors were engaged to prepare a Long Form Report on ICFR as of December 31, 2017.

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, the Management considers that the existing Internal Control System is adequate and has been effectively implemented and monitored, though room for improvement always exists.

Chief Executive & Managing Director	**Chief Financial Officer**	**Head of Internal Audit**

Date: March 04, 2018

AUDITOR'S REVIEW REPORT TO THE MEMBER
ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of **PAÏR Investment Company Limited** ("the Company") for the year ended 31 December 2017 to comply with the Regulation G-1 of the Prudential Regulations for Corporate/Commercial Banking issued by the State Bank of Pakistan.

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

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 31 December 2017.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq
Engagement Partner

Date: 4 Mach 2018
Place: Karachi

THE STATEMENT OF COMPLIANCE
WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED DECEMBER 31, 2017

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

The Company has applied the principles contained in the Code in 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 directors are nominated by both the Shareholders. The Company encourages representation of non-executive directors on its Board of Directors (the Board). At present, the Board includes:

Category	Names
Executive Directors	Mr. Hamid Eftekhari Kondelaji
Non-Executive Directors	Mr. Zahoor Ahmed Mr. Aamer Mahmood Hussain Mr. Seyed Ahmad Araghchi Mr. Hemmat Jafari

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

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

4. One casual vacancy occurred on the Board during the year: it was duly filled within the prescribed time.

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

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

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

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

9. Directors' training has already been performed by two director's the other three will attend the directors' training program this year.

10. The Board had approved the appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

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

13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

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

15. The Board has formed an Audit Committee which comprises of 2 members, including the Chairman, representing the Ministry of Finance - Government of Pakistan. All the members of the committee are non-executive directors.

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

17. The Board has formed an HR and Remuneration Committee. It comprises of 3 members, of whom 2 are non-executive directors and the Chairman of the committee is a non-executive director representing the Ministry of Finance.

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

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

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

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

Mr. Zahoor Ahmed
Chairman

Date: 4 March 2018

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of **PAÏR Investment Company Limited** ("the Company") as at 31 December 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's Management to establish and maintain a system of internal control, and prepare and present the abovesaid statements in conformity with the approved accounting standards and the requirements of the repealed 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 abovesaid statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the abovesaid statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the abovesaid 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 repealed 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 repealed Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the repealed Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Other Matter

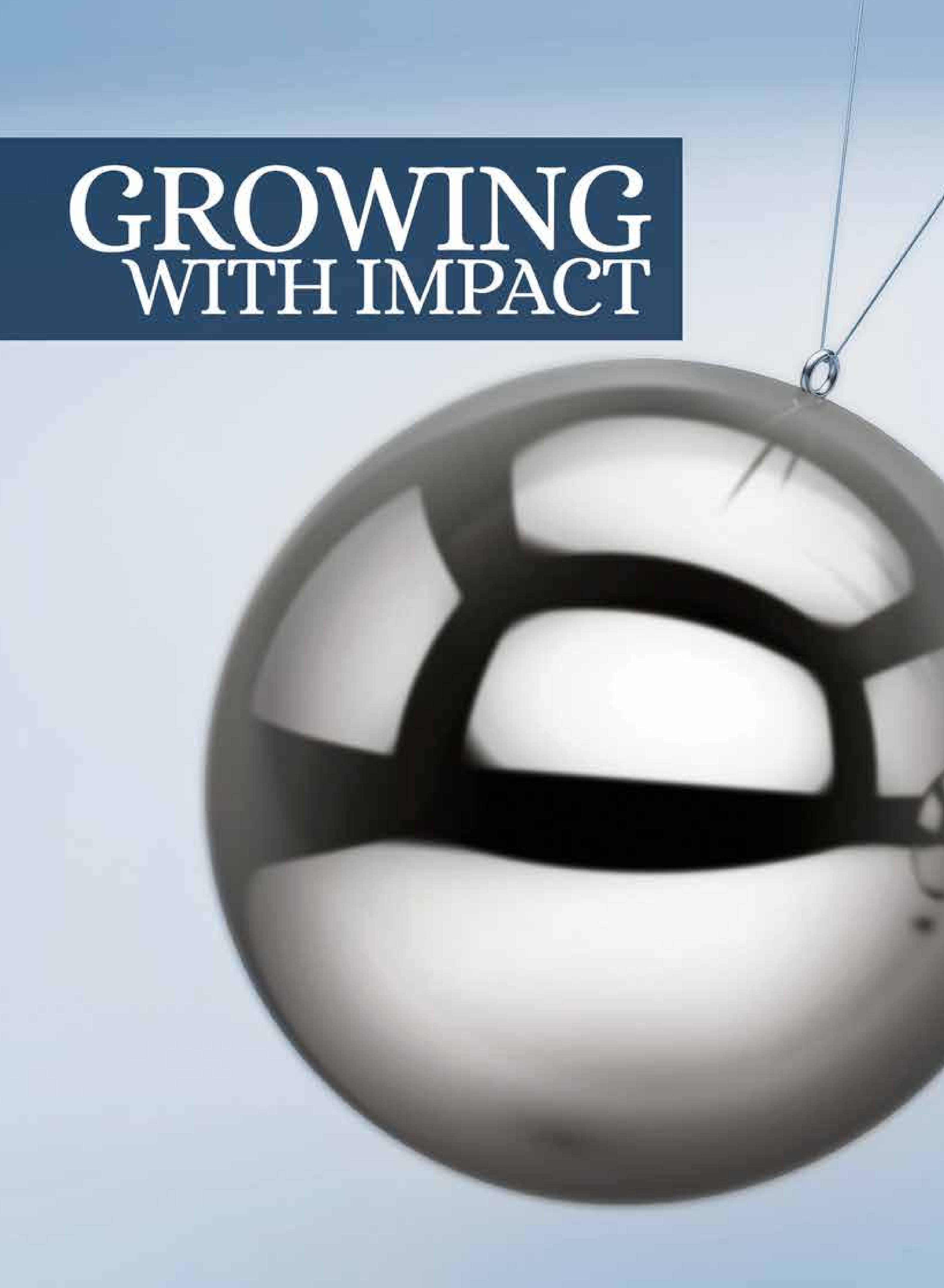
The financial statements of the Company for the year ended 31 December 2016 were audited by another firm of chartered accountants who had expressed an unmodified opinion thereon dated 17 February 2017.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq
Engagement Partner

Date: 4 March 2018
Place: Karachi

GROWING WITH IMPACT



PAÏR INVESTMENT COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017	2016
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	5	**37,870**	64,205
Balances with other banks	6	**91,727**	432,783
Lendings to financial institutions	7	**970,000**	-
Investments	8	**11,044,299**	11,842,973
Advances	9	**4,652,932**	5,424,351
Operating fixed assets	10	**198,003**	176,982
Deferred tax asset - net	11	**260,554**	238,128
Other assets	12	**430,280**	419,049
		17,685,665	18,598,471
LIABILITIES			
Bills payable		**-**	-
Borrowings	13	**6,370,738**	6,549,981
Deposits and other accounts	14	**1,814,001**	2,079,728
Liabilities against assets subject to finance lease		**-**	-
Sub-ordinated loans		**-**	-
Deferred tax liabilities		**-**	-
Other liabilities	15	**245,594**	518,803
		8,430,333	9,148,512
NET ASSETS		**9,255,332**	9,449,959
REPRESENTED BY			
Share capital	16	**6,000,000**	6,000,000
Reserves	17	**840,066**	794,107
Unappropriated profit		**2,452,552**	2,572,774
		9,292,618	9,366,881
(Deficit) / surplus on revaluation of assets	18	**(37,286)**	83,078
		9,255,332	9,449,959
CONTINGENCIES AND COMMITMENTS	19		

The annexed notes 1 to 40 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, 2017

	Note	2017	2016
		(Rupees in '000)	
Mark-up / return / interest earned	22	1,045,117	1,243,694
Mark-up / return / interest expensed	23	387,358	533,274
Net mark-up / interest income		657,759	710,420
Reversal for non-performing loans and advances	9.5	(3,635)	(49,647)
Provision / (reversal) of provision for diminution in the value of investments	8.3	70,226	(366,209)
		66,591	(415,856)
Net mark-up / interest income after provisions		591,168	1,126,276
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		10,327	19,631
Dividend income		39,683	30,205
(Loss) / gain from dealing in foreign currencies		(771)	408
Gain on sale of securities - net	24	69,591	4,913
Unrealised gain / (loss) on revaluation of investments classified as held for trading-net	8.10	9,680	(1,920)
Other income	25	-	5
Total non mark-up / interest income		128,510	53,242
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	26	351,414	318,148
Other charges	27	50	279
Total non mark-up / interest expenses		351,464	318,427
		368,214	861,091
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		368,214	861,091
Taxation			
- current		120,909	214,558
- prior years		-	10,984
- deferred		17,510	32,258
	28	138,419	257,800
PROFIT AFTER TAXATION		229,795	603,291
Basic and diluted earnings per share - (Rupees)	29	0.38	1.01

The annexed notes 1 to 40 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 31 December 2017

	Note	2017	2016
		(Rupees in '000)	
Profit after taxation		**229,795**	603,291
Other comprehensive income			
Items that will not be reclassified to profit and loss account in subsequent periods:			
Actuarial (loss) on re-measurement of defined benefit obligation	*32.9*	**(5,797)**	(36)
Related deferred tax		**1,739**	11
		(4,058)	(25)
Comprehensive income transferred to equity		**225,737**	603,266
Components of comprehensive income not reflected in equity			
(Deficit) on revaluation of available for sale securities - net		**(158,561)**	(57,469)
Deferred tax on revaluation	*11.1*	**38,197**	10,684
		(120,364)	(46,785)
Total comprehensive income		**105,373**	556,481

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 4 August 2000 and BSD Circular no 10 dated 13 July 2004.

The annexed notes 1 to 40 form an integral part of these financial statements.

Chairman	Chief Executive & Managing Director	Director	Director

PAÏR INVESTMENT COMPANY LIMITED

CASH FLOW STATEMENT

For the Year Ended 31 December 2017

	Note	2017	2016
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**368,214**	861,091
Less: Dividend income		**(39,683)**	(30,205)
		328,531	830,886
Adjustments for:			
Depreciation	*10.2*	**13,755**	14,957
Amortisation	*10.3*	**338**	288
Reversal against non-performing loans and advances	*9.5*	**(3,635)**	(49,647)
Provision / (Reversal) of provision for diminution in the value of investments	*8.3*	**70,226**	(366,209)
Gain on sale of operating fixed assets	*25*	**-**	(5)
Charge for defined benefit plan	*26*	**8,090**	8,499
Unrealised (gain) / loss on revaluation of held for trading investments	*8.10*	**(9,680)**	1,920
		79,094	(390,197)
		407,625	440,689
(Increase) / decrease in operating assets			
Held-for-trading securities		**180,956**	5,924,979
Lendings to financial institutions		**(970,000)**	-
Advances		**775,054**	(1,871,756)
Others assets		**(16,029)**	45,334
		(30,019)	4,098,557
Increase / (decrease) in operating liabilities			
Borrowings		**(179,243)**	(5,102,454)
Deposits and other accounts		**(265,727)**	189,226
Other liabilities (excluding provision for taxation - net)		**111,689**	(95,940)
		(333,281)	(5,009,168)
		44,325	(469,922)
Income tax paid		**(250,793)**	(244,354)
Defined benefits paid		**(7,098)**	(10,827)
Net cash flows used in operating activities		**(213,566)**	(725,103)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		**589,868**	938,544
Net investments in held to maturity securities		**(153,060)**	143,333
Dividend income received		**39,208**	29,586
Investment in operating fixed assets		**(41,854)**	(1,000)
Sale proceeds of operating fixed assets disposed off		**12,013**	88
Net cash flows from investing activities		**446,175**	1,110,551
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**(600,000)**	(150,000)
Net cash flows used in financing activities		**(600,000)**	(150,000)
Net (decrease) / increase in cash and cash equivalents		**(367,391)**	235,448
Cash and cash equivalents at beginning of the year	*30*	**496,988**	261,540
Cash and cash equivalents at end of the year	*30*	**129,597**	496,988

The annexed notes 1 to 40 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 31 December 2017

	Note	Issued, subscribed and paid-up capital	Reserves		Total
			Statutory reserve	Unappropriated profit	
		(Rupees in '000)			
Balance as at 31 December 2015		**6,000,000**	**673,449**	**2,390,166**	**9,063,615**
Total comprehensive income for the year					
Profit for the year ended 31 December 2016		-	-	603,291	603,291
Other comprehensive income		-	-	(25)	(25)
Total comprehensive income for the year ended 31 December 2016		-	-	603,266	603,266
Transfer to statutory reserve	17	-	120,658	(120,658)	-
Transactions with owners recognised directly in equity					
Final cash dividend - 31 December 2015 declared subsequent to the year end		-	-	(300,000)	(300,000)
Balance as at 31 December 2016		6,000,000	794,107	2,572,774	9,366,881
Total comprehensive income for the year					
Profit for the year ended 31 December 2017		-	-	229,795	229,795
Other comprehensive income		-	-	(4,058)	(4,058)
Total comprehensive income for the year ended 31 December 2017		-	-	225,737	225,737
Transfer to statutory reserve	17	-	45,959	(45,959)	-
Transactions with owners recognised directly in equity					
Final cash dividend - 31 December 2016 declared subsequent to the year end		-	-	(300,000)	(300,000)
Balance as at 31 December 2017		**6,000,000**	**840,066**	**2,452,552**	**9,292,618**

The annexed notes 1 to 40 form an integral part of these financial statements.

Chairman	Chief Executive & Managing Director	Director	Director

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

1. STATUS AND NATURE OF BUSINESS

PAÏR Investment Company Limited, "the Company" is an unlisted Public Limited Company incorporated in Pakistan on 15 January 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 conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BSD Circular No. 04, dated 17 February 2006. Furthermore, SBP vide BPRD Circular No. 02 dated 25 January 2018 has notified a new format of financial statements effective from the accounting year ending 31 December 2018. The new format would result in additional disclosures and certain changes in the financial statements presentation.

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.

2.2 Statement of compliance

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 repealed Companies Ordinance, 1984, the provisions of and directives issued under the repealed 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 repealed Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives of SBP or SECP differ with the requirements of IFRSs, the requirements of the repealed Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives shall prevail.

The Companies Ordinance, 1984 was repealed by enactment of the Companies Act, 2017 on 30 May 2017. SECP vide its Circular No. 23 of 2017 has clarified that all those companies whose financial year closes on or before 31 December 2017 shall prepare financial statements in accordance with the provisions of repealed Companies Ordinance, 1984.

- The SBP through its BSD Circular letter No. 11 dated 11 September 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 1 January 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 17 February 2006, 'Revised Forms of Annual Financial statements', effective from the accounting year ended 31 December 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 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 January 2018:

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

- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after January 1, 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.

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

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.

- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Bank is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard. The management has completed an initial assessment of changes required in revenue recognition policies on adoption of the standard and considers that the impact would not be significant.

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently awaiting instructions from SBP as applicability of IAS 39 (as explained in note 2.2) was deferred by SBP till further instructions.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2018 and are not likely to have an impact on Company's financial statements.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Cash and cash equivalents

For the preparation 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.

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 investments and impairment (Note 4.4)
- Provision against non-performing advances including net investment in finance lease (Note 4.5)
- Provision against off - balance sheet obligations (Note 4.18)
- Valuation of non-banking assets acquired in satisfaction of claims (Note 4.22)
- Useful life of operating assets and methods of depreciation and amortization (Note 4.6)
- Taxation - Current (Note 4.7)
- Taxation - Deferred (Note 4.7)
- Staff retirement benefit and compensated absences (Notes 4.20 & 4.21)

4.4 Investments

The Company classifies its investments as follows:

Held for trading

These are securities, which are acquired with the intention to trade by taking advantages of short term market/ interest rate movements and are carried at market value. Cost of investment is determined on weighted average basis. These securities are required to be sold within 90 days from the date of their classification as 'Held for trading' under normal circumstances, in accordance with the requirements of State Bank of Pakistan.

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.

Available for sale

Investments that do not fall under the 'held for trading' or 'held to maturity categories' are classified as 'available for sale'.

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.

Initial Recognition

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.

Subsequent Measurement

Investments in government securities and quoted investments, categorized as 'held for trading' and 'available for sale' are valued at rates quoted on PKRV and Pakistan Stock Exchange (PSE) as at the date of statement of financial position respectively. Any surplus or deficit arising as a result of revaluation of securities categorised as 'held for trading' is taken to profit and loss account ant that of 'available for sale' is taken to the statement of financial position, and shown below equity in accordance with the requirements of State Bank of Pakistan.

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.

Investments classified as 'held-to-maturity' are stated at their amortized cost less impairment In value, if any.

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.

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.

Impairment

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 debt securities 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.

4.5 Advances including net investment in finance lease

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 prescribe an age based criteria (as supplemented by subjective evaluation of advances) for classification of non - performing loans and advances and computing provision / allowance there against. Advances are written off when there is no realistic prospect of recovery.

Leases in which the Company transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessees are classified as finance leases. A receivable is recognised at an amount equal to the present value of the minimum lease payments, including any guaranteed residual value which are included in the financial statements as “net investment in finance lease”.

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 10.2 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 work-in-progress

Capital work 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 Pakistan 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

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

4.13 Other provisions

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.

4.14 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 Provisions against off - balance sheet obligations

The Company, in the ordinary course of business, issues guarantees. The commission against such contracts is recognised in the profit and loss account under "fees, commission and brokerage income" over the period of contracts. The Company's liability under such contracts is measured at the higher of the amount representing unearned commission income at the reporting date and the best estimate of the amount expected to settle any financial obligation arising under such contracts.

4.19 Segment information

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

4.19.1 Business segments

Following are the main segments of the Company:

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

4.19.2 Geographical segments

The Company operate only in Pakistan.

4.20 Staff retirement benefit

Defined benefit plan

The Company operates an approved 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 recognises 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 Company recognises related restructuring costs or termination benefits.

The Company has adopted certain actuarial assumptions as disclosed in the note 32.2 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.

4.21 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.

4.22 Non - banking assets acquired in satisfaction of claims

Non - banking assets acquired in satisfaction of claims are initially measured at settlement amount and upon revaluation, are carried at revalued amounts less accumulated depreciation and impairment, if any. These assets are revalued as per SBP's requirement by independent professionally qualified valuers to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of property is credited to the 'surplus on revaluation of fixed assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title of property is charged to profit and loss account and not capitalised.

	Note	2017	2016
5. CASH AND BALANCES WITH TREASURY BANKS		**(Rupees in '000)**	
In hand			
Local currency		**70**	70
Foreign currencies		**1,221**	642
		1,291	712
With State Bank of Pakistan in			
Local currency current account	*5.1*	**36,028**	62,960
With National Bank of Pakistan in			
Local currency current account		**8**	8
Local currency deposit account	*5.2*	**543**	525
		551	533
		37,870	64,205

5.1 This represents current account maintained for minimum cash reserve required to be maintained with the State Bank of Pakistan in accordance with its requirements.

5.2 This carries mark-up at the rate 3.75% per annum (2016: 3.75%).

6. BALANCES WITH OTHER BANKS

	Note	2017	2016
In Pakistan			
In current accounts		**44,920**	4,509
In deposits accounts	*6.1*	**46,807**	428,274
		91,727	432,783

6.1 These deposit accounts carry annual mark-up rate of 3.75% (2016: 3.75% to 4%).

7. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2017	2016
Call money lendings	*7.2*	**170,000**	-
Certificate of Investment	*7.3*	**800,000**	-
		970,000	-
7.1 Particulars of lendings			
In local currency		**970,000**	-

7.2 This carry mark-up rate of 5.90% (2016: nil) per annum, with maturity at 02 January 2018 (2016: Nil).

7.3 These carry mark-up rates upto 7.50% (2016: nil) per annum, with maturity upto 23 May 2018 (2016: Nil).

8. INVESTMENTS

8.1 Investments by type

	Note	2017 Held by the Company	2017 Given as collateral	2017 Total	2016 Held by the Company	2016 Given as collateral	2016 Total
		(Rupees in '000)					
Held for trading securities							
Pakistan Investment Bonds		-	-	-	322,815	-	322,815
Shares in listed companies		155,754	-	155,754	4,215	-	4,215
		155,754	-	155,754	327,030	-	327,030
Available for sale securities							
Market treasury bills		1,489,208	3,445,717	4,934,925	1,744,779	3,696,579	5,441,358
Pakistan Investment Bonds		-	836,532	836,532	463,663	1,568,555	2,032,218
Units of mutual funds		274,119	-	274,119	800,000	-	800,000
Shares in listed companies		645,047	-	645,047	250,022	10,822	260,844
Shares in unlisted companies		-	-	-	-	-	-
Sukuk bonds		373,171	-	373,171	255,468	-	255,468
Term finance certificates - Listed		1,334,272	160,369	1,494,641	339,371	659,869	999,240
Term finance certificates - Unlisted		1,794,531	499,500	2,294,031	1,626,609	-	1,626,609
		5,910,348	4,942,118	10,852,466	5,479,912	5,935,825	11,415,737
Held to maturity securities							
Commercial papers		153,060	-	153,060	-	-	-
		153,060	-	153,060	-	-	-
Investments at cost		6,219,162	4,942,118	11,161,280	5,806,942	5,935,825	11,742,767
Provision for diminution in value of investments	8.3	(82,797)	-	(82,797)	(12,571)	-	(12,571)
Investments - net of provisions		6,136,365	4,942,118	11,078,483	5,794,371	5,935,825	11,730,196
Surplus / (Deficit) on revaluation of held for trading securities	8.10	9,680	-	9,680	(1,920)	-	(1,920)
(Deficit) / surplus on revaluation of available for sale securities	18	(73,087)	29,223	(43,864)	48,191	66,506	114,697
Total investments at market value		6,072,958	4,971,341	11,044,299	5,840,642	6,002,331	11,842,973

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

		Note	2017	2016
			(Rupees in '000)	
8.2	**Investments by segment**			
	Federal Government securities			
	- Market treasury bills	8.4	**4,934,925**	5,441,358
	- Pakistan Investment Bonds	8.5	**836,532**	2,355,033
	Units in mutual funds		**274,119**	800,000
	Fully paid up ordinary shares			
	- Listed companies		**800,801**	265,059
	Sukuk bonds		**373,171**	255,468
	Term finance certificates			
	- Listed		**1,494,641**	999,240
	- Unlisted		**2,294,031**	1,626,609
			3,788,672	2,625,849
	Commercial papers		**153,060**	-
	Total investments at cost		**11,161,280**	11,742,767
	Provision for diminution in value of investments	8.3	**(82,797)**	(12,571)
	Investments - net of provisions		**11,078,483**	11,730,196
	Surplus / (Deficit) on revaluation of held for trading securities	8.10	**9,680**	(1,920)
	(Deficit) / Surplus on revaluation of available for sale securities	18	**(43,864)**	114,697
	Total investments at market value		**11,044,299**	11,842,973
8.3	**Particulars of provision held for diminution in the value of investments**			
	Opening balance		**12,571**	378,780
	Charge for the year		**70,697**	-
	Reversals		**(471)**	(366,209)
			70,226	(366,209)
	Closing balance		**82,797**	12,571
	Particulars of provision in respect of types and segments			
	Available for sale securities			
	Shares in listed companies		**69,841**	-
	Shares in unlisted companies		**-**	-
	Sukuk bonds		**1,711**	1,326
	Term finance certificates - Unlisted		**11,245**	11,245
			82,797	**12,571**

8.4 Market treasury bills carry yield ranging from 6.01% (2016: 5.83% to 5.96%) per annum with maturities upto 07 June 2018 (2016: 20 July 2017).

8.5 The investments in Pakistan investment bonds are maturing upto 17 July 2019 (2016: 17 July 2019) and the effective yield ranges from 6.57% to 9.35% (2016: 6.57% to 12.58%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

8.6 Quality of held for trading securities

			Market value		Cost		Long / medium term credit rating (Entity)	Rated by
			2017	2016	**2017**	2016		
			(Rupees in '000)					
		Pakistan Investment Bonds	**-**	**320,897**	**-**	**322,815**	Unrated - Government Securities	
Number of Shares		**Shares in Listed Companies**						
2017	2016							
-	50,000	National Bank of Pakistan	**-**	3,745	-	3,775	AAA	PACRA
208,900	-	United Bank Limited	**39,267**	-	**34,675**	-	AAA	JCR-VIS
295,700	-	D.G.Khan Cement Company Limited	**39,540**	-	**36,677**	-	.... Unrated	
86,900	-	Lucky Cement Limited	**44,963**	-	**43,420**	-	.... Unrated	
110,000	-	Hub Power Company Limited	**10,010**	-	**10,071**	-	AA+	PACRA
1,046,500	50,000	K-Electric Limited	**6,603**	468	**6,408**	440	AA	PACRA
15,000	-	Attock Refinery Limited	**3,512**	-	**3,478**	-	AA	PACRA
20,000	-	Pakistan Petroleum Limited	**4,118**	-	**4,002**	-	.... Unrated	
50,000	-	TRG Pakistan Limited	**1,480**	-	**1,525**	-	.... Unrated	
138,500	-	Fauji Fertilizer Company Limited	**10,843**	-	**10,548**	-	AA	PACRA
10,000	-	Packages Limited	**5,098**	-	**4,950**	-	AA	PACRA
			165,434	4,213	**155,754**	4,215		

8.7 Quality of available-for-sale securities

	Market value		Cost		Long / medium term credit rating (Entity)	Rated by
	2017	2016	**2017**	2016		
	(Rupees in '000)					
Market treasury bills	**4,934,230**	5,439,003	**4,934,925**	5,441,358	Unrated - Government Securities	
Pakistan Investment bonds	**858,890**	2,108,345	**836,532**	2,032,218	Unrated - Government Securities	

Number of Certificates / Units 2017	Number of Certificates / Units 2016	Certificates / Units in Listed Mutual Funds	Market value 2017	Market value 2016	Cost 2017	Cost 2016	Long / medium term credit rating (Entity)	Rated by
			(Rupees in '000)					
15,389,016	-	NAFA Stock Fund	**216,283**	-	**274,119**	-	.... Unrated	
-	36,251,570	NAFA Income Opportunity Fund	**-**	400,711	**-**	400,000	A(f)	PACRA
-	4,583,203	United Growth and Income Fund	**-**	402,337	**-**	400,000	A(f)	JCR-VIS
			216,283	803,048	**274,119**	800,000		

Number of Shares 2017	Number of Shares 2016	Shares in listed companies	Market value 2017	Market value 2016	Cost 2017	Cost 2016	Long / medium term credit rating (Entity)	Rated by
227,500	30,000	Adamjee Insurance Company Ltd.	**11,823**	2,224	**16,798**	1,696	AA+	PACRA
309,100	340,000	Allied Bank Limited	**26,267**	40,531	**33,219**	36,796	AA+	PACRA
3,000	-	Atlas Honda Limited	**1,699**	-	**1,939**	-	.... Unrated	
-	45,000	Bank AL Habib Limited	**-**	2,655	**-**	1,999	AA+	PACRA
-	600,000	Bank Alfalah Limited	**-**	22,776	**-**	15,882	AA+	PACRA
18,300	-	Cherat Packaging Limited	**3,642**	-	**6,026**	-	.... Unrated	
295,000	-	D.G.Khan Cement Company Limited	**39,447**	-	**39,771**	-	.... Unrated	
75,500	-	Dolmen City REIT	**831**	-	**843**	-	RR1	JCR-VIS
156,000	-	Engro Corporation Limited	**42,861**	-	**41,499**	-	AA	PACRA
279,000	-	Engro Fertilizer Limited	**18,894**	-	**18,290**	-	AA-	PACRA
65,000	-	Engro Foods Ltd.	**5,220**	-	**11,613**	-	.... Unrated	
416,000	340,000	Engro Powergen Qadirpur Ltd.	**13,736**	11,818	**14,782**	12,210	.... Unrated	
-	100,000	Fauji Cement Company Limited	**-**	4,508	**-**	4,371	.... Unrated	
115,000	-	Fauji Fertilizer Bin Qasim Limited	**4,087**	-	**6,024**	-	.... Unrated	
330,000	260,000	Fauji Fertilizer Company Limited	**26,106**	27,136	**35,117**	29,892	AA	PACRA
63,000	-	General Tyre and Rubber Co. of Pak Ltd	**11,863**	-	**16,106**	-	.... Unrated	
-	117,500	Ghani Gases Limited	**-**	3,082	**-**	2,940	A-	PACRA

Number of Shares			Market value		Cost		Long / medium term credit rating (Entity)	Rated by
2017	2016		2017	2016	2017	2016		
			(Rupees in '000)					
		Shares in listed companies						
55,000	10,000	GlaxoSmithKline (Pakistan) Limited	**9,233**	2,333	**12,838**	2,211	.... Unrated	
353,000	25,000	Gul Ahmed Textile Mills Limited	**13,089**	1,279	**14,690**	1,324	.... Unrated	
541,500	54,500	Habib Bank Limited	**90,479**	14,892	**102,664**	11,794	AAA	JCR-VIS
-	175,000	Habib Metropolitan Bank Limited	**-**	6,475	**-**	5,577	AA+	PACRA
201,000	30,000	Hub Power Company Limited	**18,291**	3,704	**18,253**	3,452	AA+	PACRA
1,229,000	-	Hum Network Limited	**10,041**	-	**12,396**	-	A-	PACRA
175,000	-	International Steel Limited	**18,615**	-	**16,687**	-	A-	JCR-VIS
650,000	1,650,000	K-Electric Limited	**4,102**	14,992	**5,453**	13,160	AA	PACRA
27,500	-	Kohat Cement Company Limited	**3,904**	-	**7,030**	-	A	PACRA
270,000	210,000	Kot Addu Power Company Limited	**14,553**	16,548	**20,478**	16,857	AA+	JCR-VIS
304,500	304,500	Lalpir Power Limited	**6,860**	7,369	**7,058**	7,058	AA	PACRA
81,518	-	Maple Leaf Cement Factory Limited	**5,579**	-	**5,299**	-	A+	PACRA
3,570	35,000	MCB Bank Limited	**758**	8,324	**993**	8,176	AAA	PACRA
-	40,000	Mughal Steel & Iron	**-**	3,526	**-**	3,984	A-	PACRA
350,000	130,000	National Bank of Pakistan	**16,996**	9,736	**27,447**	9,830	AAA	PACRA
-	500,000	NIB Bank Ltd.	**-**	905	**-**	993	.... Unrated	
158,000	8,000	Nishat Chunian Power Limited	**5,200**	444	**7,237**	449	.... Unrated	
147,000	-	Nishat Power Limited	**4,998**	-	**7,188**	-	A+	PACRA
69,300	105,300	Oil & Gas Development Company Limited	**11,281**	17,411	**10,564**	14,892	AAA	JCR-VIS
650,000	-	Pak Electron Limited	**30,869**	-	**29,744**	-	A+	PACRA
12,000	20,000	Pak Suzuki Motor Company Limited	**5,973**	12,256	**5,927**	10,756	.... Unrated	
22,500	12,500	Pakgen Power Limited	**498**	335	**542**	323	AA	PACRA
-	10,000	Pakistan Petroleum Limited	**-**	1,882	**-**	1,593	.... Unrated	
69,700	19,000	Pakistan State Oil Company Limited	**20,531**	8,250	**22,321**	7,979	AA	PACRA
1,233,000	1,200,000	Pakistan Telecommunication Company Limited	**16,091**	20,645	**21,328**	23,097	.... Unrated	
309,500	33,500	Saif Power Limited	**8,954**	1,191	**9,985**	1,142	A+	PACRA
75,000	-	Sui Southern Gas Company Limited	**2,287**	-	**3,437**	-	A+	PACRA
174,600	49,600	United Bank Limited	**32,820**	11,849	**33,461**	10,411	AAA	JCR-VIS
			558,478	279,076	**645,047**	260,844		

Number of Certificates of Rs. 5,000 each			Market value		Cost		Long / medium term credit rating (Entity)	Rated by
2017	2016	Sukuk bonds	2017	2016	2017	2016		
			(Rupees in '000)					
30,000	30,000	Eden Housing Limited	19,680	19,680	19,680	19,680	Unrated	
12,000	12,000	Sitara Peroxide Limited	21,700	22,085	23,411	23,411	Unrated	
12,259	-	Fatima Fertilizer Company Limited	50,400	-	49,036	-	AA-	PACRA
			91,780	41,765	92,127	43,091		

Number of Certificates of Rs. 100,000 each								
2017	2016	Sukuk bonds						
1,500	-	Aspin Pharma Private Limited	150,000	-	150,000	-	A	JCR-VIS

Number of Certificates of Rs. 100 each								
2017	2016	Sukuk bonds						
1,310,440	1,623,770	Liberty Powertech Limited	131,044	162,377	131,044	162,377	A+	PACRA

Number of Certificates of Rs. 1 million each								
2017	2016	Sukuk bonds						
-	50	Pak Electron Limited	-	50,000	-	50,000	Unrated	

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Number of Certificates of Rs. 5,000 each			Market value		Cost		Long / medium term credit rating (Entity)	Rated by
2017	2016		2017	2016	2017	2016		
			(Rupees in '000)					
		Term Finance Certificates - *listed*						
120,000	120,000	MCB Bank Limited (formerly NIB Bank Ltd.)	**608,479**	606,207	**599,160**	599,400	AAA	PACRA
80,000	80,000	Soneri Bank Limited	**400,080**	407,037	**399,680**	399,840	A+	PACRA
			1,008,559	1,013,244	**998,840**	999,240		

Number of Certificates of Rs. 100,000 each			Market value		Cost		Long / medium term credit rating (Entity)	Rated by
2017	2016		2017	2016	2017	2016		
5,000	-	Habib Bank Limited	**495,283**	-	**495,801**	-	AA+	JCR-VIS

Number of Certificates of Rs. 5,000 each			Market value		Cost		Long / medium term credit rating (Entity)	Rated by
2017	2016	**Term Finance Certificates - *Unlisted***	2017	2016	2017	2016		
-	20,000	Bank Alfalah Limited - II	-	67,490	-	66,493	AA-	PACRA
8,000	-	U Micro Finance Bank Limited	**40,000**	-	**40,000**	-	BBB+	JCR-VIS
100,000	-	Bank AL Habib Limited	**500,000**	-	**500,000**	-	AA	PACRA
-	65,000	Faysal Bank Limited	-	163,472	-	162,817	AA-	PACRA
20,000	20,000	Jahangir Siddiqui & Company Ltd (3rd Issue)	**47,690**	70,042	**47,500**	70,000	AA+	PACRA
6,000	6,000	Trust Investment Bank Limited	-	-	**11,245**	11,245	.... Unrated	
-	10,000	Independent Media Corporation (Private) Ltd.	-	17,500	-	17,500	BBB-	JCR-VIS
110,000	90,000	JS Bank Limited	**549,834**	450,000	**550,532**	450,000	A+	PACRA
80,000	80,000	NRSP Micro Finance Bank Limited	**100,360**	300,991	**100,000**	300,000	A	JCR-VIS
-	40,000	Pak Electron Limited	-	114,286	-	114,286	.... Unrated	
			1,237,884	1,183,781	**1,249,277**	1,192,341		

Number of Certificates of Rs. 100,000 each			Market value		Cost		Long / medium term credit rating (Entity)	Rated by
2017	2016		2017	2016	2017	2016		
			(Rupees in '000)					
		Term Finance Certificates - *Unlisted*						
2,500	-	Bank of Punjab	249,650	-	249,900	-	AA-	PACRA
			249,650	-	249,900	-		
Number of Certificates of Rs. 1 million each								
2017	2016	**Term Finance Certificates - *Unlisted***						
450	-	Pakarab Fertilizer Limited	450,000	-	450,000	-	A-	PACRA
300	300	Askari Bank Limited	299,280	303,891	300,410	300,935	AA	PACRA
			749,280	303,891	750,410	300,935		
Number of Certificates of Rs. 50 million eachch								
2017	2016	**Term Finance Certificates - *Unlisted***						
8	8	JDW Sugar Mills Limited (2nd Issue)	44,444	133,333	44,444	133,333	AA-	JCR-VIS

8.8 Quality of held to maturity securities

Number of Certificates of Rs. 100,000 each								
2017	2016	**Commercial Papers**						
1,600	-	Crescent Steel & Allied Products Limited	153,060	-	153,060	-	A-2	JCR-VIS
		Total investments	11,044,299	11,842,973	11,161,280	11,742,767		

8.9 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. 41.3 million (2016: Rs. 24.2 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	2017	2016
			(Rupees in '000)	
8.10	**Unrealised gain / (loss) on revaluation of investments classified as held for trading - net**			
	Market treasury bills		-	-
	Pakistan investment bonds		-	(1,918)
	Shares of listed companies		9,680	(2)
			9,680	(1,920)
9.	**ADVANCES**			
	In Pakistan			
	Loans, cash credits, finances etc.	*9.2*	**5,057,393**	6,127,766
	Net investment in finance lease	*9.3*	**414,785**	129,748
			5,472,178	6,257,514
	Bill discounted and purchased (excluding treasury bills)		**35,000**	24,718
	Advances - gross		**5,507,178**	6,282,232
	Provision against non-performing loans and advances	*9.4*	**(854,246)**	(857,881)
	Advances - net of provision		**4,652,932**	5,424,351
9.1	**Particulars of advances - gross**			
	In local currency	*9.1.1*	**5,507,178**	6,282,232
	In foreign currencies		-	-
			5,507,178	6,282,232
9.1.1	**Short-term (upto one year)**		**2,311,286**	2,235,625
	Long-term (over one year)		**3,195,892**	4,046,607
			5,507,178	6,282,232

9.2 These 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% (2016: 3% and 5%) respectively.

9.3 Net investment in finance lease

Description	2017				2016			
	Not later than one year	**Later than one and less than five years**	**Later than five years**	**Total**	Not later than one year	Later than one and less than five years	Later than five years	Total
	(Rupees in '000)							
Lease rentals receivable	**137,428**	**252,218**	-	**389,646**	41,431	91,036	-	132,467
Guaranteed residual value	**3,469**	**78,250**		**81,719**	-	19,839		19,839
Minimum lease payments	**140,897**	**330,468**	-	**471,365**	41,431	110,875	-	152,306
Finance charge for future periods	**(29,268)**	**(27,312)**	-	**(56,580)**	(10,383)	(12,175)	-	(22,558)
Present value of minimum lease payments	**111,629**	**303,156**	-	**414,785**	31,048	98,700	-	129,748

9.3.1 The Company's implicit rate of return on leases ranges between 7.67% and 15.94% (2016: 8.39% and 13.37%) per annum. These are secured against leased assets and security deposits generally upto 27% (2016: 20%) of the cost of leased assets.

9.3.2 Lease rentals received during the year aggregate to Rs. 87.633 million (2016: Rs. 22.648 million).

9.4 Advances include Rs. 958.25 million (2016: Rs. 1,168.33 million), which have been placed under a non-performing status as detailed below:

	2017					
	Non-performing advances			Provision required and held		
	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)					
Category of classification						
Other assets especially mentioned	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Loss	**958,250**	-	**958,250**	**(854,246)**	-	**(854,246)**
	958,250	-	**958,250**	**(854,246)**	-	**(854,246)**

	2016					
	Non-performing advances			Provision required and held		
	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)					
Category of classification						
Other assets especially mentioned	-	-	-	-	-	-
Substandard	204,672	-	204,672	35,289	-	35,289
Doubtful	-	-	-	-	-	-
Loss	963,666	-	963,666	822,592	-	822,592
	1,168,338	-	1,168,338	857,881	-	857,881

9.5 Particulars of provision against non-performing advances - in local currency

	2017			2016		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	**857,881**	-	**857,881**	907,528	-	907,528
Charge for the year	**42,362**	-	**42,362**	58,235	-	58,235
Reversals	**(45,997)**	-	**(45,997)**	(107,882)	-	(107,882)
	(3,635)	-	**(3,635)**	(49,647)	-	(49,647)
Amounts written off	-	-	-	-	-	-
Closing balance	**854,246**	-	**854,246**	857,881	-	857,881

9.5.1 Particulars of provision against non-performing advances

	2017			2016		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	**854,246**	-	**854,246**	857,881	-	857,881

9.6 In accordance with BSD Circular No. 1 dated 21 October 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. 104 million (2016: Rs. 156.95 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.

9.7 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	2017	2016
		(Rupees in '000)	
Balance at beginning of the year		**44,618**	43,904
Loans granted during the year		**14,520**	5,718
Repayments during the year		**(15,012)**	(5,004)
Balance at end of the year		**44,126**	**44,618**
10 OPERATING FIXED ASSETS			
Capital work-in-progress	*10.1*	**183,091**	154,343
Property and equipment	*10.2*	**14,507**	22,365
Intangible assets	*10.3*	**405**	274
		198,003	176,982

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

10.2 Property and equipment

	Cost			Accumulated depreciation				
	At 1, January 2017	Additions/ (disposal)	As at 31 December 2017	At 1, January 2017	Charge/ (disposals)	As at 31 December 2017	Net book at 31 December 2017	Rate of depreciation (%)
	Rupees in '000							
Furniture and fixtures	35,423	115	35,538	31,458	2,170	33,628	1,910	20%
Electrical, office and computer equipment	35,594	1,877 (2,033)	35,438	31,496	2,251 (1,148)	32,599	2,839	20% to 25%
Vehicles	37,406	10,644 (32,581)	15,469	23,104	4,060 (21,453)	5,711	9,758	25%
2017	108,423	12,636 (34,614)	86,445	86,058	8,481 (22,601)	71,938	14,507	
2016	107,622	949 (148)	108,423	71,166	14,957 (65)	86,058	22,365	

10.3 Intangible assets

	Cost			Accumulated Amortization				
	As at January 1, 2017	Additions/ (Deletion)	As at December 31, 2017	As at January 1, 2017	Charge/ (disposals)	As at December 31, 2017	Net book value as at December 31, 2017	Rate of amortization (%)
Computer software	Rupees in '000							
2017	18,724	469	19,193	18,450	338	18,788	405	33%
2016	18,673	51	18,724	18,162	288	18,450	274	33%

10.4 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)	-------------------			
Mercedes Benz Jeep	19,792	13,193	6,599	6,599	-	Settlement	Mr. Nadeem Karamat,
Mercedes Benz E 250	12,789	8,260	4,529	4,529	-	Settlement	former-Managing Director / Chief
Generator	1,718	852	866	866	-	Settlement	Executive Officer

10.5 Assets having cost of Rs. 56.121 million (2016: Rs 49.302 million) are fully depreciated

11. DEFERRED TAX ASSET - NET

	2017	2016
	(Rupees in '000)	
Deferred tax asset - net	**260,554**	238,128
The balance of deferred taxation comprises		
Debit / (credit) balances arising on account of:		
Surplus/deficit on revaluation of assets	**6,578**	(31,024)
Accelerated tax depreciation allowance	**(20,216)**	(381)
Provision for gratuity, LFA and leave encashment	**5,007**	(306)
Provision against non-performing loans	**256,274**	265,942
Provision against investments	**12,911**	3,897
	260,554	238,128

11.1 Movement in temporary differences during the year

	Balance at 1 January, 2017	Recognized in profit and loss	Recognized in equity	Balance at 31 December, 2017
	(Rupees in '000)			
Debit / (Credit) balances arising on account of:				
Surplus /(deficit) on revaluation of assets	**(31,024)**	**(595)**	**38,197**	**6,578**
Accelerated tax depreciation allowance	**(381)**	**(19,835)**	**-**	**(20,216)**
Provision for gratuity, LFA & leave encashment	**(306)**	**3,574**	**1,739**	**5,007**
Provision against non performing loans	**265,942**	**(9,668)**	**-**	**256,274**
Provision against investments	**3,897**	**9,014**	**-**	**12,911**
	238,128	**(17,510)**	**39,936**	**260,554**

	Balance at 1 January, 2016	Recognized in profit and loss	Recognized in equity	Balance at 31 December, 2016
	(Rupees in '000)			
Debit / (Credit) balances arising on account of:				
(Deficit) / surplus on revaluation of assets	(42,301)	593	10,684	(31,024)
Accelerated tax depreciation allowance	(6,945)	6,564	-	(381)
Provision for gratuity, LFA & leave encashment	632	(949)	11	(306)
Provision against non performing loans	290,008	(24,066)	-	265,942
Provision against investments	18,297	(14,400)	-	3,897
	259,691	(32,258)	10,695	238,128

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

		Note	2017	2016
			(Rupees in '000)	
12.	**OTHER ASSETS**			
	Income / mark-up accrued in local currency		**254,543**	281,187
	Advances, deposits, advance rent and other prepayments		**66,300**	23,141
	Dividend receivable		**1,529**	1,054
	Receivable from defined benefit plan		**-**	986
	Security deposits		**7,731**	7,231
	Non-banking asset acquired in satisfaction of claims	*12.1*	**100,177**	105,450
			430,280	419,049
12.1	Market value of Non-banking assets acquired in satisfaction of claims		**119,750**	99,675
13.	**BORROWINGS**			
	In Pakistan (local currency)	*13.1*	**6,370,738**	6,549,981
13.1	**Details of borrowings secured / unsecured**			
	Secured			
	Borrowings from State Bank of Pakistan- Under financing facility			
	-for Storage of Agricultural Produce (FFSAP)	*13.2*	**3,294**	9,870
	-for Imported & Locally Manufactured Plant & Machinery (LTFF)	*13.3*	**694,163**	273,150
	Repurchase agreement borrowings	*13.4*	**4,235,781**	5,187,461
	Term borrowings	*13.5*	**1,187,500**	562,500
			6,120,738	6,032,981
	Unsecured			
	Call borrowings		**250,000**	517,000
			6,370,738	6,549,981

13.2 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 2% (2016: 2.5%). The borrowing will mature in November 2019.

13.3 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 2.0% per annum (2016: 2.0%). The borrowing will mature in April 2027.

13.4 These carry mark-up at the rates ranging from 6.00% to 6.05% per annum (2016: 5.90% to 6.2%) and are secured against government securities having carrying amount of Rs. 4.282 billion (2016: Rs. 5.26 billion). These borrowings will mature up to February 2018 (2016: January 2017).

13.5 These represent finances obtained from Allied Bank Limited to finance regular business operations of the Company. These finances are secured by pledge of listed and unlisted Term finance certificates. It carries mark up at the rate of 6 months KIBOR + 0.5% per annum. These are repayable in semi annual installments and shall be repaid by 2021.

		Note	2017	2016
14.	**DEPOSITS AND OTHER ACCOUNTS**		(Rupees in '000)	
	Customers			
	Term Deposits - Remunerative	*14.2*	**1,079,932**	1,254,468
	Term Deposits - Non-Remunerative	*14.2*	**260**	260
	Financial Institutions			
	Term Deposits - Remunerative	*14.4*	**733,809**	825,000
			1,814,001	2,079,728
14.1	**Particulars of deposits**			
	In local currency		**1,814,001**	2,079,728
			1,814,001	2,079,728

14.2 The mark-up rates on these certificate of investments (COI) range between 6.15% to 6.6% per annum (2016: 6.2% to 7% per annum). These COIs will mature up to December 2018 (2016: December 2017).

14.3 These include non-interest bearing certificate of investments (COI) issued to employees of the Company maturing up to November 2018 (2016: December 2017).

14.4 The mark-up rates on these certificate of investments (COI) is 6.2% per annum (2016: 6.25% to 6.4% per annum). These COIs will mature up to March 2018 (2016: December 2017).

15. OTHER LIABILITIES

	2017	2016
	(Rupees in '000)	
Mark-up / return / interest payable in local currency	39,556	40,966
Accrued expenses	18,335	8,932
Provision for taxation - net	561	89,387
Dividend payable	-	300,000
Payable Brokerage / NCCPL	5,924	179
Payable to defined benefit plan	4,064	-
Payable to an associated undertaking	5,279	4,900
Government levies payable	7,332	3,243
Provision for compensated absences	4,773	-
Provision for audit fee	1,436	1,495
Advance insurance premium on lease	469	265
Security deposits against finance lease	81,719	23,102
Provision for staff rewards	21,055	46,334
Provision for WWF	55,091	-
	245,594	518,803

16. SHARE CAPITAL

16.1 Authorized capital

2017	2016		**2017**	2016
(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

16.2 Issued, subscribed and paid-up share capital

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

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

	2017		2016	
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.

17. RESERVES

	2017	2016
	(Rupees in '000)	
Statutory reserve		
Opening balance	**794,107**	673,449
Transfer during the year	**45,959**	120,658
Closing balance	**840,066**	794,107

17.1 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.

18. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX

	Note	2017	2016
		(Rupees in '000)	
On revaluation of available-for-sale securities- net of deferred tax			
(Deficit) / surplus arising on revaluation of quoted equity shares		**(16,727)**	18,232
(Deficit) / surplus arising on revaluation of mutual funds		**(57,836)**	3,048
(Deficit) arising on revaluation of market treasury bills		**(695)**	(2,355)
Surplus arising on revaluation of term finance certificate		**7,672**	19,645
Surplus arising on revaluation of sukuks		**1,364**	-
Surplus arising on revaluation of Pakistan investment bond		**22,358**	76,127
		(43,864)	114,697
Related deferred tax asset / (liability)		**6,578**	(31,619)
		(37,286)	83,078

19. CONTINGENCIES AND COMMITMENTS

19.1 The income years 2013 to 2015 are under scrutiny. For Tax year 2013, the income tax department has amended the assessments the company has paid the additional demand created by the department under protest. While making amended assessment certain errors were made in the revised order with the effect amounting to PKR 5.5 million. The company has filed a rectification application for the same in addition to filing an appeal before ATIR against the amended order issued by CIRA which is pending for hearing.

In respect of tax years 2014 & 2015 ATIR deleted the demand on ground of allocation of mark-up expenses to capital gain and dividend income and directed the department to work out the liability of WWF in the light of Supreme Court's order. It has also remanded back the issue of taxing amortization of TFCs and preference shares and taxing of capital gain on sale of TFCs and T bills under the head business income instead of capital gain for re-adjudication. The department may file reference before High Court on allocation of expenses, where any adverse decision may increase the liability of the company by approximately PKR 54.71 Million & PKR 93.93 million respectively.

For tax years 2016 to 2017, Return filed under Universal Self-Assessment Scheme (USAS) is treated as deemed assessment under section 120 of the Income Tax Ordinance, 2001.

	2017	2016
	(Rupees in '000)	
19.2 Commitments in respect of repo transactions		
19.3 Direct credit substitutes	**148,810**	222,392

19.4 Commitments to extend credit

The Company makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

20. 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.

21. 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.

21.1 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

	Note	2017	2016
		(Rupees in '000)	
22. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances to			
- customers		**359,276**	325,972
- employees		**2,120**	2,082
On investments in			
- held-for-trading securities		**46,964**	59,819
- available-for-sale securities		**591,694**	832,484
- held-to-maturity securities		**3,623**	3,067
On deposits with financial institutions		**5,504**	11,839
On placements		**35,936**	8,431
		1,045,117	1,243,694
23. MARK-UP/RETURN/INTEREST EXPENSED			
Deposits and other accounts		**91,800**	104,276
Securities sold under repurchase agreements		**228,618**	363,959
On borrowing from State Bank of Pakistan- Under financing facility			
-for Storage of Agricultural Produce (FFSAP)		**227**	557
-for Imported & Locally Manufactured Plant & Machinery (LTFF)		**10,685**	5,493
Other short-term borrowings		**30,073**	7,996
Long term borrowings		**25,955**	50,993
		387,358	533,274
24. GAIN ON SALE OF SECURITIES - NET			
Market treasury bills		**-**	1,126
Ordinary shares in companies		**23,315**	(196,919)
Units of mutual funds		**20,027**	33,504
Term finance certificates		**-**	370
Pakistan investment bonds		**26,249**	166,832
		69,591	4,913

25. OTHER INCOME

This represents gain on sale of operating fixed assets amounting to Nil (2016: Rs. 0.005 million).

26. ADMINISTRATIVE EXPENSES

	Note	2017	2016
Salaries, allowances and benefits		**170,587**	187,654
Charge for defined benefit plan		**8,090**	8,499
Contribution to defined contribution plan		**7,785**	9,216
Non-executive Directors' fee		**2,342**	2,182
Rent and utilities		**25,201**	26,473
Repairs and maintenance		**9,136**	7,089
Insurance		**4,089**	4,703
Communication		**5,255**	3,764
Advertisement		**443**	468
Depreciation	*10.2*	**13,755**	14,957
Amortisation	*10.3*	**338**	288
Printing and stationery		**1,594**	1,706
Legal and professional charges		**2,821**	12,167
Travelling, conveyance and entertainment		**26,086**	22,176
Brokerage and commissions		**3,609**	3,223
Bank charges		**838**	452
Fee and subscriptions		**8,584**	8,275
Auditors' remuneration	*26.1*	**1,436**	1,436
Donations and charity	*26.2*	**780**	774
WWF Charges		**55,091**	-
Others		**3,554**	2,646
		351,414	318,148

	Note	2017	2016
		(Rupees in '000)	
26.1 Auditors' remuneration			
Audit fee		**518**	518
Half yearly review		**204**	204
Special certifications and others		**583**	583
Out of pocket expenses		**131**	131
		1,436	1,436

26.2 Donations and charity

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

	2017	2016
National Institute Of Child Health	**200**	-
Al Umeed Rehabilitation Association	**180**	-
Rotary Club	**-**	150
Special Olympics	**-**	200
Patient Aid Foundation	**100**	100
Inner Wheel Club	-	24
Kidney Center	**300**	300
	780	774

27. OTHER CHARGES / (REVERSALS) - NET

This represents penalties imposed by State Bank of Pakistan amounting to Rs. 0.05 million (2016: Rs. 0.279 million).

28. TAXATION

	2017	2016
Current	**120,909**	214,558
Prior year	**-**	10,984
Deferred	**17,510**	32,258
	138,419	257,800

28.1 Relationship between tax expense and accounting profit

	2017	2016
Profit before tax	**368,214**	861,091
Tax on income @ 30% (2016: 31%)	**110,464**	266,938
Net tax effect on income taxed at reduced rates	**9,745**	(19,182)
Net tax effect on income subject to FTR	**(21,584)**	(9,318)
Net tax effect of income / expenses not subject to tax	**(6,461)**	(19,825)
Tax effect of expenses that are not	-	**-**
deductible in determining taxable profit	**41,016**	13,211
Effect of change in rate of tax	**7,681**	10,984
Prior years charge	-	6,722
Others	**(2,442)**	8,270
Tax charge	**138,419**	257,800

29. BASIC / DILUTED EARNINGS

	2017	2016
	(Number of shares in '000)	
Profit after taxation for the year	**229,795**	603,291
	(Rupees per share)	
Weighted average number of ordinary shares outstanding during the year	600,000	**600,000**
(Rupees per share)		
Basic / diluted earnings	**0.38**	1.01

30. CASH AND CASH EQUIVALENTS

	Note	2017	2016
		(Rupees in '000)	
Cash and balances with treasury banks	*5*	**37,870**	64,205
Balances with other banks	*6*	**91,727**	432,783
		129,597	496,988

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

30.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	Liabilitie					Equity			
	Bills payable	Borrowings	Deposits and other accounts	Sub-ordinated debt	Other liabilities	Share capital	Reserves	Unappropriated profit	Total
					(Rupees in '000)				
Balance as at 01 January 2017	-	6,549,981	2,079,728	-	518,803	6,000,000	794,107	2,572,774	18,515,393
Changes from financing cash flows									
Receipts from sub - ordinated loans - net	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	(300,000)	-	-	(300,000)	(600,000)
Total changes from financing cash flows	-	-	-	-	(300,000)	-	-	(300,000)	(600,000)
Other changes									
Liability - related									
Changes in bills payable	-	-	-	-	-	-	-	-	-
Changes in borrowings	-	(179,243)	-	-	-	-	-	-	(179,243)
Changes in deposits and other accounts			(265,727)			-	-	-	(265,727)
Changes in other liabilities									
- Cash based	-	-	-	-	32,588	-	-	-	32,588
- Non - cash based - Actuarial loss on remeasurements of defined benefit plan	-	-	-	-	(5,797)	-	-	-	(5,797)
Transfer of profit to reserve	-	-	-	-	-	-	45,959	(45,959)	-
Profit for the year	-	-	-	-	-	-	-	229,795	229,795
Other adjustments	-	-	-	-	-	-	-	(4,058)	(4,058)
Exchange differences on translation of net investment in foreign branches	-	-	-	-	-	-	-	-	-
	-	(179,243)	(265,727)	-	26,791	-	45,959	179,778	(192,442)
Balance as at 31 December 2017	**-**	**6,370,738**	**1,814,001**	**-**	**245,594**	**6,000,000**	**840,066**	**2,452,552**	**17,722,951**

	2017	2016
31. STAFF STRENGTH	**Number of employees**	
Permanent	**43**	45
Contractual	**7**	2
Company's own staff strength at the end of the year	**50**	47
Outsourced	**–**	7
Total staff strength	**50**	54

32. DEFINED BENEFIT PLAN

32.1 General description

As mentioned in note 4.20, the Company operates an approved funded 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.

32.2 Principal actuarial assumptions

The actuarial valuation was carried out as at 31 December 2017 using the "Projected Unit Credit Actuarial Cost Method". The information provided in notes 32.3 to 32.12 has been obtained from the actuarial valuation carried out as at 31 December 2017.

32.3 Actuarial Assumptions

	2017	2016
Financial Assumptions		
Discount rate	**9.50%**	8.00%
Expected rate of increase in salaries	**9.50%**	7.00%
Demographic Assumptions		
Mortality rates (for death in service)	**SLIC (2001-05)-1**	
Rates of employee turnover	**"Moderate"**	"Moderate"

	2017	2016
32.4 Reconciliation of amount payable to defined benefit obligation	**(Rupees in '000)**	
Present value of defined benefit obligation	**38,046**	31,920
Fair value of any assets	**(33,982)**	(32,906)
(Surplus) / deficit	**4,064**	(986)

	2017	2016
32.5 Movement in (receivable) / payable to defined benefit plan	**(Rupees in '000)**	
Balance Sheet accrued as at the beginning of the year	**(986)**	1,307
Expense charged in the current period	**8,090**	8,499
Company's contribution to gratuity fund	**(8,837)**	(10,600)
Benefits paid to outgoing members by the company	**-**	(228)
Remeasurements recognized in OCI during the year	**5,797**	36
Balance Sheet (prepaid)/accrued as at the end of the year	**4,064**	(986)

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

		2017	2016
		(Rupees in '000)	
32.6	**Charge for defined benefit plan**		
	Cost recognized in profit and loss account for the year		
	Current service cost	8,166	8,386
	Net interest cost		
	- Interest cost on defined benefit obligation	2,815	2,595
	- Interest income on plan assets	(2,891)	(2,482)
		(76)	113
		8,090	8,499
	Re-measurements recognized in OCI during the year		
	Actuarial (gain) / loss on obligation	4,841	(708)
	Actuarial loss on assets	956	744
		5,797	36
	Total defined benefit cost recognized in profit and loss and OCI	13,887	8,535
32.7	**Reconciliation of present value of defined benefit obligation**		
	Opening balance of defined benefit obligation	31,920	25,727
	Current service cost	8,166	8,386
	Interest cost	2,815	2,595
	Benefits paid during the year to outgoing members by the Company	-	(228)
	Benefits paid during the year to outgoing members by the fund	(9,696)	(3,852)
	Remeasurements: Actuarial (gain) / during the year	4,841	(708)
	Closing balance of defined benefit obligation	38,046	31,920
	Actual return on plan assets is 5.48% as at 31 December 2017.		
32.8	**Reconciliation of fair value of plan assets**		
	Opening fair value of plan assets	32,906	24,420
	Expected return on plan assets during the year	2,891	2,482
	Actual contribution made by the Company	8,837	10,600
	Actual benefits paid during the year	(9,696)	(3,852)
	Remeasurements: Actuarial (loss) on plan assets	(956)	(744)
	Closing fair value of plan assets	33,982	32,906
	Actual return on plan assets is 5.48% as at 31 December 2017.		
32.9	**Remeasurements recognized in other comprehensive income, expense / (income) during the year**		
	Remeasurements: Actuarial loss / (gain)on obligation:		
	Loss / (Gain) due to change in financial assumptions	3,801	(99)
	Loss / (Gain) due to change in demographic assumptions	-	-
	Loss / (Gain) due to change in experience adjustments	1,040	(609)
	Total actuarial loss / (gain) on obligation carried forward	4,841	(708)
	Remeasurements: Actuarial gain on assets:		
	Actual net return on plan assets	1,785	1,502
	Less: Interest income on plan assets	2,891	2,482
		1,106	980
	Opening difference	150	236
	Net return on plan assets	956	744
	Total Remeasurements recognized in OCI during the year	5,797	36

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For the Year Ended 31 December 2017

	2017	2016
	(Rupees in '000)	
32.10 Disaggregation of fair value of plan assets		
Quoted:		
Cash and cash equivalents - after adjusting for current liabilities	**3,962**	819
Debt instruments	-	28,622
	3,962	29,441
Unquoted:		
Debt instruments	**30,020**	3,465
Total (Quoted and Unquoted)	**33,982**	32,906

	2017	2016
32.11 Maturity profile of defined benefit obligation	**Years**	Years
Weighted average duration of the present value of defined benefit obligation	9.94	8.44

	2017	2016
	(Rupees in '000)	
Benefit Payments		
Distribution of timing of benefit payments		
Years		
1	**1,807**	1,491
2	**5,565**	14,770
3	**2,623**	2,396
4	**3,052**	2,108
5	**3,498**	2,338
6-10	**25,683**	18,571
32.12 Sensitivity analysis on significant actuarial assumptions: Actuarial liabilityy		
Base		
Discount rate +0.5%	**36,219**	30,620
Discount rate -0.5%	**40,010**	33,318
Future salary increases +0.5%	**40,046**	33,363
Future salary increases -0.5%	**36,170**	30,567

33. 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.

	2017	2016
	(Rupees in '000)	
Contribution from the Company during the year	**7,785**	9,216
Contribution from the employees during the year	**7,785**	9,216
Employees covered under the plan	**50**	47

34. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Managing Director / Chief Executive Officer		Directors		Executives	
	2017	2016	**2017**	2016	**2017**	2016
			(Rupees in ' 000)			
Fees	**-**	-	**2,342**	2,182	**-**	-
Managerial remuneration	**20,547**	26,222	**-**	-	**48,212**	47,630
Contribution to defined contribution plan	**2,054**	2,622	**-**	-	**4,821**	5,313
Rent and house maintenance	**-**	-	**-**	-	**19,285**	19,052
Utilities	**2,018**	1,272	**-**	-	**4,821**	9,207
Medical	**183**	374	**-**	-	**6,027**	5,954
Others	**30,530**	33,687	**-**	-	**42,486**	37,225
	55,332	64,177	**2,342**	2,182	**125,652**	124,381
Number of persons	***2**	**1**	*** 5**	*** 7**	***30**	***28**

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 MD/CEO, directors & executives during the year.

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

35.1 On balance sheet financial instruments

	2017		2016	
	Book value	**Fair value**	Book value	Fair value
Assets	**(Rupees in ' 000)**		(Rupees in ' 000)	
Cash and balances with treasury banks	**37,870**	**37,870**	64,205	64,205
Balances with other banks	**91,727**	**91,727**	432,783	432,783
Lendings to financial institutions	**970,000**	**970,000**	-	-
Investments	**11,078,483**	**11,044,299**	11,730,196	11,842,973
Advances	**4,652,932**	**4,652,932**	5,424,351	5,424,351
Other assets	**330,103**	**330,103**	313,599	313,599
	17,161,115	**17,126,931**	17,965,134	18,077,911
Liabilities				
Borrowings from financial institutions	**6,370,738**	**6,370,738**	6,549,981	6,549,981
Deposits and other accounts	**1,814,001**	**1,814,001**	2,079,728	2,079,728
Other liabilities	**245,594**	**245,594**	518,803	518,803
	8,430,333	**8,430,333**	9,148,512	9,148,512
	8,730,782	**8,696,598**	8,816,622	8,929,399
Off-balance sheet financial instruments	-	-	-	-

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Fair value of financial instruments is based on:

Government securities	PKRV rates (Reuters page)
Term finance certificates and Sukuk bonds (other than government)	MUFAP rates
Listed securities	Market rates

In the opinion of the management, the fair value of the remaining financial assets and liabilities is not significantly different from their carrying values.

35.2 The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measured is categorised.

On balance sheet financial instruments

	2017									
	Book value						Fair value			
	Held-for-trading	Available-for-sale	Held-to-maturity	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	(Rupees in '000)									
Financial assets measured at fair value										
Investments										
Market treasury bills	-	4,934,925	-	-	-	4,934,925	-	4,934,230	-	4,934,230
Pakistan Investment Bonds	-	836,532	-	-	-	836,532	-	858,890	-	858,890
Units of mutual funds	-	274,119	-	-	-	274,119	-	216,283	-	216,283
Shares in listed companies	155,754	575,206	-	-	-	730,960	723,912	-	-	723,912
Term finance certificates - Listed	-	1,494,641	-	-	-	1,494,641	1,503,842	-	-	1,503,842
Term finance certificates - Unlisted	-	1,248,342	-	-	-	1,248,342	1,246,814	-	-	1,246,814
Sukuk bonds	-	199,036	-	-	-	199,036	200,000	-	-	200,000
Financial assets not measured at fair value										
Cash and balances with treasury banks	-	-	-	37,870	-	37,870				
Balances with other banks	-	-	-	91,727	-	91,727				
Lendings to financial institutions	-	-	-	970,000	-	970,000				
Investments										
Shares in unlisted companies	-	-	-	-	-	-				
Sukuk bonds	-	172,424	-	-	-	172,424				
Term finance certificates - Unlisted	-	1,034,444	-	-	-	1,034,444				
Commercial Papers	-	-	153,060	-	-	153,060				
Advances	-	-	-	4,652,932	-	4,652,932				
Other assets	-	-	-	330,103	-	330,103				
Financial liabilities not measured at fair value										
Borrowings					(6,370,738)	(6,370,738)				
Deposits and other accounts					(1,814,001)	(1,814,001)				
Other liabilities					(245,594)	(245,594)				
	155,754	10,769,669	153,060	6,082,632	(8,430,333)	8,730,782				

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	2016									
	Book value						Fair value			
	Held-for-trading	Available-for-sale	Held-to-maturity	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Level 4
	(Rupees in '000)									
Financial assets measured at fair value										
Investments										
Market treasury bills	-	5,441,358	-	-	-	5,441,358	-	5,441,358	-	5,441,358
Pakistan Investment Bonds	322,815	2,032,218	-	-	-	2,355,033	-	2,429,242	-	2,429,242
Units of mutual funds	-	800,000	-	-	-	800,000	-	803,048	-	803,048
Shares in listed companies	4,215	260,844	-	-	-	265,059	283,289	-	-	283,289
Term finance certificates - Listed	-	999,240	-	-	-	999,240	1,013,244	-	-	1,013,244
Term finance certificates - Unlisted	-	900,245	-	-	-	900,245	905,886	-	-	905,886
Sukuk bonds	-	-	-	-	-	-				
Financial assets not measured at fair value										
Cash and balances with treasury banks	-	-	-	64,205	-	64,205				
Balances with other banks	-	-	-	432,783	-	432,783				
Investments										
Shares in unlisted companies	-	-	-	-	-	-				
Sukuk bonds	-	254,142	-	-	-	254,142				
Term finance certificates - Unlisted	-	715,119	-	-	-	715,119				
Advances	-	-	-	5,424,351	-	5,424,351				
Other assets	-	-	-	313,599	-	313,599				
Financial liabilities not measured at fair value										
Borrowings					(6,549,981)	(6,549,981)				
Deposits and other accounts					(2,079,728)	(2,079,728)				
Other liabilities					(518,803)	(518,803)				
	327,030	11,403,166	-	6,234,938	(9,148,512)	8,816,622				

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

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

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

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

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For the Year Ended 31 December 2017

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:

		2017	2016
		(Rupees in '000)	
36.1	**The Key Management Personnel / Directors' compensation are as follows:**		
	Loans and advances to key management personnel		
	Balance at beginning of the year	26,626	29,818
	Loans granted during the year	1,939	1,369
	Repayments during the year	(6,006)	(4,561)
	Balance at end of the year	**22,559**	26,626
	Deposits from the key management personnel		
	Balance at beginning of the year	120	60
	Deposits received during the year	-	360
	Deposits redeemed during the year	(40)	(300)
	Balance at end of the year	**80**	120
	Disposal of Fixed Assets to Key Management Personnel **	**12,013**	26
	Mark-up earned on loans and advances	**1,597**	1,341
	Salaries and benefits	**121,087**	138,333
	Contribution to defined contribution plan	**4,855**	6,104
	Non-executive directors' remuneration	**2,393**	2,182
36.2	**Receivable from Iran Foreign Investment Company (net)**	**1,865**	2,664
36.3	**Dividend payable to Iran Foreign Investment Company**	**-**	300,000
36.4	**Deposit from PAIR Investment Co. Ltd. Employees Gratuity Fund**	**6,020**	3,400
36.5	**Deposit from Pak Iran Joint Inv. Co. Ltd. Staff Provident Fund**	**16,855**	12,500
36.6	**Receivable/ (Payable) from PAIR Investment Employee Gratuity Funds**	**-**	986
36.7	**Amount transferred to provident fund**	**7,695**	17,205
36.8	**Amount transferred to gratuity fund**	**5,600**	10,600
36.9	**Dividend paid to Ministry of Finance - Govt. of Pakistan**	**150,000**	150,000
36.10	**Dividend paid to Iran Foreign Investment Company**	**450,000**	-
36.11	**Certificate of Investment issued to Iran Foreign Investment Company *** **	**433,809**	-
36.12	**Interest Accrued on Certificate of Investment issued to Iran Foreign Investment Company**	**221**	-
36.13	**Markup expensed on deposit from Iran Foreign Investment Company**	**7,231**	-

*Directors are also given travelling allowance of Euro 5,000/- per meeting for attending the board meetings held during the period.
** The amount represents sale of fixed assets to ex MD of the Company as per employment contract.
*** The deposit carries markup at the rate 6.2% and will mature on March 29, 2018.

37. SEGMENT ANALYSIS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2017				
	(Rupees in '000)				
	Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	Total
Total income - Gross	**531,428**	**550,373**	**69,773**	**22,053**	**1,173,627**
Total mark-up / return / interest expense	**82,689**	**304,669**	**-**	**-**	**387,358**
Segment provision / (reversal) / impairment	**5,298**	**-**	**61,293**	**-**	**66,591**
	87,987	**304,669**	**61,293**	**-**	**453,949**
Net operating income	**443,441**	**245,704**	**8,480**	**22,053**	**719,678**
Administrative expenses and other charges					**351,464**
Profit before taxation					**368,214**
Segment assets	**7,796,323**	**8,742,530**	**649,347**	**497,465**	**17,685,665**
Segment impaired assets / non performing loans	**1,039,061**	**-**	**207,994**	**-**	**1,247,055**
Segment provision required and held	**(875,748)**	**-**	**(61,293)**	**-**	**(937,041)**
Segment liabilities	**1,875,966**	**6,428,528**	**-**	**125,839**	**8,430,333**
Segment return on assets -%	**7.46%**	**7.04%**	**19.96%**		**7.07%**
Segment cost of funds -%	**5.10%**	**8.41%**			**5.28%**

	2016				
	(Rupees in '000)				
	Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	Total
Total income - Gross	348,737	999,479	126,423	(177,703)	1,296,936
Total mark-up / return / interest expense	77,906	455,368	-	-	533,274
Segment provision / (reversal) / impairment	(199,497)	-	(23,400)	(192,959)	(415,856)
	(121,591)	455,368	(23,400)	(192,959)	117,418
Net operating income	470,328	544,111	149,823	15,256	1,179,518
Administrative expenses and other charges					318,427
Profit before taxation					861,091
Segment assets	7,373,918	9,870,133	261,401	1,093,019	18,598,471
Segment impaired assets / non performing loans	1,222,674	-	-	-	1,222,674
Segment provision required and held	870,452	-	-	-	870,452
Segment liabilities	1,534,734	7,094,975	-	518,803	9,148,512
*Segment return on assets -%	8.94%	4.81%	29.08%		6.49%
*Segment cost of funds -%	5.79%	6.29%			6.21%

* These are based on average balances of assets and liabilities.

37.1 Under the Company's policy capital market department assets are financed through equity funds

38. CAPITAL ASSESSMENT AND ADEQUACY - BASEL III SPECIFIC

38.1 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 BPRD Circular No. 06 dated August 15, 2013 read with BSD Circular No. 08 dated June 27, 2006.. The adequacy of the capital is tested with reference to the Risk Weighted Assets of the Company.

The Company's operations are categorized as at trading book and banking book and risk-weighted assets are determined according to specified requirements of State bank of Pakistan 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 an 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 a standardized approach of Basel III on a 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 ventures with any other entity.

38.1.1 Leverage Ratio

The leverage ratio of the Company as on 31 December 2017 is 40.96% (2016: 42.12%).

The ratio has been computed as prescribed by State Bank of Pakistan through Instructions for Basel III implementation in Pakistan.

As on 31 December 2017, Total Tier 1 capital of the Company amounts to Rs. 6.817 billions (2016: Rs. 8.26 billions) whereas the total exposure amounts to Rs. 16.643 billions (2016: Rs. 19.59 billions).

Shift in leverage ratio is primarily due to decrease in eligible capital

38.2 CAPITAL ADEQUACY RETURN AS OF 31 DECEMBER 2017

Rows #		2017 (Rupees in '000) Amount	2016 (Rupees in '000) Amount
Rows #	**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	**840,066**	794,107
6	Gain/(Losses) on derivatives held as Cash Flow Hedge		
7	Unappropriated/unremitted profits/ (losses)	**2,452,552**	2,572,774
8	bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		
9	**CET 1 before Regulatory Adjustments**	**9,292,618**	9,366,881
10	Total regulatory adjustments applied to CET1 (Note 38.2.1)	**(2,474,732)**	(1,110,599)
11	**Common Equity Tier 1**	**6,817,886**	8,256,282
	Additional Tier 1 (AT 1) Capital		
12	Qualifying Additional Tier-1 capital instruments plus any related share premium		
13	of which: Classified as equity		
14	of which: Classified as liabilities		
15	Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1		
16	of which: instrument issued by subsidiaries subject to phase out		
17	AT1 before regulatory adjustments	**-**	-
18	Total regulatory adjustment applied to AT1 capital (Note 38.2.2)	**(293,015)**	-
19	Additional Tier 1 capital after regulatory adjustments		
20	Additional Tier 1 capital recognized for capital adequacy	**-**	-
21	**Tier 1 Capital (CET1 + admissible AT1) (11+20)**	**6,817,886**	8,256,282
	Tier 2 Capital		
22	Qualifying Tier 2 capital instruments under Basel III plus any related share premium		
23	Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules		
24	Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)		
25	of which: instruments issued by subsidiaries subject to phase out		
26	General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets		
27	Revaluation Reserves (net of taxes)		
28	of which: Revaluation reserves on fixed assets		
29	of which: Unrealized gains/losses on AFS	**-**	64,801
30	Foreign Exchange Translation Reserves		
31	Undisclosed/Other Reserves (if any)		
32	**T2 before regulatory adjustments**	**-**	64,801

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		2017 Amount	2016 Amount
		(Rupees in '000)	
33	Total regulatory adjustment applied to T2 capital **(Note 38.2.3)**	**(1,563,778)**	(64,801)
34	Tier 2 capital (T2) after regulatory adjustments	**-**	-
35	Tier 2 capital recognized for capital adequacy	**-**	-
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital	**-**	-
37	**Total Tier 2 capital admissible for capital adequacy**	**-**	-
38	**TOTAL CAPITAL (T1 + admissible T2) (21+37)**	**6,817,974**	8,256,282
39	**Total Risk Weighted Assets (RWA) {for details refer Note 38.5}**	**11,505,338**	10,809,837
	Capital Ratios and buffers (in percentage of risk weighted assets)		
40	**CET1 to total RWA**	**59.26%**	76.38%
41	**Tier-1 capital to total RWA**	**59.26%**	76.38%
42	**Total capital to total RWA**	**59.26%**	76.38%
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other bufferrequirement)	**11.275%**	10.65%
44	of which: capital conservation buffer requirement		
45	of which: countercyclical buffer requirement		
46	of which: D-SIB or G-SIB buffer requirement		
47	CET1 available to meet buffers (as a percentage of risk weighted assets)	**47.99%**	65.73%
	National minimum capital requirements prescribed by SBP		
48	**CET1 minimum ratio**	**6.00%**	6.00%
49	**Tier 1 minimum ratio**	**7.50%**	7.50%
50	**Total capital minimum ratio**	**11.275%**	10.65%

PAÏR INVESTMENT COMPANY LIMITED

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		2017		2016	
		Rupees in '000			
Regulatory Adjustments and Additional Information		Amount	Amounts subject to Pre-Basel III treatment*	Amount	Amounts subject to Pre-Basel III treatment*
38.2.1	**Common Equity Tier 1 capital: Regulatory adjustments**				
1	Goodwill (net of related deferred tax liability)				
2	All other intangibles (net of any associated deferred tax liability)	**406**		274	
3	Shortfall in provisions against classified assets				
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)				
5	Defined-benefit pension fund net assets				
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities				
7	Cash flow hedge reserve				
8	Investment in own shares/ CET1 instruments				
9	Securitization gain on sale				
10	Capital shortfall of regulated subsidiaries				
11	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	**37,286**			
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)	**170,948**	**42,736**	39,882	26,587
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)				
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)				
15	Amount exceeding 15% threshold				
16	of which: significant investments in the common stocks of financial entities				
17	of which: deferred tax assets arising from temporary differences				
18	National specific regulatory adjustments applied to CET1 capital				
19	Investments in TFCs of other banks exceeding the prescribed limit	**409,215**	**-**	281,991	-
20	Any other deduction specified by SBP (mention details)				
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	**1,856,790**		788,452	-
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21))	**2,474,644**		1,110,599	

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		2017		2016	
		Rupees in '000			
	Regulatory Adjustments and Additional Information	**Amount**	**Amounts subject to Pre-Basel III treatment***	**Amount**	**Amounts subject to Pre-Basel III treatment***
Note 38.2.2	**Additional Tier-1 & Tier-1 Capital: regulatory adjustments**				
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]				
24	Investment in own AT1 capital instruments				
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities				
26	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	**293,012**	**73,253**	-	-
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	**-**		788,452	
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	**293,012**		-	
Note 38.2.3	**Tier-2 Capital: Regulatory adjustments**				
31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital				
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)	**1,563,778**	**390,945**	853,253	568,837
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation				
36	Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	**1,563,778**		64,801	

Note 38.2.4	Additional Information	2017 Amount (Rupees in '000)	2016 Amount (Rupees in '000)
	Risk Weighted Assets subject to pre-Basel III treatment		
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	**586,297**	605,880
(i)	of which: deferred tax assets		
(ii)	of which: Defined-benefit pension fund net assets		
(iii)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	**586,297**	605,880
(iv)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity		
	Amounts below the thresholds for deduction (before risk weighting)		
38	Non-significant investments in the capital of other financial entities		
39	Significant investments in the common stock of financial entities		
40	Deferred tax assets arising from temporary differences (net of related tax liability)	**260,554**	238,128
	Applicable caps on the inclusion of provisions in Tier-2		
41	Provisions eligible for inclusion in Tier-2 in respect of exposures subject to standardized approach (prior to application of cap)		
42	Cap on inclusion of provisions in Tier-2 under standardized approach		
43	Provisions eligible for inclusion in Tier-2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		
44	Cap for inclusion of provisions in Tier-2 under internal ratings-based approach		

38.3 Capital Structure Reconciliation

Table: 38.3.1	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	37,870	37,870
Balance with other banks	91,727	91,727
Lendings to financial institutions	970,000	970,000
Investments	11,044,299	11,044,299
Advances	4,652,932	4,652,932
Operating fixed assets	198,003	198,003
Deferred tax assets	260,554	260,554
Other assets	430,280	430,280
Total assets	**17,685,665**	**17,685,665**

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

Liabilities & Equity		
Bills payable	-	-
Borrowings	6,370,738	6,370,738
Deposits and other accounts	1,814,001	1,814,001
Sub-ordinated loans	-	-
Deferred tax liabilities	-	-
Other liabilities	245,594	245,594
Total liabilities	**8,430,333**	**8,430,333**
Share capital / Head office capital account	6,000,000	6,000,000
Reserves	840,066	840,066
Unappropriated / Unremitted profit / (losses)	2,452,552	2,452,552
Minority Interest	-	-
Surplus on revaluation of assets	(37,286)	(37,286)
Total liabilities & equity	**9,255,332**	**9,255,332**

Table: 38.3.2	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	37,870	37,870	
Balances with other banks	91,727	91,727	
Lendings to financial institutions	970,000	-	
Investments	11,044,299	11,044,298	
of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	3,460,165	3,460,165	a
of which: Significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	-	-	b
of which: Mutual Funds exceeding regulatory threshold	-	-	c
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	-	-	d
of which: others (mention details)	-	-	e
Advances	4,652,932	4,652,932	
shortfall in provisions / excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier-2 capital	-	-	g
Fixed Assets	198,003	198,003	
Deferred Tax Assets	260,554	260,554	
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	430,280	430,280	
of which: Goodwill	-	-	j
of which: Intangibles	405	405	k
of which: Defined-benefit pension fund net assets	-	-	l
Total assets	**16,715,665**	**16,715,665**	

PAÏR INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

Table: 38.3.2	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period end	As at period end	
Liabilitics & Equlity (1)	(2)	(3)	(4)
Bills payable	-	-	
Borrowings	6,370,738	6,549,981	
Deposits and other accounts	1,814,001	1,814,001	
Sub-ordinated loans			
of which: Eligible for inclusion in AT1	-	-	m
of which: Eligible for inclusion in Tier-2	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	-	
of which: DTLs related to goodwill	-	-	o
of which: DTLs related to intangible assets	-	-	p
of which: DTLs related to defined pension fund net assets	-	-	q
of which: Other deferred tax liabilities	-	-	r
Other liabilities	245,594	245,594	
Total liabilities	**8,430,333**	**8,430,333**	
Share capital	6,000,000	6,000,000	
of which: Amount eligible for CET1	6,000,000	6,000,000	s
of which: Amount eligible for AT1	-	-	t
Reserves	840,066	840,066	
of which: Portion eligible for inclusion in CET1(provide break-up)	840,066	840,066	u
of which: Portion eligible for inclusion in Tier-2	-	-	v
Unappropriated profit / (losses)	2,452,552	2,452,552	w
of which: Unrealized Gains/Losses on AFS	(37,286)	(37,286)	aa
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total Liabilities & Equity	**9,255,332**	**9,255,332**	

S.No.	Basel III Disclosure Template (with added column)			
	Table: 38.3.3	Component of regulatory capital reported by Bank	Source based on reference number from step 2	
	Common Equity Tier 1 capital (CET1): Instruments and reserves			
1	Fully Paid-up Capital / Capital deposited with SBP	6,000,000	(s)	
2	Balance in Share Premium Account	-		
3	Reserve for issue of Bonus Shares	-		
4	General / Statutory Reserves	840,066	(u)	
5	Gain / (Losses) on derivatives held as Cash Flow Hedge	-		
6	Unappropriated / unremitted profits / (losses)	2,452,552	(w)	
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated Bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)	
8	**CET1 before Regulatory Adjustments**	9,292,618		

	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)	405	(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 crossholdings in CET1 capital instruments	-	(d)	
15	Cash flow hedge reserve	-		
16	Investment in own shares / CET1 instruments	-		
17	Securitization gain on sale	-		
18	Capital shortfall of regulated subsidiaries	-		
19	Deficit on account of revaluation from Bank's holdings of fixed assets / AFS	37,286	(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)	170,948	(a) - (ac) - (ae)	Portion of amount above the threshold that is to be deducted from CET1, whereas "ad" is the portion to be deducted from AT1 and "af" is the portion to be deducted from T2
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 CET1, whereas "ad" is the portion to be deducted from AT1 and "af" is the portion to be deducted from T2
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)	
23	Amount exceeding 15% threshold			
24	of which: Significant investments in the common stocks of financial entities	-		
25	of which: Deferred tax assets arising from temporary differences	-		
26	National specific regulatory adjustments applied to CET1 capital	-		
27	of which: Investment in TFCs of other banks exceeding the prescribed limit	409,215		
28	of which: Any other deduction specified by SBP (mention details)	-		
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier-2 to cover deductions	1,856,790		
30	Total regulatory adjustments applied to CET1 (sum of 9 to 29)	2,474,664		
31	**Common Equity Tier 1**	6,817,974		

	Additional Tier 1 (AT1) 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 AT1)	-	(y)	
36	of which: instrument issued by subsidiaries subject to phase out	-		
37	**AT1 before regulatory adjustments**			
	Additional Tier 1 Capital: Regulatory adjustments			
38	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-		
39	Investment in own AT1 capital instruments	-		
40	Reciprocal crossholdings 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)	(293,012)	(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 the transitional period, remains subject to deduction from Tier-1 capital	-		
44	Regulatory adjustments applied to Additional Tier-1 due to insufficient Tier-2 to cover deductions	-		
45	Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 44)	-		
46	Additional Tier-1 capital	-		
47	Additional Tier-1 capital recognized for capital adequacy	-		
48	Tier-1 Capital (CET1 + admissible AT1) (31+47)	6,817,974		
	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 Gains/Losses on AFS	-		
57	Foreign Exchange Translation Reserves	-	(v)	
58	Undisclosed/Other Reserves (if any)	-		
59	**T2 before regulatory adjustments**	-		

	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, remains subject to deduction from Tier-2 capital	-		
61	Reciprocal crossholdings 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)	(1,563,778)	(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)	(1,563,778)		
66	Tier-2 capital (T2)	-		
67	Tier-2 capital recognized for capital adequacy	-		
68	Excess Additional Tier-1 capital recognized in Tier-2 capital	-		
69	Total Tier-2 capital admissible for capital adequacy	-		
70	**TOTAL CAPITAL (T1 + admissible T2) (48+69)**	**6,817,974**		

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	PAÏR Investment Company Limited			Identifies issuer legal entity.
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	Not Applicable			
3	Governing law(s) of the instrument	"Laws of Islamic Republic of Pakistan"			Specify 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. Enter: [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 recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	PKR 6,000,000			Specifies amount recognized in regulatory capital
9	Par value of instrument	PKR 10			Par value of instrument
10	Accounting classification	Shareholders's equity			Specifies accounting classification. Helps to 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 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 to assess permanence. Enter: [Yes] [No]
15	Optional call date, contingent call dates and redemption amount	Not Applicable			For instrument with issuer call option, specifies first date of call if the instrument has a call option on a specific date (day, month and year) and in addition mention if the instrument has a tax and/or regulatory event call. Also specifies the redemption price. Helps to assess permanence
16	Subsequent call dates, if applicable	Not Applicable			Specifies subsequent call dates, if applicable. Helps to assess 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	Non-cumulative 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 to assess 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 state 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 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 to assess 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 to assess 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, specify issuer of instrument into which it converts.
30	Write-down feature	**No**			Specifies whether there is a write down feature. Helps to assess loss absorbency. Enter: [Yes] [No]
31	If write-down, write-down trigger(s	**Not Applicable**			Specifies the trigger at which write-down occurs, including 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 state 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, full or partial	**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 to assess 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 to assess 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, specify which ones. Helps to assess instrument loss absorbency.

38.5 Risk Weighted Assets

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

	2017		2016	
	Capital requirements	Risk weighted assets	Capital requirements	Risk weighted assets
Credit risk	(Rupees in '000)		(Rupees in '000)	
Claims on:				
Banks	**42,397**	**376,024**	12,120	113,803
Corporate	**614,278**	**5,448,138**	592,551	5,563,857
Retail portfolio	**500**	**4,435**	358	3,365
Secured by residential property	**1,536**	**13,624**	1,496	14,046
Past due loans	**68,171**	**604,619**	89,020	835,871
Listed equity investments	**79,216**	**702,509**	123,169	1,156,518
Unlisted equity investments	**35,007**	**310,478**	-	-
Investments in fixed assets	**22,279**	**197,598**	18,849	176,982
All other assets	**93,178**	**826,410**	78,055	732,908
	956,562	**8,483,909**	915,618	8,597,350
Market risk				
Interest rate risk	**72**	**635**	12,988	162,350
Equity risk	**168,881**	**1,497,832**	39,163	489,538
	168,953	**1,498,467**	52,151	651,888
Operational risk	**171,714**	**1,522,962**	124,848	1,560,599
	1,297,229	**11,505,338**	1,092,837	10,809,837
Capital adequacy ratio				
Total eligible regulatory capital held (a)		**6,817,974**		8,256,282
Total risk weighted assets (b)		**11,505,338**		10,809,837
Capital adequacy ratio (a) / (b)*100		**59,26%**		76.38%

Capital Adequacy Ratios	2017		2016	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	59.26%	6.00%	76.38%
Tier-1 capital to total RWA	7.50%	59.26%	7.50%	76.38%
Total capital to total RWA	11.28%	59.26%	10.65%	76.38%

39. RISK MANAGEMENT

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

Credit Risk: the risk of loss resulting from client or counterparty 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 overall risk management processes.

39.1 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.

- Organizing portfolio reviews focusing on quality assessment, risk profiles, 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 collateralized 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 concentrations of credit risk as identified, in 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, to groups, and to industry, 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.

39.1.1 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.

39.1.2 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	**391,148**	-	**391,148**
	2	**1,931,655**	-	**1,931,655**
	3,4	-	-	-
	5,6	-	-	-
	Unrated 1	**1,639,738**	-	**1,639,738**
	Unrated 2	**2,211,474**	-	**2,211,474**
Banks	1	**5,057,381**	**3,935,781**	**1,121,600**
Sovereigns		**5,871,100**	-	**5,871,100**
Retail Portfolio		**5,913**	-	**5,913**
Residential Mortgage Finance		**38,925**	-	**38,925**
Past Due Loans		**761,812**	-	**761,812**
Listed Equity Investments		**702,580**	-	**702,580**
Unlisted Equity Investments		**206,988**	-	**206,988**
Cash and Cash Equivalents		**1,291**	-	**1,291**
Others		**633,177**	-	**633,177**
		19,453,182	**3,935,781**	**15,517,401**

CRM = Credit Risk Mitigation

38.1.2.1 Credit Risk: Disclosure with respect to Credit RiskMitigation 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.

39.1.3 Segmental information

39.1.3.1 Segments by class of business

	2017					
	Advances - Gross		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Alternative Power	337,015	6.1%	-	-	-	-
Automobile Parts & Accessories	353,804	6.4%	-	-	-	-
Beverage Production and Distribution	11,250	0.2%	-	-	-	-
Cables and electric goods	200,000	3.6%	-	-	-	-
Cement	75,000	1.4%	-	-	-	-
Chemical	33,954	0.6%	-	-	-	-
Commercial Banks	-	-	-	-	-	-
Construction and Real Estate	284,860	5.2%	-	-	-	-
Dairy	42,178	0.8%	-	-	-	-
Food and Personal Care Products	125,000	2.3%	-	-	-	-
Infrastructure & Processing	3,294	0.1%	-	-	-	-
Leasing	123,529	2.2%	-	-	-	-
Livestock and Poultry	95,250	1.7%	-	-	-	-
Micro Finance Banks & Institutions	171,429	3.1%	733,837	40%	-	-
Oil and gas marketing companies	-	-	-	-	-	-
Others	129,377	2.4%	32,600	2%	-	-
Pharmaceutical	84,912	1.5%	-	-	56,028	38%
Power generation	214,264	3.9%	-	-	92,782	62%
Services	325,524	5.9%	447,564	25%	-	-
Steel	773,449	14.0%	-	-	-	-
Sugar and Allied Industries	744,821	13.5%	-	-	-	-
Textile	1,237,843	22.4%	-	-	-	-
Transportation	140,425	2.7%	600,000	33%	-	-
	5,507,178	**100%**	**1,814,001**	**100%**	**148,810**	**100%**

	2016					
	Advances - Gross		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Alternative Power	342,845	5.5%	-	-	-	-
Automobile Parts & Accessories	141,250	2.2%	-	-	-	-
Beverage Production and Distribution	52,009	0.8%	-	-	-	-
Cables and electric goods	-	0.0%	-	-	-	-
Cement	75,000	1.2%	-	-	-	-
Chemical	799,857	12.7%	-	-	-	-
Commercial Banks	250,000	4.0%	-	-	-	-
Construction and Real Estate	284,860	4.5%	-	-	-	-
Dairy	128,372	2.0%	-	-	-	-
Food and Personal Care Products	160,000	2.5%	-	-	-	-
Infrastructure & Processing	214,542	3.4%	-	-	-	-
Leasing	70,588	1.1%	-	-	-	-
Livestock and Poultry	95,250	1.5%	-	-	-	-
Micro Finance Banks & Institutions	257,143	4.1%	825,000	40%	-	-
Oil and gas marketing companies	360,000	5.7%	-	-	-	-
Others	74,795	1.2%	273,260	13%	58,734	26%
Pharmaceutical	60,000	1.0%	-	-	-	-
Power generation	346,157	5.5%	-	-	163,658	74%
Services	282,992	4.5%	981,468	47%	-	-
Steel	696,478	11.1%	-	-	-	-
Sugar and Allied Industries	801,225	12.8%	-	-	-	-
Textile	773,150	12.3%	-	-	-	-
Transportation	15,719	0.3%	-	-	-	-
	6,282,232	**100%**	**2,079,728**	**100%**	**222,392**	**100%**

39.1.3.2 Segment by sector

	2017					
	Advances - Gross		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	-	-	-	-	-	-
Private	5,507,178	100%	1,814,001	100%	148,810	100%
	5,507,178	100%	1,814,001	100%	148,810	100%

	2016					
	Advances - Gross		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	-	-	-	-	-	-
Private	6,282,232	100%	2,079,728	100%	222,392	-
	6,282,232	100%	2,079,728	100%	222,392	-

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

	2017		2016	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
Cement	75,000	75,000	75,000	75,000
Construction	218,000	218,000	218,000	218,000
Textile	500,000	500,000	500,000	500,000
Infrastructure	-	-	204,672	35,288
Sugar	70,000	61,246	75,416	29,591
Others	95,250	-	95,250	-
	958,250	854,246	1,168,338	857,879

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

Public / Government	-	-	-	-
Private	958,250	854,246	1,168,338	857,879
	958,250	854,246	1,168,338	857,879

39.1.3.5 Geographical segment analysis

	2017			
	Profit Before Taxation	**Total Assets Employed**	**Net Assets Employed**	**Contingencies & Commitments**
	Rupees in '000			
Pakistan	**368,214**	**17,685,665**	**9,255,332**	**148,810**

	2016			
	Profit Before Taxation	Total Assets Employed	Net Assets Employed	Contingencies & Commitments
	Rupees in '000			
Pakistan	861,091	18,598,471	9,449,959	222,392

39.2 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 31 December 2017 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.

39.3 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.

39.3.1 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.

	2017			
	Assets	**Liabilities**	**Off-balance sheet items**	**Net currency exposure**
	-----(Rupees in '000)-----			
Pakistan Rupees	**17,694,056**	**8,424,512**	**148,810**	**9,418,354**
US Dollars	**7,825**	**-**	**-**	**7,825**
Euros	**610**	**5,279**	**-**	**(4,669)**
	17,702,491	**8,429,791**	**148,810**	**9,421,510**

	2016			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	-----(Rupees in '000)-----			
Pakistan Rupees	18,590,647	9,148,512	222,392	9,664,527
US Dollars	7,515	-	-	7,515
Euros	309	-	-	309
	18,598,471	9,148,512	222,392	9,672,351

39.3.2 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.

39.3.3 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.

39.3.4 Mismatch of interest rate sensitive assets and liabilities

	2017											
	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 year	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	**0.05%**	**37,870**	543	-	-	-	-	-	-	-	-	37,327
Balances with other banks	**3.75%**	**91,727**	43,079	-	-	-	-	-	-	-	-	**48,648**
Lendings to financial institutions	**7.00%**	**970,000**	170,000	300,000	500,000	-	-	-	-	-	-	
Investments - net	**6.90%**	**11,044,299**	466,225	3,854,750	4,751,498	153,060	858,890	-	-	-	-	959,875
Advances - net	**8.03%**	**4,652,932**	1,056,779	1,747,989	591,155	299,350	171,251	126,126	225,954	303,062	27,260	104,006
Other assets - net		**330,103**	-	-	-	-	-	-	-	-	-	330,103
		16,994,831	**1,736,626**	**5,902,739**	**5,842,653**	**452,410**	**1,030,141**	**126,126**	**225,954**	**303,062**	**27,260**	**1,479,959**
Liabilities												
Borrowings from financial institutions	**5.68%**	**6,370,738**	4,035,780	450,000	1,213,774	38,839	87,676	105,309	210,618	228,742	-	-
Deposits and other accounts	**6.25%**	**1,814,001**	143,545	1,621,531	9,000	39,726	-	-	-	-	-	199
Other liabilities - net		**245,594**	-	-	-	-	-	-	-	-	-	245,594
		8,430,333	**4,179,325**	**2,071,531**	**1,222,774**	**78,565**	**87,676**	**105,309**	**210,618**	**228,742**	**-**	**245,793**
On-balance sheet gap		**8,564,498**	**(2,442,699)**	**3,831,208**	**4,619,879**	**373,845**	**942,465**	**20,817**	**15,336**	**74,320**	**27,260**	**1,234,166**
Non-financial net assets		**558,734**										
Total net assets		**9,255,332**										

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	2017											
	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 year	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		8,696,598	(2,442,698)	3,831,208	4,619,879	373,845	942,465	20,817	15,336	74,320	27,260	1,234,166
Cumulative yield / interest risk sensitivity gap		8,696,598	(2,442,698)	3,831,510	4,619,389	6,382,234	7,324,644	7,324,699	7,360,852	7,435,172	7,462,432	8,696,598

	Effective yield / interest rate	Total	2016									
			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 year	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	0.03%	64,205	525	-								63,680
Balances with other banks	3.87%	432,783	432,783	-								
Lendings to financial institutions		-	-	-								
Investments - net	7.20%	11,842,973	1,674,440	4,157,544	1,206,870	2,039,635		1,337,549	320,918			1,106,017
Advances - net	7.66%	5,424,351	2,242,284	1,379,615	716,676	462,543	4,087	2,881	5,291	287,649	12,866	310,459
Other assets - net	0.0%	313,599	-	-								313,599
		18,077,911	4,350,032	5,537,159	1,923,546	2,502,178	4,087	1,340,430	326,209	287,649	12,866	1,793,755
Liabilities												
Borrowings from financial institutions	6.05%	6,549,981	5,307,749	650,000	312,500	3,288	47,066	45,583	91,167	92,628	-	-
Deposits and other accounts	6.39%	2,079,728	233,696	1,282,599	494,733	68,480	-	-	-	-	-	220
Other liabilities - net	0.00%	518,803	-	-	-	-	-	-	-	-	-	518,803
		9,148,512	5,541,445	1,932,599	807,233	71,768	47,066	45,583	91,167	92,628	-	519,023
On-balance sheet gap		8,929,399	(1,191,413)	3,604,560	1,116,313	2,430,410	(42,979)	1,294,847	235,042	195,021	12,866	1,274,732
Non-financial net assets		520,560										
Total net assets		9,449,959										
Off-balance sheet financial instruments												
Equity Future		-	-	-	-	-	-	-	-	-	-	-
Forward Lending		-	-	-	-	-	-	-	-	-	-	-
Forward borrowings		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		**8,929,399**	**(1,191,413)**	**3,604,560**	**1,116,313**	**2,430,410**	**(42,979)**	**1,294,847**	**235,042**	**195,021**	**12,866**	**1,274,732**
Cumulative yield / interest risk sensitivity gap		**8,929,399**	**(1,191,413)**	**2,413,147**	**3,529,460**	**5,959,870**	**5,916,891**	**7,211,738**	**7,446,780**	**7,641,801**	**7,654,667**	**8,929,399**

39.4 Liquidity risk

The 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.

39.4.1 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.

39.4.1.1 Maturities of assets and liabilities

	2017									
	Total	Up to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	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	**37,870**	37,870	-	-	-	-	-	-	-	-
Balances with other banks	**91,727**	91,727	-	-	-	-	-	-	-	-
Lendings to financial institutions	**970,000**	170,000	300,000	500,000	-	-	-	-	-	-
Investments - net	**11,044,299**	201,603	3,038,320	2,774,198	260,282	1,115,614	401,108	1,001,626	1,751,548	500,000
Advances - net	**4,652,932**	358,797	205,449	411,252	1,335,788	782,288	591,315	537,983	402,800	27,260
Operating fixed assets	**198,003**	-	-	-	-	-	-	-	-	198,003
Deferred tax assets - net	**260,554**	-	-	-	-	-	-	-	-	260,554
Other assets - net	**430,280**	82,794	112,031	188,772	11,994	-	-	-	-	34,689
	17,685,665	**942,791**	**3,655,800**	**3,874,222**	**1,608,064**	**1,897,902**	**992,423**	**1,539,609**	**2,154,348**	**1,020,506**
Liabilities										
Borrowings from financial institutions	**6,370,738**	4,035,781	450,000	88,774	101,339	400,176	355,309	710,618	228,741	-
Deposits and other accounts	**1,814,001**	143,565	1,621,531	9,079	39,826	-	-	-	-	-
Other liabilities - net	**245,594**	27,070	128,451	27,903	7079	55,091	-	-	-	-
	8,430,333	4,206,416	2,199,982	125,756	148,244	455,267	355,309	710,618	228,741	-
Net assets	**9,255,332**	**(3,263,625)**	**1,455,818**	**3,748,466**	**1,459,820**	**1,442,635**	**637,114**	**828,991**	**1,925,607**	**1,020,506**

Represented by:

Share capital	**6,000,000**
Reserves	**840,006**
Unappropriated profit	**2,452,552**
Surplus on revaluation of assets - net of deferred tax	**(37,286)**
	9,225,332

	2016									
	Total	Up to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	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	64,205	64,205	-	-	-	-	-	-	-	-
Balances with other banks	432,783	432,783	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments - net	11,842,973	536,433	4,043,715	1,240,364	2,155,380	281,086	1,436,797	673,146	1,476,052	-
Advances - net	5,424,351	561,343	152,771	286,771	1,234,740	866,635	1,005,118	693,776	601,106	22,091
Operating fixed assets	176,982	-	-	-	-	-	-	-	-	176,982
Deferred tax asset - net	238,128	-	-	-	-	-	-	-	-	238,128
Other assets - net	419,049	50,996	16,335	137,639	108,629	-	-	-	-	105,450
	18,598,471	1,645,760	4,212,821	1,664,774	3,498,749	1,147,721	2,441,915	1,366,922	2,077,158	542,651
Liabilities										
Borrowings from financial institutions	6,549,981	5,307,749	525,000	62,500	190,788	172,066	108,083	91,167	92,628	-
Deposits and other accounts	2,079,728	233,696	1,282,599	494,813	68,620	-	-	-	-	-
Other liabilities - net	518,803	314,965	186,286	17,552	-	-	-	-	-	-
	9,148,512	5,856,410	1,993,885	574,865	259,408	172,066	108,083	91,167	92,628	-
Net assets	9,449,959	(4,210,650)	2,218,936	1,089,909	3,239,341	975,655	2,333,832	1,275,755	1,984,530	542,651
Represented by:										
Share capital	6,000,000									
Reserves	794,107									
Unappropriated profit	2,572,774									
Surplus on revaluation of assets - net of deferred	83,078									
	9,449,959									

39.4.2 Liquidity Coverage Ratio (LCR)

During the Year, State Bank of Pakistan implemented two liquidity standards under its Basel III reforms i.e. Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). LCR aims to augment the short-term resilience of the liquidity risk profile of banks/DFIs by ensuring that they have sufficient stock of unencumbered high-quality liquid assets (HQLA) to endure a significant stress scenario for 30 calendar days. While, NSFR aims to decrease the funding risk over a longer time horizon by requiring banks to fund their activities with adequately stable funding sources on continuing basis.

Liquidity Risk at PAIR Investment Company Ltd (PICL) is managed with an objective to ensure that even the remote possibility of liquidity risk is managed by the company by maintaining desirable level of liquidity. The Board is responsible for the overall direction /formulation of policies and procedures and liquidity risk strategy.

During the Year, PICL endeavored to diversify its funding sources. PICL major borrowing arises from Short-term lines. However, PICL enhanced its Long term borrowing through Deposits/CoIs along with Long Term Borrowing from Central Bank and Commercial Bank. PICL deploys centralized funding strategy.

To manage its liquidity risk considering its level of liquidity, PICL uses various tools / risk management procedures including Cash Flow Projections/ Maturity Gap Ladder, Liquidity Ratios/Limits and Stress Testing apart from SBP defined limits of CRR/SLR and LCR/NSFR.

PICL maintains a Contingency Funding Plan which outlines response to liquidity stress and uses stress tests across multiple scenarios across various time horizons to set forth a course of action. Notably, In order to maintain adequate liquidity, PICL maintains sufficient stock of High Quality Liquid Assets which primarily consists of Unencumbered Government Securities.

(Rupees in '000)		TOTAL UNWEIGHTED[a] VALUE (avarage)	TOTAL WEIGHTED[b] VALUE (avarage)
	HIGH QUALITY LIQUID ASSETS		
1	Total high quality liquid assets (HQLA)		**2,051,268**
	CASH OUTFLOWS		
2	Retail deposits and deposits from small business cusmtomers of which:		**1,879**
2.1	stable deposit		
2.2	Less stable deposit	18,787	1,879
3	Unsecured wholesale funding of which:		**1,249,264**
3.1	Operational deposits (all counterparties)		
3.2	Non-operational deposits (all counterparties)	1,937,555	1,249,264
3.3	Unsecured debt		
4	Secured wholesale funding		
5	Additional requirements of which:		**66.923**
5.1	Outflows related to derivative exposures and other collateral requirements		
5.2	Outflows related to loss of funding on debt products		
5.3	Credit and Liquidity facilities	756,437	66,923
6	Other contractual funding obligations		
7	Other contingent funding obligations		
8	**TOTAL CASH OUTFLOWS**		**1,318,066**
	CASH INFLOWS		
9	Secured lending		
10	Inflows from fully performing exposures	711,035	553,080
11	Other Cash inflows		
12	**TOTAL CASH INFLOWS**		**553,080**

			TOTAL ADJUSTED VALUE
21	**TOTAL HQLA**		2,051,268
22	**TOTAL NET CASH OUTFLOWS**		785,842
23	**LIQUIDITY COVERAGE RATIO**		2.61

a unweighted values are calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows)

b Weighted values are calculated after the application of respective haircuts (for HQLA) or inlfow and outlfow rates (for inflows and outflows)

c Adjusted values are calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (ie cap on level 2B and level 2 assets for HQLA and cap on inlfows

39.4.3 Net Stable Funding Ratio (NSFR)

(Amount in PKR in thousands)

		unweighted value by residual maturity				weighted value
		No Maturity	< 6 months	6 months to <1 yr	> 1 yr	
ASF item						
1	Capital:					
2	Regulatory capital	9,255,332				9,255,332
3	Other capital instruments					
4	Retail deposits and deposit from small business customers:					
5	Stable deposits					
6	Less stable deposits		32,500	100		29,340
7	Wholesale funding:					
8	Operational deposits					
9	Other wholesale funding		1,502,572	146,344		824,458
10	Other liabilities:					
11	NSFR derivative liabilities					
12	All other liabilities and equity not included in othercategories		4,998,882		1,749,935	1,749,935
13	**Total ASF**					**11,859,065**
RSF item						
14	Total NSFR high-quality liquid assets (HQLA)					464,337
15	Deposits held at other financial institutions for operational purposes					
16	Performing loans and securities:					
17	Performing loans to financial institutions secured by Level 1 HQLA					
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financail institutions		1,038,119	153,900		232,668
19	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:				2,729,964	2,320,469
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk				103,046	66,980
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	225,648			2,475,279	2,295,787
22	Other assets:					
23	Physical traded commodities, including gold					
24	Assets posted as initial margin for derivative contracts					
25	NSFR derivative assets					
26	NSFR derivative liabilities before deduction of variation margin posted					
27	All other assets not included in the above categories	1,105,120	1,046,940	1,442,036	944,630	3,186,097
28	Off-balance sheet items		85,497	142,684	80,000	15,409
29	Total RSF					**8,581,747**
30	Net Stable Funding Ratio (%)					138%

39.5. 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 No. 04-2014 dated 20 May 2014, developed Operational Risk Management Framework considering the regulatory guidelines and best practices in the market. PAIR Investment Company is adequately monitoring & reporting the operational risk data as per regulatory guidelines and BoD approved Operational Risk policy. With the implementation of Operational Risk Framework, the Company is being 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..

39.5.1 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.

40. GENERAL

40.1 These financial statements were authorized for issue on 4th of March 2018 by the Board of Directors of the Company.

40.2 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.

40.3 The Board of Director of the Company has proposed cash dividend of Rs. 150 million (2016: Rs. 300 million) for the year ended 31 December 2017 in their meeting held on 4th March 2018. 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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