



# FORGING THE PATH TO A PROSPEROUS FUTURE



ANNUAL REPORT **2016**

# FORGING THE PATH

## TO A PROSPEROUS FUTURE

At PAİR, 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 PAİR to new heights of success, and thank you for your commitment and belief in our abilities to serve you better.

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# **STRENGTHEN FRIENDSHIP**





# ABOUT PAİR

## 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 PAİR tend to our clients by tailoring our service in such a manner that our clients' needs are satisfied and ultimately our success is guaranteed.

## **Our People and Culture**

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

## **Professional Quality of Work**

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



## **Teamwork**

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

## **Constant Upgrade and Development**

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

## **Integrity, Confidentiality and Honesty**

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

# CORPORATE INFORMATION

## Board of Directors

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

## Audit Committee

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

## Risk Management Committee

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

## Human Resource Committee

|                      |                                      |
|----------------------|--------------------------------------|
| Mr. Zahoor Ahmed     | Chairman                             |
| Seyed Ahmad Araghchi | Member                               |
| Mr. Nadeem Karamat   | Managing Director / CEO              |
| Ms. Saadia Shaikh    | Secretary - Human Resource Committee |

## Strategic Investment Committee

Seyed Ahmad Araghchi

Mr. Hamid Eftekhari Kondelaji

Mr. Nadeem Karamat

Mr. Ahmad Bilal Darr

Chairman

Member

Managing Director / CEO

Secretary - Investment Strategic Committee

## Auditors

Grant Thornton Anjum Rahman

Chartered Accountants

## Legal Advisors

Mohsin Tayebaly & Co.

Corporate Legal Consultants

## Bankers

Allied Bank Limited

Askari Commercial Bank Limited

Al Baraka Bank Limited

Habib Bank Limited

Bank Islami Limited

MCB Bank Limited

National Bank of Pakistan

United Bank Limited

# BOARD COMMITTEES

## TERMS OF REFERENCE

### The Board Risk Management Committee

The Board Risk Management Committee (BRMC) is responsible to ensure a continuous Board level formal oversight of the credit, market, liquidity and operational risks embedded in PAİR's operations. It assists the Board of Directors in determining PAİR'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.

### Audit Committee of the Board

The primary responsibilities of the Audit Committee of the Board (ACOB) are to determine the appropriateness of the measures taken by the Management to safeguard the DFI's assets, 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.

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

# BREAK BOUNDARIES





# NINE YEARS' VERTICAL ANALYSIS -

## Statement Of Financial Position / Profit & Loss Account

For the Year Ended December 31

|   | 2016              | %             | 2015              | %             | 2014              | %             | 2013<br>(Restated) | %             |
|---|-------------------|---------------|-------------------|---------------|-------------------|---------------|--------------------|---------------|
| <b>Assets</b>   |                   |               |                   |               |                   |               |                    |               |
| Cash and balances with treasury banks                     | 64,205            | 0.35          | 46,114            | 0.20          | 33,303            | 0.18          | 27,829             | 0.16          |
| Balances with other banks                                 | 432,783           | 2.33          | 215,426           | 0.93          | 261,059           | 1.39          | 158,417            | 0.92          |
| Lendings to financial institutions                        | -                 | -             | -                 | -             | -                 | -             | -                  | -             |
| Investments   | 11,842,973        | 63.68         | 18,543,009        | 79.85         | 14,114,870        | 75.30         | 12,745,355         | 73.75         |
| Advances  | 5,424,351         | 29.17         | 3,502,948         | 15.09         | 3,592,178         | 19.16         | 3,678,206          | 21.28         |
| Operating fixed assets                                    | 176,982           | 0.95          | 191,311           | 0.82          | 210,352           | 1.12          | 196,201            | 1.14          |
| Deferred tax assets - net                                 | 238,128           | 1.28          | 259,691           | 1.12          | 272,920           | 1.46          | 204,896            | 1.19          |
| Other assets  | 419,049           | 2.25          | 462,778           | 1.99          | 259,534           | 1.38          | 270,782            | 1.57          |
| <b>Total Assets</b>                                       | <b>18,598,471</b> | <b>100.00</b> | <b>23,221,277</b> | <b>100.00</b> | <b>18,744,216</b> | <b>100.00</b> | <b>17,281,686</b>  | <b>100.00</b> |
| <b>Liabilities</b>  |                   |               |                   |               |                   |               |                    |               |
| Borrowings from financial institutions                    | 6,549,981         | 35.22         | 11,652,435        | 50.18         | 9,221,225         | 49.20         | 8,489,171          | 49.12         |
| Deposits and other accounts                               | 2,079,728         | 11.18         | 1,890,502         | 8.14          | 386,060           | 2.06          | 25,080             | 0.15          |
| Other liabilities   | 518,803           | 2.79          | 484,862           | 2.09          | 344,186           | 1.84          | 326,705            | 1.89          |
|   | 9,148,512         | 49.19         | 14,027,799        | 60.41         | 9,951,471         | 53.09         | 8,840,956          | 51.16         |
| <b>Net Assets</b>   | <b>9,449,959</b>  | <b>50.81</b>  | <b>9,193,478</b>  | <b>39.59</b>  | <b>8,792,745</b>  | <b>46.91</b>  | <b>8,440,730</b>   | <b>48.84</b>  |
| <b>Represented By:</b>                                    |                   |               |                   |               |                   |               |                    |               |
| Share Capital   | 6,000,000         | 32.26         | 6,000,000         | 25.84         | 6,000,000         | 32.01         | 6,000,000          | 34.72         |
| Advance against share capital                             |                   |               |                   |               |                   |               | -                  | -             |
| Reserves  | 794,107           | 4.27          | 673,449           | 2.90          | 553,966           | 2.96          | 483,592            | 2.80          |
| Unappropriated Profit                                     | 2,572,774         | 13.83         | 2,390,166         | 10.29         | 2,062,742         | 11.00         | 1,781,247          | 10.31         |
| Surplus / (deficit) on revaluation of assets - net of tax | 83,078            | 0.45          | 129,863           | 0.56          | 176,037           | 0.94          | 175,891            | 1.02          |
| Total Equity and Liabilities                              | 9,449,959         | 50.81         | 9,193,478         | 39.59         | 8,792,745         | 46.91         | 8,440,730          | 48.84         |
| <b>Profit and Loss Account</b>                            |                   |               |                   |               |                   |               |                    |               |
| Mark-up / return / interest earned                        | 1,243,694         | 95.89         | 1,509,674         | 80.76         | 1,233,407         | 76.81         | 1,153,996          | 80.12         |
| Fee, commission and brokerage income                      | 19,631            | 1.51          | 13,825            | 0.74          | 14,985            | 0.93          | 18,210             | 1.26          |
| Dividend income   | 30,205            | 2.33          | 30,260            | 1.62          | 27,125            | 1.69          | 22,765             | 1.58          |
| Gain on sale of securities - net                          | 4,913             | 0.38          | 313,567           | 16.77         | 327,977           | 20.43         | 246,533            | 17.12         |
| Other income / charges                                    | (1,507)           | (0.12)        | 2,108             | 0.11          | 2,258             | 0.14          | (1,089)            | (0.08)        |
| <b>Total Income</b>                                       | <b>1,296,936</b>  | <b>100.00</b> | <b>1,869,434</b>  | <b>100.00</b> | <b>1,605,752</b>  | <b>100.00</b> | <b>1,440,415</b>   | <b>100.00</b> |
| Mark-up / return / interest expensed                      | 533,274           | 41.12         | 627,125           | 33.55         | 508,046           | 31.64         | 488,889            | 33.94         |
| Provision and Impairment                                  | (415,856)         | (32.06)       | 16,949            | 0.91          | 350,559           | 21.83         | 274,562            | 19.06         |
| Total non mark-up / return / interest expenses            | 318,427           | 24.55         | 302,029           | 16.16         | 283,150           | 17.63         | 220,483            | 15.31         |
| Taxation - net  | 257,800           | 19.88         | 325,917           | 17.43         | 112,128           | 6.98          | 117,251            | 8.14          |
| <b>Profit after taxation</b>                              | <b>603,291</b>    | <b>46.52</b>  | <b>597,414</b>    | <b>31.96</b>  | <b>351,869</b>    | <b>21.91</b>  | <b>339,230</b>     | <b>23.55</b>  |

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

# NINE YEARS' HORIZONTAL ANALYSIS -

## Statement Of Financial Position / Profit & Loss Account

For the Year Ended December 31

|   | 2016              | %              | 2015              | %            | 2014              | %           | 2013<br>(Restated) | %              |
|---|-------------------|----------------|-------------------|--------------|-------------------|-------------|--------------------|----------------|
| <b>Assets</b>   |                   |                |                   |              |                   |             |                    |                |
| Cash and balances with treasury banks   | 64,205            | 39.23          | 46,114            | 38.47        | 33,303            | 19.67       | 27,829             | (36.75)        |
| Balances with other banks   | 432,783           | 100.90         | 215,426           | (17.48)      | 261,059           | 64.79       | 158,417            | 48.63          |
| Lendings to financial institutions  | -                 | -              | -                 | -            | -                 | -           | -                  | -              |
| Investments   | 11,842,973        | (36.13)        | 18,543,009        | 31.37        | 14,114,870        | 10.75       | 12,745,355         | 17.56          |
| Advances  | 5,424,351         | 54.85          | 3,502,948         | (2.48)       | 3,592,178         | (2.34)      | 3,678,206          | (14.96)        |
| Operating fixed assets  | 176,982           | (7.49)         | 191,311           | (9.05)       | 210,352           | 7.21        | 196,201            | 250.07         |
| Deferred tax assets - net   | 238,128           | (8.30)         | 259,691           | (4.85)       | 272,920           | 33.20       | 204,896            | 85.29          |
| Other assets  | 419,049           | (9.45)         | 462,778           | 78.31        | 259,534           | (4.15)      | 270,782            | 6.91           |
| <b>Total Assets</b>   | <b>18,598,471</b> | <b>(19.91)</b> | <b>23,221,277</b> | <b>23.89</b> | <b>18,744,216</b> | <b>8.46</b> | <b>17,281,686</b>  | <b>9.81</b>    |
| <b>Total Equity</b>   |                   |                |                   |              |                   |             |                    |                |
| Total Equity  | 9,449,959         | 2.79           | 9,193,478         | 4.56         | 8,792,745         | 4.17        | 8,440,730          | 2.96           |
| <b>Borrowings from financial institutions</b>   |                   |                |                   |              |                   |             |                    |                |
| Borrowings from financial institutions  | 6,549,981         | (43.79)        | 11,652,435        | 26.37        | 9,221,225         | 8.62        | 8,489,171          | 26.30          |
| <b>Deposits and other accounts</b>  |                   |                |                   |              |                   |             |                    |                |
| Deposits and other accounts   | 2,079,728         | 10.01          | 1,890,502         | 389.69       | 386,060           | 1,439.31    | 25,080             | (95.40)        |
| <b>Other liabilities</b>  |                   |                |                   |              |                   |             |                    |                |
| Other liabilities   | 518,803           | 7.00           | 484,862           | 40.87        | 344,186           | 5.35        | 326,705            | 19.48          |
| <b>Total Equity and Liabilities</b>   | <b>18,598,471</b> | <b>(19.91)</b> | <b>23,221,277</b> | <b>23.89</b> | <b>18,744,216</b> | <b>8.46</b> | <b>17,281,686</b>  | <b>9.81</b>    |
| <b>Profit and Loss Account</b>  |                   |                |                   |              |                   |             |                    |                |
| Mark-up / return / interest earned  | 1,243,694         | (17.62)        | 1,509,674         | 22.40        | 1,233,407         | 6.88        | 1,153,996          | (22.41)        |
| Mark-up / return / interest expensed  | 533,274           | (14.97)        | 627,125           | 23.44        | 508,046           | 3.92        | 488,889            | (27.90)        |
| Net mark-up / interest income   | 710,420           | (19.50)        | 882,549           | 21.67        | 725,361           | 9.06        | 665,107            | (17.81)        |
| Net mark-up / interest income after provision   | 1,126,276         | 30.12          | 865,600           | 130.95       | 374,802           | (4.03)      | 390,545            | (44.39)        |
| <b>Non Markup / Interest Income</b>   |                   |                |                   |              |                   |             |                    |                |
| Fee, commission and brokerage income  | 19,631            | 42.00          | 13,825            | (7.74)       | 14,985            | (17.71)     | 18,210             | (22.04)        |
| Dividend income   | 30,205            | (0.18)         | 30,260            | 11.56        | 27,125            | 19.15       | 22,765             | 25.83          |
| Income from dealing in foreign currencies   | 408               | (24.72)        | 542               | (181.02)     | (669)             | (200.75)    | 664                | (10.90)        |
| Gain on sale of securities - net  | 4,913             | (98.43)        | 313,567           | (4.39)       | 327,977           | 33.04       | 246,533            | 91.39          |
| Unrealised (loss) / Gain on revaluation of investments classified as held for trading | (1,920)           | (360.16)       | 738               | (22.96)      | 958               | (122.10)    | (4,334)            | (812.57)       |
| Other income / charges  | 5                 | (99.40)        | 828               | (57.95)      | 1,969             | (23.71)     | 2,581              | 441.09         |
| Total non mark-up / return / interest income  | 53,242            | (85.20)        | 359,760           | (3.38)       | 372,345           | 30.00       | 286,419            | 66.43          |
| Total non mark-up / interest expenses   | 318,427           | 5.43           | 302,029           | 6.67         | 283,150           | 28.42       | 220,483            | (7.67)         |
| <b>Profit before tax</b>  | <b>861,091</b>    | <b>(6.74)</b>  | <b>923,331</b>    | <b>99.00</b> | <b>463,997</b>    | <b>1.65</b> | <b>456,481</b>     | <b>(28.18)</b> |
| Taxation - net  | 257,800           | (20.90)        | 325,917           | 190.67       | 112,128           | (4.37)      | 117,251            | (40.00)        |
| <b>Profit after taxation</b>  | <b>603,291</b>    | <b>0.98</b>    | <b>597,414</b>    | <b>69.78</b> | <b>351,869</b>    | <b>3.73</b> | <b>339,230</b>     | <b>(22.93)</b> |
| <b>Basic and diluted earnings per share</b>   | <b>1.01</b>       | <b>0.98</b>    | <b>1.00</b>       | <b>68.76</b> | <b>0.59</b>       | <b>3.51</b> | <b>0.57</b>        | <b>(21.92)</b> |

| (Rupees in '000)  |              |                   |                |                   |              |                  |              |                  |               |
|-------------------|--------------|-------------------|----------------|-------------------|--------------|------------------|--------------|------------------|---------------|
| 2012              | %            | 2011              | %              | 2010              | %            | 2009             | %            | 2008             | %             |
| 43,999            | 381.23       | 9,143             | (13.35)        | 10,552            | 300.76       | 2,633            | (99.48)      | 506,887          | 2,526.09      |
| 106,586           | 415.53       | 20,675            | (94.14)        | 352,808           | (73.06)      | 1,309,451        | (27.91)      | 1,816,376        | (35.33)       |
| -                 | -            | -                 | (100.00)       | 600,000           | 34.45        | 446,250          | (26.96)      | 611,000          | 1.83          |
| 10,841,572        | 20.81        | 8,974,337         | 25.32          | 7,160,982         | 34.44        | 5,326,675        | 114.96       | 2,477,998        | 246.70        |
| 4,325,337         | 74.75        | 2,475,156         | 17.67          | 2,103,430         | 122.49       | 945,387          | 188.83       | 327,318          | 100.00        |
| 56,047            | 16.62        | 48,060            | 7.37           | 44,762            | 71.69        | 26,071           | 21.38        | 21,478           | 50.09         |
| 110,582           | 36.93        | 80,756            | 272.82         | 21,661            | (80.27)      | 109,799          | 1,407.61     | 7,283            | 100.00        |
| 253,291           | 6.43         | 237,980           | 34.90          | 176,414           | 48.01        | 119,188          | 152.91       | 47,126           | 30.35         |
| <b>15,737,414</b> | <b>32.85</b> | <b>11,846,107</b> | <b>13.14</b>   | <b>10,470,609</b> | <b>26.37</b> | <b>8,285,454</b> | <b>42.47</b> | <b>5,815,466</b> | <b>38.69</b>  |
| 8,197,710         | 6.07         | 7,728,863         | 3.96           | 7,434,445         | 18.13        | 6,293,518        | 18.23        | 5,322,986        | 28.97         |
| 6,721,178         | 81.88        | 3,695,484         | 29.06          | 2,863,481         | 54.17        | 1,857,327        | 303.80       | 459,957          | 100.00        |
| 545,080           | 109.65       | 260,000           | 100.00         | -                 | -            | -                | -            | -                | (100.00)      |
| 273,446           | 69.04        | 161,760           | (6.33)         | 172,683           | 28.28        | 134,609          | 313.89       | 32,523           | (49.36)       |
| <b>15,737,414</b> | <b>32.85</b> | <b>11,846,107</b> | <b>13.14</b>   | <b>10,470,609</b> | <b>26.37</b> | <b>8,285,454</b> | <b>42.47</b> | <b>5,815,466</b> | <b>38.69</b>  |
| 1,487,341         | 12.42        | 1,323,067         | 28.43          | 1,030,191         | 27.21        | 809,863          | 53.66        | 527,054          | 123.84        |
| 678,102           | 68.38        | 402,712           | 108.13         | 193,494           | 55.11        | 124,744          | 291.07       | 31,898           | 100.00        |
| 809,239           | (12.07)      | 920,355           | 10.00          | 836,697           | 22.12        | 685,119          | 38.36        | 495,156          | 110.29        |
| 702,286           | 17.79        | 596,219           | (34.96)        | 916,652           | 113.49       | 429,374          | (6.18)       | 457,656          | 100.00        |
| 23,359            | 82.54        | 12,797            | 78.11          | 7,185             | (59.87)      | 17,906           | 394.50       | 3,621            | 100.00        |
| 18,093            | (11.71)      | 20,492            | (9.18)         | 22,564            | 25.89        | 17,924           | (70.26)      | 60,266           | 100.00        |
| 745               | 2,158.15     | 33                | 100.00         | -                 | -            | -                | -            | -                | -             |
| 128,809           | 309.33       | 31,468            | (76.60)        | 134,480           | 6.15         | 126,684          | 310.31       | 30,875           | 6,626.58      |
| 608               | (107.53)     | (8,080)           | (212.21)       | 7,201             | (1,248.48)   | (627)            | (100.00)     | -                | -             |
| 477               | (70.74)      | 1,630             | -              | (259)             | -            | 1,812            | -            | -                | -             |
| 172,091           | 194.98       | 58,340            | (65.92)        | 171,171           | 4.56         | 163,699          | 72.75        | 94,762           | 20,545.32     |
| 238,798           | 42.35        | 167,757           | (19.83)        | 209,239           | 90.07        | 110,083          | 33.41        | 82,513           | 111.15        |
| 635,579           | 30.56        | 486,802           | (44.59)        | 878,584           | 81.91        | 482,990          | 2.78         | 469,905          | 138.72        |
| 195,417           | (19.99)      | 244,253           | (18.64)        | 300,227           | 169.09       | 111,573          | (26.48)      | 151,759          | 120.79        |
| <b>440,162</b>    | <b>81.47</b> | <b>242,549</b>    | <b>(58.06)</b> | <b>578,357</b>    | <b>55.72</b> | <b>371,417</b>   | <b>16.74</b> | <b>318,146</b>   | <b>148.34</b> |
| <b>0.73000</b>    | <b>82.50</b> | <b>0.40</b>       | <b>(59.08)</b> | <b>0.98</b>       | <b>32.10</b> | <b>0.74</b>      | <b>-</b>     | <b>0.74</b>      | <b>45.10</b>  |

# CASH FLOW SUMMARY

For the Year Ended December 31

(Rupees in '000)

|  | 2016      | 2015        | 2014        | 2013        | 2012        | 2011        | 2010        | 2009        |
|--|-----------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|  |           |             |             | (Restated)  |             |             |             |             |
| Cash flows from operating activities               | (725,103) | 4,181,808   | 1,601,343   | (3,888,232) | 1,963,372   | 1,708,563   | 448,811     | 1,287,294   |
| Cash flows from investing activities               | 1,110,551 | (4,139,630) | (1,493,227) | 3,973,893   | (1,817,605) | (2,042,105) | (1,906,710) | (2,789,298) |
| Cash flows from financing activities               | (150,000) | (75,000)    | -           | (50,000)    | (25,000)    | -           | 509,175     | 490,825     |
| Cash and cash equivalents at beginning of the year | 261,540   | 294,362     | 186,246     | 150,585     | 29,818      | 363,360     | 1,312,084   | 2,323,263   |
| Cash and cash equivalents at end of the year       | 496,988   | 261,540     | 294,362     | 186,246     | 150,585     | 29,818      | 363,360     | 1,312,084   |

# KEY FINANCIAL RATIOS

For the Year Ended December 31

|                                    | 2016  | 2015   | 2014   | 2013       | 2012  | 2011  | 2010  | 2009  |
|------------------------------------|-------|--------|--------|------------|-------|-------|-------|-------|
| <b>Profitability Ratios (%)</b>    |       |        |        | (Restated) |       |       |       |       |
| Gross Profit Margin                | 57.12 | 58.46  | 58.81  | 57.64      | 54.41 | 69.56 | 81.22 | 84.60 |
| Operating Margin                   | 66.39 | 49.39  | 28.90  | 31.69      | 38.30 | 35.24 | 73.13 | 49.61 |
| Net Profit Margin                  | 46.52 | 31.96  | 21.91  | 23.55      | 26.52 | 17.56 | 48.14 | 38.15 |
| Yield on Investment                | 6.25  | 9.13   | 9.13   | 8.26       | 12.15 | 12.87 | 13.60 | 15.04 |
| Yield on Advances                  | 7.15  | 10.28  | 10.28  | 10.96      | 12.26 | 13.44 | 11.20 | 17.62 |
| Debt Equity Ratio                  | 91.32 | 147.31 | 109.26 | 100.87     | 88.64 | 51.18 | 38.52 | 29.51 |
| <b>Return to Share Holders (%)</b> |       |        |        |            |       |       |       |       |
| Return on Average Assets (ROA)     | 4.12  | 4.40   | 2.58   | 2.76       | 4.61  | 4.36  | 9.37  | 6.85  |
| Return on Average Equity (ROE)     | 9.24  | 10.27  | 5.38   | 5.49       | 7.98  | 6.42  | 12.80 | 8.32  |
| Return on Capital Employed (ROCE)  | 3.34  | 2.63   | 1.91   | 2.00       | 2.85  | 2.08  | 5.62  | 4.56  |
| Earning per Share                  | 1.01  | 1.00   | 0.59   | 0.57       | 0.73  | 0.40  | 0.98  | 0.74  |
| Earning Growth                     | 0.69  | 1.16   | 1.11   | 0.87       | 1.20  | 1.15  | 1.23  | 1.57  |
| Profit Growth                      | 0.93  | 1.99   | 1.02   | 0.72       | 1.31  | 0.55  | 1.82  | 1.03  |
| Breakup Value per Share            | 15.75 | 15.32  | 14.65  | 14.07      | 13.66 | 12.88 | 12.57 | 12.59 |
| <b>Performance / Liquidity (%)</b> |       |        |        |            |       |       |       |       |
| Total Assets Turnover              | 6.20  | 8.91   | 8.91   | 8.72       | 12.03 | 12.38 | 12.81 | 13.81 |
| Total Liabilities / Equity         | 96.81 | 152.58 | 113.18 | 104.74     | 91.97 | 53.27 | 40.84 | 31.65 |
| Paid-up Capital / Total Assets     | 32.26 | 25.84  | 32.01  | 34.72      | 38.13 | 50.65 | 57.30 | 60.35 |
| Equity / Total Assets              | 50.81 | 39.59  | 46.91  | 48.84      | 52.09 | 65.24 | 71.00 | 75.96 |

# STATEMENT OF VALUE ADDED

For the Year Ended December 31

|  | 2016           |             | 2015           |             | 2014           |             | 2013           |             | 2012<br>(Restated) |             | 2011           |             |
|--|----------------|-------------|----------------|-------------|----------------|-------------|----------------|-------------|--------------------|-------------|----------------|-------------|
| <b>WEALTH GENERATED</b>                              |                |             |                |             |                |             |                |             |                    |             |                |             |
| Financial & Other Income                             | 1,296,936      |             | 1,869,434      |             | 1,605,752      |             | 1,440,415      |             | 1,659,432          |             | 1,389,487      |             |
| Financial & Other Expenses                           | 420,600        |             | 924,354        |             | 951,456        |             | 797,052        |             | 875,345            |             | 813,037        |             |
|  | <u>876,336</u> |             | <u>945,080</u> |             | <u>654,296</u> |             | <u>643,363</u> |             | <u>784,087</u>     |             | <u>576,450</u> |             |
| <b>WEALTH DISTRIBUTED</b>                            | <b>2016</b>    | <b>%</b>    | <b>2015</b>    | <b>%</b>    | <b>2014</b>    | <b>%</b>    | <b>2013</b>    | <b>%</b>    | <b>2012</b>        | <b>%</b>    | <b>2011</b>    | <b>%</b>    |
| <i>To Employees</i>                                  |                |             |                |             |                |             |                |             |                    |             |                |             |
| Salaries, benefits and related costs                 | 205,369        | 23.43%      | 193,626        | 20.49%      | 168,485        | 25.75%      | 157,420        | 24.47%      | 124,931            | 15.93%      | 74,385         | 12.9%       |
| <i>To Government</i>                                 |                |             |                |             |                |             |                |             |                    |             |                |             |
| Income Tax   | 257,800        | 29.42%      | 325,917        | 34.49%      | 112,128        | 17.14%      | 117,251        | 18.22%      | 195,417            | 24.91%      | 244,253        | 42.37%      |
| <i>To Shareholders</i>                               |                |             |                |             |                |             |                |             |                    |             |                |             |
| Cash dividend  | 300,000        | 34.23%      | 300,000        | 31.74%      | 150,000        | 22.93%      | 100,000        | 15.54%      | 50,000             | 6.38%       | -              | -           |
| Stock dividend                                       | -              | -           | -              | -           | -              | -           | -              | -           | -                  | -           | -              | -           |
| <b>Retained for reinvestment &amp; future growth</b> |                |             |                |             |                |             |                |             |                    |             |                |             |
| Depreciation, Amortisation and retained Profit       | 113,167        | 12.91%      | 125,537        | 13.28%      | 223,683        | 34.19%      | 268,692        | 41.77%      | 413,739            | 52.78%      | 257,812        | 44.73%      |
|  | <u>876,336</u> | <u>100%</u> | <u>945,080</u> | <u>100%</u> | <u>654,296</u> | <u>100%</u> | <u>643,363</u> | <u>100%</u> | <u>784,087</u>     | <u>100%</u> | <u>576,450</u> | <u>100%</u> |



**EXPLORE  
OPPORTUNITIES**



# STRATEGY OVERVIEW

## Long-term Financing

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

## BMR and Midsize Infrastructure Financing

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

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

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

## Project Financing

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

## Agro Based Financing

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

## SBP Refinance

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

## Leasing Financing

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

## Bill Discounting

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

## Venture Portfolio

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

## Financial Advisory Services

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

## Underwriting Service

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

## Trustee Services

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

# ACHIEVE MILESTONES





# DIRECTORS' REPORT

## FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2016

On behalf of the Board of Directors, I am pleased to present the Financial Statements of PAİR Investment Company Limited (PAİR) for the year ended December 31, 2016. 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

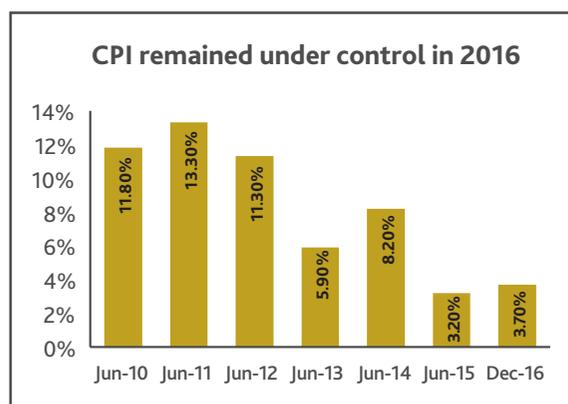
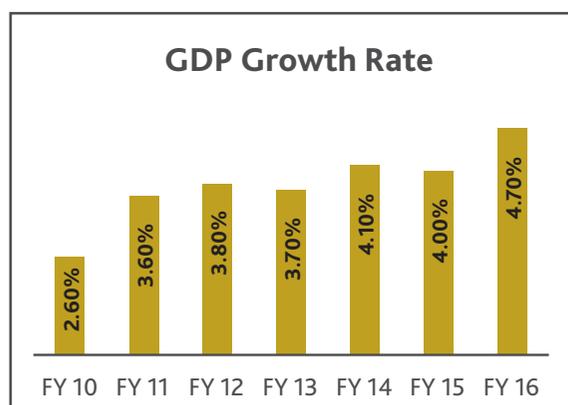
Helped by relatively lower international oil prices and steady implementation of its reforms program, economic conditions have improved. The improved economic growth prospects has led rating agencies (Moody's, S&P) to improve their outlook for Pakistan over the past year. Growth is slowly recovering supported by a favorable slump in international oil prices. The government has concentrated its efforts to transform the economy and improve underlying macroeconomic indicators which have given its results. Pakistan has successfully completed \$ 6.15 billion IMF programme (under the 3-year Extended Fund Facility).

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

An expansionary monetary policy played a vital role in the country's economic development as it encouraged construction and related activities. However, in its latest Monetary Policy meeting, SBP kept the policy rate unchanged at 5.75% on account of rising inflationary expectations. CPI for Dec 2016 increased by 3.7% YoY. Although there was an unexpected decline in CPI on a month on month basis in Dec 2016, however it is expected to build momentum from 1HCY17 on the back of recent increase in international oil and commodity prices. For FY17, SBP has forecasted inflation between 4.5% - 5.5%. The low interest rate regime, along with an improved energy situation is setting up the rebound in economic activity.

The strong build up in exchange reserves which currently stand at a record level of USD 23 billion has led to a stable exchange rate in nine months of 2016 and improvement in the country's import cover. Exchange reserves built up are a mix of a steady flow of workers' remittances and low international oil prices, along with multilateral and bilateral inflows. Work on projects under the China Pakistan Economic Corridor has gained momentum giving impetus to various construction related industries in addition to increasing Pakistan's geopolitical importance.

Most importantly the Pakistan stock market's reclassification to the MSCI's emerging markets index in June 2016 reflected the global investors' positive outlook on the country. Equity market continued to perform well, reaching new highs during the year. The KSE-100 index closed up 46% by the year end Dec 2016. The rally is primarily driven by reclassification of PSX into MSCI-EM index (effective from May'17).



## Financial Highlights

The falling interest rates have impacted the revenues. Investments were consolidated keeping the interest rate regime in view hence the total asset at the close of the Dec 2016 were lesser than the year ended Dec 2015. To support the falling revenues the lending portfolio was augmented. Net advances showed a healthy increase of 55% and closed at PKR 5.4 billion as at Dec 2016 as compared to PKR 3.5 billion as at Dec 2015. The net revenue from funds was down to PKR 710.42 million in Dec 2016 from PKR 882.549 million. Likewise capital gains on government securities was PKR 167.958 million in FY 2016 which stood at PKR 214.775 million in FY 2015.

Efforts for the recovery of non-performing assets including non-performing loans (NPL) and non-performing investments (NPI) materialized during the year as NPL to gross advances ratio is down to 18% as at Dec 2016 down from 27% as at Dec 2015. NPI to gross investments is 0.86% as at Dec 2016 as compared to 14.5% as at Dec 2015. The NPLs were reduced through various measures whereby cash recoveries principal and markup of PKR 142.83 million were made, NPL exposure of PKR 66.8 million was restructured, and exposures of PKR 105.51 million gap were settled through debt asset swap. Recoveries made and exposure restructured were without any write offs which is a great achievement. These were the first ever recoveries made in the NPL portfolio of the company. Further there was no new addition in the non-performing portfolio, P&L charge of PKR 58.2 million was taken on legacy NPL portfolio during the year due to reduction in the Forced Sales Value benefit available under the Prudential Regulations.

Administrative expenses remained under control as an increase of only 5% was seen during the year. Despite the challenges of considerable decline in interest rates, the company was able to achieve healthy profits before tax of PKR 861.091 million (FY 2015: 923.331 million) and profits after tax of PKR 603.291 million (FY 2015: 597.414 million) respectively. EPS for the year stood at PKR 1.01 per share as compared to PKR 1.00 last year.

## 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).

## Statement of Internal Controls

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

## IT Infrastructure

Technology plays a crucial role in optimizing operational efficiency, managing risk and serving clients. Innovations in technology have improved operations at companies of all sizes and helped turn small local businesses into global businesses. During the year, IT has completed several projects including the launching of Company's Website Urdu version and Anti-spam up gradation. Software Applications have been upgraded with new features enabled users to perform their routine task more efficiently. Furthermore, IT enhanced its infrastructure by shifting NCCPL and RTGS links on Fiber connectivity which helps Settlement Department to perform their routine task in an efficient manner. In addition to fulfill the business requirement, IT also worked on projects to comply regulatory requirement.

Two BCP drills were conducted during the year. Penetration Testing was conducted through external consultant to ensure network security and prevention against Cyber threats. Improvements made in IT infrastructure through effective documentation, implementing network security and controls.

Trainings for IT staff and users were conducted which enabled them to understand the Application systems and environment.

## Corporate and Financial Reporting Framework

The Board of Directors of PAİR, 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, 2016. 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 PAİR present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed.
- As a continuous process, efforts have been made to effectively implement the internal control system. An effective and sound system of internal control is in the process of being designed in accordance with the requirements of the regulatory authorities.
- There is no doubt regarding PAİR'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 since the incorporation of PAİR 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, effective risk management framework is embedded in PAİR'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. PAİR 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 policies to assess, mitigate and monitor major risks associated with business operations of the company. Accordingly, your Company has established a set of activities and creates 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 Shareholder's wealth.

Your 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 69.58% against the regulatory requirement of 10%. 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.

PAİR 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 your organization. The stress testing methodology implemented by PAIR is in adherence of SBP guidelines.

The CRMD has been 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 principals in true later and spirit. Further, Board Risk Management Committee and Board of Directors of your organization oversee the strategy related to risk management. In addition, the Internal Audit department conducts independent, risk-based review and verification of 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.

## Human Resource

An organization's success is based on its Human Resources; it's a key factor and an important component of competitive advantage in the global marketplace.

PAIR's success story has been remarkable, every year we exceed our profit targets. We empower our employees to anticipate and exceed their customers' needs by providing them a range of products & services which creates value for them. Our employees feel their work as challenging and exciting. We provide them opportunities to develop and grow as professionals for which special attention is paid on the training. We recognize and reward our employees for their positive behaviors while they support their peers or when they take on additional responsibilities or improve productivity and quality of work enabling the organization to achieve its goals and objectives.

PAIR is a team of professionals with vast experience in different aspect of banking. In 2016 we gave an opportunity to fresh university graduates to gain an entry in the organization through management trainee program. The purpose of the program was to tap the potential resources from the universities and harness the right talent for the organization with the required practical and vocational skills.

PAIR believes that the work conditions, wages, and benefits, it offers to its employees are competitive with those offered by other employers in this area and industry. Among other employee benefits PAIR has Hajj Balloting Scheme, under the scheme the nominated employees gets fully paid his/her hajj Pilgrimage expenses and leaves once in their service.

We embrace the values of originality, integrity and transparency. We are committed to excellence through adherence to high standards, disciplined leadership, and mutual respect for all.

## Compliance

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

## Corporate Social Responsibility

We, at PAİR Investment, firmly believe that being a responsible corporate citizen plays an integral role in our long-term success, and we strive to incorporate our approach to corporate responsibility into every aspect of our work. In addition to our priority of operating profitability and successful we are aware of responsibilities that go beyond our business, particularly our commitment to our employees, society and environment. In FY 2016, we have extended our support to the following organizations engaged in various philanthropic activities.

- Rotary Club
- Special Olympics
- Patient Aid Foundation
- Inner Wheel Club.
- Kidney Center

We will continue to encourage community growth and development, thereby contributing in building a sustainable future in FYI 2017 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 later.

PAİR Investment also, on annual basis, sponsored 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 2016. 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 | No. of Meetings Attended |
|--------------------------------------|--------------|--------------------------|
| Sayed Ahmad Araghchi, Chairman       | IFIC -Iran   | 4                        |
| Nadeem Karamat, MD/CEO               | MOF-Pakistan | 4                        |
| Hamid Eftekhari Kondelaji – Director | IFIC -Iran   | 4                        |
| Alireza Pourbagherian – Director     | IFIC -Iran   | 2                        |
| Sohail Zarar Ali Khan – Director     | MOF-Pakistan | 1                        |
| Aamer Mahmood Hussain – Director     | MOF-Pakistan | 4                        |
| Hemmat Jafari – Director*            | IFIC -Iran   | 2                        |
| Zahoor Ahmed –Director**             | MOF-Pakistan | 1                        |

\*IFIC nominate Hemmat Jafari in place of Alireza Pourbagherian in May 2016.

\*\* MOF-Pakistan nominate Zahoor Ahmed in place of Sohail Zarar Ali Khan in July 2016.

## 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 2016.

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   | Chairman BHRCC<br>Member BHRCC<br>Chairman BSIC           |     |        | 2<br>1 | 2    |
| Nadeem Karamat            | MOF-Pakistan | Member BRMC<br>Member BHRCC<br>Member BSIC                |     | 4      | 3      | 3    |
| Hamid Eftekhari Kondelaji | IFIC -Iran   | Member BAC<br>Chairman BRMC<br>Member BRMC<br>Member BSIC | 3   | 2<br>2 |        | 3    |
| Alireza Pourbagherian     | IFIC -Iran   | Member BAC<br>Chairman BRMC                               | 2   | 2      |        |      |
| Aamer Mahmood Hussain     | MOF-Pakistan | Chairman BAC<br>Member BRMC                               | 4   | 4      |        |      |
| Sohail Zarar Ali Khan     | MOF-Pakistan | Member BAC<br>Chairman BHRCC<br>Chairman BSIC             | 1   |        | 1      | 1    |
| *Hemmat Jafari            | IFIC-Iran    | Member BAC<br>Member BRMC                                 | 2   | 2      |        |      |

\*IFIC nominated Hemmat Jafari in place of Alireza Pourbagherian in May 2016.

## 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, were:

| Value of Investments and Bank Balances | Provident Fund | Gratuity   |
|--|----------------|------------|
| 2016                                   | 59,052,014     | 32,219,270 |
| 2015                                   | 43,417,364     | 24,656,268 |

## Future Outlook

World Bank puts the future outlook at positive for Pakistan as economic growth is showing signs of sustained recovery aided by falling commodity and fuel prices, increased energy availability and improved security conditions. 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. Further the improved industrial performance is expected to compensate, to some extent, the weather setbacks observed in the agriculture sector, services sector is also expected to grow.

PAIR investment sees a wide scope of business for itself in year 2017 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.

With respect to the Joint Venture partner Iran, we are pleased to share that after the landmark agreement reached between Iran and P 5+1 which is seen as a diplomatic achievement that not only promotes peace and security in the region but more importantly removes major obstacles in the way of mutual economic co-operation between Iran and other countries especially Pakistan. During the year 2016 in-principal formal permission from State Bank of Pakistan was obtained by PAIR to open its representative office in Tehran and the same would be made operational shortly subject to completion of the regulatory approvals from the respective authorities.

## Appointment of Auditors

The present auditors M/s. Grant Thornton Anjum Rahman, Chartered Accountants, have completed their term of five years and are not eligible for reappointment as per the regulations. Therefore on the suggestion of the Audit Committee, the Board of Directors recommends the shareholders to appoint M/s. KPMG Taseer Hadi & Co. Chartered Accountants as the statutory auditor of the company for the financial year ending December 31, 2017.

## Earnings per Share

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

## Pattern of Shareholding

| Shareholders   | Shareholding |
|--|--------------|
| Government of Pakistan through Ministry of Finance         | 50%          |
| Government of Iran through Iran Foreign Investment Company | 50%          |
| <b>Total</b>   | <b>100%</b>  |

## 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: February 17, 2017



**Seyed Ahmad Araghchi**  
Chairman of the Board of Directors

پائرنومیسٹس سال 2017 کو اسکے کاروبار کا وسیع دائرہ کار دیکھاتا ہے تاہم وہ مالیاتی صنعت پھیلاؤ میں فنڈز کی زیادہ لاگت اور سکڑتے ہوئے منافع کے لحاظ سے چیلنجز کی مکمل واقفیت رکھتا ہے۔ لہذا 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۔

شریک سرمایہ کار ایران کے لحاظ سے ہمیں یہ آگاہ کرتے ہوئے مسرت ہے کہ ایران اور پی فائیو پلس ون (P5+1) کے ساتھ تاریخ ساز معاہدے کے بعد جس کو ایک سفارتی کامیابی کے طور پر دیکھا جا رہا ہے وہ نہ صرف خطے میں امن اور تحفظ کو پروان چڑھائے گا بلکہ سب سے اہم یہ کہ وہ ایران اور دیگر ممالک خصوصاً پاکستان کے ساتھ باہمی اقتصادی تعاون میں حائل بڑی رکاوٹوں کو دور کریگا۔ سال 2016 میں پائرنے بینک دولت پاکستان سے رسمی اجازت حاصل کر لی ہے تاکہ وہ تہران میں اپنا تازہ جمان دفتر کھول لے اور اسے بہت جلد متعلقہ حکام سے انتظامی منظور یوں کی تکمیل کے اطلاق پر فعال و موثر بنا دیا جائے گا۔

### آڈیٹرز کا تقرر:

موجودہ آڈیٹرز گرانٹ تھارن انٹرمیڈیاٹ چارٹرڈ اکاؤنٹنٹس نے 5 سال کی مدت پوری کر لی ہے اور قاعدوں کے مطابق وہ دوبارہ تقرری کے اہل نہیں ہیں۔ اس لئے بورڈ آف ڈائریکٹرز نے شہیر ہولڈرز کو سفارش کی ہے کہ وہ میسرز KPMG Taseer Hadi اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کو 31 دسمبر 2017 کو ختم ہو نیوالے مالی سال کیلئے کمپنی کا آڈیٹر مقرر کریں۔

### آمدن فی حصص:

بنیادی اور تخفیف شدہ آمدن فی حصص مالیاتی گوشواروں کے نوٹ نمبر 28 میں ظاہر کر دیا گیا ہے۔

### شہیر ہولڈنگ کا اسلوب:

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

### قدردانی کا اعتراف

#### :Appreciation and acknowledgment

ہم تہ دل سے اپنے صارفین اور شرکاء کاروبار کا شکریہ ادا کرتے ہیں کہ جنہوں نے ہم پر بھروسہ اور اعتماد کا اظہار کیا اور ہم ایران فارن انویسٹمنٹ کمپنی وزارت خزانہ، حکومت پاکستان، بینک دولت پاکستان اور سیکورٹی اینڈ ایگزیکیوٹو 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 اظہار تشکر بجالاتے ہیں، جنہوں نے ہمارے کاروبار کی ترقی و فروغ کے لئے اپنا زبردست عزم اور حصہ فراہم کیا۔

برائے منجانب بورڈ آف ڈائریکٹرز:

*S. A. Anjum*

سید احمد ارچی

چیئرمین۔ بورڈ آف ڈائریکٹرز

لاہور، فروری 17، 2017

## بورڈ کمیٹیوں اور ان کے اجلاس:

2016 میں بورڈ آڈٹ کمیٹی (BAC) اور بورڈ رسک مینجمنٹ کمیٹی (BRMC) کے 4 جبکہ بورڈ ہومین رسورس کمیٹی (BHRC) کے 13 اجلاس منعقد کئے گئے۔ ڈائریکٹرز جو اجلاس میں شریک ہونے سے قاصر تھے، انہیں بورڈ کی جانب سے حاضری سے رخصت مرحمت کی گئی تھی۔ کمیٹی رکن کی جانب سے اجلاس میں شرکت کی تفصیلات درج ذیل ہیں۔

| BSIC | BHRC   | BRMC   | BAC | عہدہ اور کمیٹی کا نام                               | نمائندہ برائے        | ڈائریکٹر کا نام       |
|------|--------|--------|-----|---|----------------------|-----------------------|
| 2    | 2<br>1 |        |     | BHRC چیئر مین<br>BHRC ممبر<br>BSIC چیئر مین         | آئی ایف آئی سی ایران | سید احمد راجگی        |
| 3    | 3      | 4      |     | BRMC ممبر<br>BHRC ممبر<br>BSIC ممبر                 | ایم او ایف پاکستان   | ندیم کرامت            |
| 3    |        | 2<br>2 | 3   | BAC ممبر<br>BRMC چیئر مین<br>BRMC ممبر<br>BSIC ممبر | آئی ایف آئی سی ایران | حامد افتخاری کونڈلیٹی |
|      |        | 2      | 2   | BAC ممبر<br>BRMC چیئر مین                           | آئی ایف آئی سی ایران | علی رضا پور باغیرین   |
|      |        | 4      | 4   | BAC چیئر مین<br>BRMC ممبر                           | ایم او ایف پاکستان   | عامر محمود حسین       |
| 1    | 1      |        | 1   | BAC ممبر<br>BHRC چیئر مین<br>BSIC چیئر مین          | ایم او ایف پاکستان   | سہیل ضرار علی خان     |
|      |        | 2      | 2   | BAC ممبر<br>BRML ممبر                               | آئی ایف آئی سی ایران | *ہمت جعفری            |

\* مئی 2016 میں علی رضا پور باغیرین کی جگہ آئی ایف آئی سی کے نامزد کردہ ہمت جعفری نے لی۔

## عملے کے اختتام ملازمت پر فوائد:

کمیٹی کے پاس بعد از ملازمت کے دو فنڈز ہیں۔ پروویڈنٹ فنڈ۔ فنڈ اور گریجویٹ فنڈ میں سے کی جانے والی سرمایہ کاریاں اور بینک بیلنس کی تفصیلات درج ذیل ہیں۔ جو کہ un-Audited گوشواروں پر مشتمل ہیں۔

| سر سرمایہ کاری اور بینک بیلنس کی قیمت | پروویڈنٹ فنڈ | گریجویٹ    |
|---------------------------------------|--------------|------------|
| 2016                                  | 59,052,014   | 32,219,270 |
| 2015                                  | 43,417,364   | 24,656,268 |

## مستقبل کی توقعات:

عالمی بینک کے مطابق پاکستان کی مستقبل کی توقعات مثبت ہیں کیونکہ معاشی نمو ایشیا اور تیل کی قیمتوں میں گراؤ، توانائی کی دستیابی اور امن و امان کی بہتر صورتحال کی معاونت کے ساتھ پائیدار بحالی کی علامات ظاہر کر رہی ہے۔ صنعتی ترقی وسیع پیمانے پر ایشیا سازی اور تعمیرات میں سرگرمیاں کافی تیز ہو چکی ہیں آجرالذکر بنیادی طور پر پاک چین اقتصادی راہداری (CPEC) سے انفراسٹرکچر اور توانائی کے منصوبوں کے آغاز سے متحرک ہوئی ہیں۔ مزید یہ ہے کہ بہتر صنعتی کارکردگی سے توقع کی جاتی ہے کہ وہ کسی حد تک، زرعی شعبے میں دیکھے گئے منفی موسمی اثرات کا ازالہ کرے گی۔ خدمات کے شعبے سے بھی توقع ہے کہ وہ فروغ پائے گا۔

پارکولین ہے کہ جو ماحول، اجرتیں اور فونڈ اپنے ملازمین کو پیش کرتا ہے وہ صفت میں دیگر اداروں کی جانب سے دیئے جانے والے ماحول، اجرتوں اور فونڈ سے مسابقت رکھتے ہیں۔ ملازمین کو دیئے جانے والے دیگر فونڈ میں پارکولین کے تحت نامزد ملازمین کو زندگی میں ایک جگہ کے تمام اخراجات اور چھٹیاں فراہم کی جاتی ہیں۔

ہم اقلیت، صداقت اور شفافیت کی اقدار کی پاسداری کرتے ہیں۔ ہم بلند ترین معیار و منظم قیادت اور سب سے باہمی احترام کے ساتھ آگے بڑھنے کے قائل ہیں۔

## کمپلائنس:

یہ انتہائی اہم ہے کہ ہم اپنے اہداف کو تمام قابل اطلاق قوانین و ضابطوں اور اندرونی پالیسیز کے ساتھ ہم آہنگ رہتے ہوئے حاصل کریں۔ ہم ہمارے تمام امور کے ہر پہلو میں انطباطی موافقت اور صداقت و راست بازی کے بلند ترین معیار پر عمل پیرا رہنے کیلئے انتہائی پرعزم ہیں۔

کمپلائنس ڈپارٹمنٹ نے تمام انطباطی شرائط کی تکمیل کے لئے ایک جامع منصوبہ تیار کر رکھا ہے۔

## ادارہ جاتی سماجی ذمہ داری:

پارکولین ہم اس بات کا یقین رکھتے ہیں کہ طویل المدت کامیابی کے لئے ہمیں لازمی ایک 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 ذمہ داری سے بھی واقف ہیں۔ ان میں ہمارے ملازمین، معاشرے اور ماحول کی بھلائی سب سے بڑھ کر ہیں۔ 2016 میں ہم نے درج ذیل مختلف اداروں کو جو کہ انسانی فلاحی سرگرمیوں میں مصروف ہیں، ان کی مالی امداد کی ہے۔

- روٹری کلب - اسپیشل اوپیکس - پیمنٹ ایڈفاؤنڈیشن - انزویل کلب - کڈنی سینٹر

ہم معاشرے کی ترقی و نشوونما کی حوصلہ افزائی کرتے رہیں گے اور مالی سال 2017 اور اس سے بھی آگے آنے والے 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 ایران کے انطباطی منظور یوں کے اطلاق کے بعد کیا جاسکے۔

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

## بورڈ آف ڈائریکٹرز اور انکے اجلاس:

سال 2016 میں 4 بورڈ کے 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 اجلاس میں شرکت کی۔

| ڈائریکٹرز کے نام               | نمائندہ برائے          | اجلاس میں شرکت کی تعداد |
|--------------------------------|------------------------|-------------------------|
| سید احمد ایراگچی               | آئی ایف آئی سی - ایران | 4                       |
| ندیم کرامت، ایم ڈی/سی ای ای او | ایم او ایف - پاکستان   | 4                       |
| حامد افتخار کوٹھیلہ، ڈائریکٹر  | آئی ایف آئی سی - ایران | 4                       |
| علی رضا پور باغیرن، ڈائریکٹر   | آئی ایف آئی سی - ایران | 2                       |
| سہیل ضرا علی خان، ڈائریکٹر     | ایم او ایف - پاکستان   | 1                       |
| 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                       |

مئی 2016 میں علی رضا پور باغیرن کی جگہ آئی ایف آئی سی کے نامزد کردہ ہمت جعفری نے لی۔

جولائی 2016 میں سہیل ضرا علی کی جگہ ایم او ایف - پاکستان کے نامزد ظہور احمد نے لی۔

- ایک مسلسل جاری عمل کے طور پر، اندرونی کنٹرول کے نظام کو موثر انداز سے نافذ رکھنے کے لئے کوشش کی جارہی ہیں جو کہ حکام کی شرائط کے بھی مطابق ہو۔
- پائز کے ایک جاری وساری کاروبار ہونے کی صلاحیت پر کوئی شک و شبہ نہیں ہے۔
- ادارہ جاتی نظم کے ضابطے کے بہترین طور طریقوں سے کوئی عملی انحراف نہیں کیا گیا۔
- پائز کے آغاز سے اب تک برسہا برس کے کلیدی عملی اور مالیاتی معلومات خلاصے کی شکل میں اس رپورٹ میں شامل کی گئی ہے۔
- ٹیکس بقا یا 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 پائز کی اداراتی حکمت عملی کا حصہ ہے۔ ایک خود مختار خطرات کی نظم کاری کا محکمہ (CRMD) ایک مرکزی حصہ کے طور پر کام کر رہا ہے تاکہ پورے ادارے میں خطرات کی نظم کاری سرگرمیوں کو BASEL II/III کے مطابق مضبوط کیا جائے۔ پائز بینک دولت پاکستان کے تحت دینے والے (Standardized Approach) (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 پالیسی کو استعمال میں لاتے ہوئے کمپنی کے کاروبار سے منسلک بڑے خطرات تعین کرنے اور ان کے پچاؤ کی تدبیر کرے اور ان کی نگرانی کرے۔ ان امور کی وجہ سے آپ کی کمپنی نے سرگرمیوں کے ایک مجموعہ تشکیل کی ہے جس کے تحت ایک مرکزی طریقے کار کے ساتھ کمپنی کے اعراض و مقاصد کی ایک منظم طرح سے تکمیل کی جائے اور نئی کاروباری پیش رفت اور دشواریوں کو بروقت سمجھتے ہوئے کمپنی کے مالکان 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 کا 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 ہوتی 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۔ پائز 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 زریعہ شامل ہیں۔ تازہ ترین آزمائش دباؤ کے طریقہ کار سے جو نتائج برآمد ہوئے ہیں ان کے مطابق آپ کے ادارے کی مالیاتی حیثیت و مقام ٹھوس و مضبوط معلوم ہوتی ہے۔ آزمائش دباؤ کے طریقہ کار جو پائز کی جانب سے نافذ ہیں وہ بینک دولت پاکستان کے رہنما اصولوں سے مکمل طور پر پیوستہ و ہم آہنگ ہیں۔ CRMD پوری کمپنی کے طریقہ کار، نظام ہائے کار اور طریقہ کار گزارشات کی تشکیل فروغ میں شامل رہا ہے۔ تاکہ کمپنی کی Rating بہتر بن رکھی جائے اور خطرات کی نظم کاری کے اصولوں کی معنی و مفہوم کے ساتھ اختیار کیا جائے۔ مزید یہ کہ بورڈ کی خطرات کی نظم کاری کرنے والی کمیٹی آپ کی کمپنی خطرات کی نظم کاری سے متعلق حکمت عملی کی نگرانی کرتی ہیں۔ اسکے 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 یا سو ان واقعات کے جن کے بارے میں ان گوشواروں میں بیان پہلے سے شامل ہے۔

## انسانی وسیلہ جات:

ایک ادارے کی کامیابی کا دار و مدار اسکے انسانی وسائل پر مبنی ہوتا ہے۔ عالمی منڈی میں یہ ایک کلیدی عنصر ہے اور مسابقتانہ فضیلت و فوقیت کا اہم جز ہے۔ پائز کی کامیابی کی کہانی بہت ہی شاندار رہی ہے اور ہم ہر سال منافع کے اہداف سے زیادہ منافع کما رہے ہیں۔ ہم اپنے ملازمین کو با اختیار بناتے ہیں اور ان کو ایسی پروڈکٹس اور سہولیات فراہم کرتے ہیں جو ان کے صارفین کی ضروریات کے مطابق ہوں ہمارے ملازمین اپنے فرائض منصبی اور کاموں کو بہت دلچسپ محسوس کرتے ہیں اور ان کو ایک چیلنج کے طور پر انجام دیتے ہیں۔ ہم اپنے ملازمین کو اسے مواقع فراہم کرتے ہیں جن سے ان کی ماہرانہ صلاحیتوں میں نکھار آتا ہے اور اس کے لئے ان کی تربیت پر خاص توجہ دی جاتی ہے۔ ہم اپنے ملازمین کے مثبت رویوں کا اعتراف کرتے ہیں اور ان کو انعامات سے بھی نوازتے ہیں جب وہ اپنے ساتھی ملازمین کی مدد یا وہ کسی اضافی ذمہ داری کو سرانجام دیتے ہیں یا اپنے کام کا معیار بہتر بناتے ہیں کہ جس کی بنا پر ادارہ اپنے مقاصد حاصل کر سکتا ہے۔

پائز باہر پیشہ وروں کی ایسی ٹیم ہے جس کے پاس بینکاری کے مختلف شعبوں کا وسیع تجربہ ہے۔ 2016 میں ہم نے یونیورسٹی کے نئے گریجویٹس کو موقع دیا کہ وہ ہمارے Management Trainee پروگرام کے تحت ادارے میں داخل ہو سکیں۔ اس پروگرام کا مقصد ہے کہ یونیورسٹیوں میں چھپے ہوئے باصلاحیت افراد کی کھوج لگائی جائے اور اپنے ادارے کے لئے بہتر مندرافرا کو ڈھونڈا جائے۔

روپے تھے۔ رقم کی لین دین سے حاصل ہونے والے 2016 میں محصولات کم ہو کے 701.638 ملین روپے رہے جبکہ 2015 میں یہ 882.549 ملین روپے تھے اسی طرح مالیاتی سال 2016 میں حکومتی سرمایہ کاری سے سرمایہ حاصل 167.958 ملین تھے جو کہ مالیاتی سال 2015 میں 214.775 ملین تھا۔

رواں سال میں غیر فعال اثاثوں کی وصولی کو بشمول غیر فعال قرضہ جات اور غیر فعال سرمایہ کاری عملی جامہ پہنایا جاسکا۔ غیر فعال قرضہ جات کا کلی قرضہ جات کے ساتھ تناسب 2016 دسمبر پر گھٹ کر 18% ہو گیا جو کہ 2015 دسمبر میں 27% تھا۔ غیر فعال سرمایہ کاری کا کلی سرمایہ کاری کے ساتھ تناسب 2016 دسمبر میں گھٹ کر 0.86% ہو گیا جو کہ 2015 دسمبر میں 14.5% تھا۔ مختلف اقدامات کے ذریعے غیر فعال قرضہ جات کو کم کیا گیا اور 142.83 ملین روپے کے اصل قرضہ اور اس کا سود نقدی وصول پائے، 66.8 ملین روپے کے قرضہ جات کی تنظیم نو کی گئی جبکہ 105.51 ملین روپے کے قرضے دیگر اثاثہ جات سے تبدیل کئے گئے۔ یہ تمام وصولیاں اور قرضہ جات کی تنظیم نو بغیر کسی قرضہ کے تسخیر کی گئیں جو ایک بڑی کامیابی ہے۔ یہ غیر فعال قرضہ جات میں کمپنی کی جانب سے کی جانے والی پہلی وصولیاں ہیں۔ مزید یہ کہ غیر فعال قرضہ جات میں کوئی اضافہ نہیں ہوا اور 58.2 ملین روپے کا رواں سال میں کیا جانے والا خرچہ دراصل پرانے چلے آ رہے غیر فعال قرضہ جات پر وڈینشل ریگولیشن کے تحت دستیاب فورسڈ سیلز ویلیو میں کمی تھی۔

انتظامی اخراجات زیر قابو رہے جیسا کہ دوران سال ان میں صرف 5% کا اضافہ دیکھنے میں آیا۔ شرح سود میں گران قدر کمی کے باوجود کمپنی نے صحت مند منافع کمایا جو کہ بلترتیب 2016 میں قبل از ٹیکس منافع 861.091 ملین روپے (2015 میں 597.414 ملین روپے) اور بعد از ٹیکس منافع 2016 میں 603.291 ملین روپے (2015 میں 597.414 ملین روپے) رہا۔ آمدن فی حصہ 1.01 روپے رہی جو گزشتہ برس 1.0 روپے تھا۔

## 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۔

## 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 شہمنہ کی تصدیق کرتا ہے۔ انتظامیہ کا اندرونی کنٹرول پر بیان سالانہ رپورٹ میں شامل ہے۔

## انفارمیشن ٹیکنالوجی کا بنیادی ڈھانچہ:

ٹیکنالوجی عملی استعداد کو برہانے، خطرات سے نمٹنے اور موٹوں کی خدمات کی انجام دہی میں اہم کردار ادا کرتا ہے۔ ٹیکنالوجی میں جدت طرازی نے تمام جسامت کی کمپنیوں کی سرگرمیوں کو فعال اور بہتر بنایا ہے اور اس نے چھوٹے چھوٹے مقامی کاروباروں کو عالمی کاروبار بننے میں مدد دی ہے۔ رواں سال میں آئی ٹی نے کئی منصوبہ جات کی تکمیل کی ہے۔ جس میں کمپنی کی ویب سائٹ کا اردو ترجمہ اور غیر ضروری ای میل کے خلاف نظام کی بہتری شامل ہیں۔ سافٹ ویئر اپڈیٹیشن کی بہتر درجہ بندی کی گئی ہے جس کی وجہ سے اس کے روزمرہ استعمال کرنے والے اپنا کام مستعدی سے کرتے ہیں۔ مزید یہ کہ آئی ٹی نے (NCCPL) اور (RTGS) کو فائبر راہوں پر منتقل کر دیا ہے جس کی وجہ سے تصفیہ کرنے والے ٹھکانے اپنے معمول کے امور کی مستعد طریقہ کار سے انجام دہی کر رہا ہے۔ کاروباری ضروریات کی تکمیل کے ساتھ ساتھ آئی ٹی انضباطی شرائط کو پورا کرنے میں بھی معاونت کرتا ہے۔

سال کے دوواں دو BCP مشقوں کا انعقاد کیا گیا بیرونی مشورہ گیری کی مدد کے ساتھ دخول کا امتحان لیا گیا تاکہ نیٹ ورک کی حفاظت کو یقینی بنایا جاسکے اور سائبر حملوں سے بچایا جاسکے۔ آئی ٹی کے بنیادی ڈھانچے میں دستاویز کی موثر طریقے سے قائم بندی نیٹ ورک کے حفاظتی اقدامات پر عمل درآمد اور قابو کے ذریعے بہتری لائی گئی۔

آئی ٹی کے عمل کی تربیت کا بھی انعقاد کیا گیا جس نے انہیں اس قابل کیا کہ وہ اپڈیٹیشن سسٹم اور ماحول کو بہتر سمجھ سکیں۔

## ادارہ جاتی اور مالیاتی رپورٹنگ کا دائرہ کار:

دسمبر 2016 کو ختم ہونے والے مالیاتی سال میں پائر کے بورڈ آف ڈائریکٹرز نے ایک اچھے ادارہ جاتی نظم و نسق کے نفاذ کی خاطر ادارہ جاتی نظم کے ضابطے کی متعلقہ مشقوں پر عمل درآمد کیا ہے۔ ادارہ جاتی ضابطوں کی پابندی کے مطابق بیرونی آڈیٹریکس جازرہ 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:

- پائریکس 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 کھاتہ اپنے پاس رکھے ہیں۔

- حسابات کی 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 آکائونٹنگ اسٹینڈرڈز جس حد تک پاکستان میں لاگو ہے، کی بیرونی کی گئی ہے اور جہاں انحراف کیا گیا ہے اسکو مناسب انداز میں ظاہر کر دیا گیا ہے۔

## پائرا نوویسٹمنٹ کمپنی لمیٹڈ

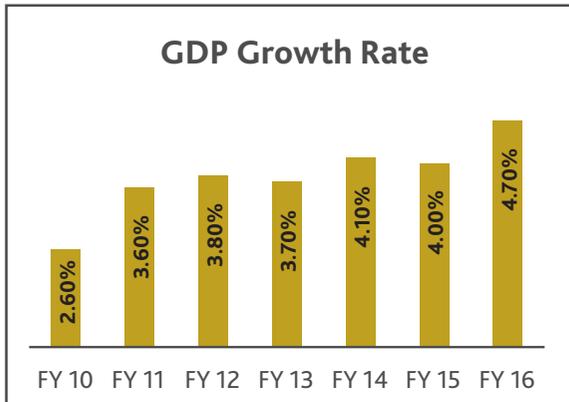
(ڈائریکٹرز رپورٹ)

سال جس کا اختتام 31 دسمبر 2016 کو ہوا۔

بورڈ آف ڈائریکٹرز کی جانب سے، میں سرسرت کے ساتھ 31 دسمبر 2016 کو ختم ہونے والے سال کی پائرا نوویسٹمنٹ کمپنی لمیٹڈ کے مالیاتی گوشوارے پیش کرتا ہوں۔ یہ مالیاتی گوشوارے BSD circular No 11 بتاریخ 04 اگست 2014 اور BSD circular No. 14 بتاریخ 24 دسمبر 2004 کے مطابق بنائے گئے ہیں۔

### معاشی جائزہ:

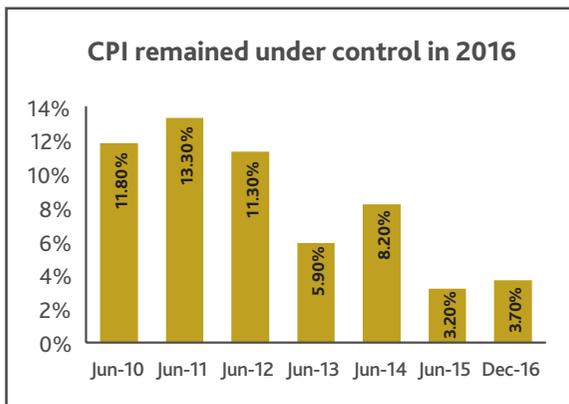
تیل کی قیمتوں اور اصلاحی پروگرام کے نفاذ کی مدد کے ساتھ معاشی حالات بہتر ہوئے ہیں اور اس بہتری کی وجہ سے بین الاقوامی ریٹنگ کے ادارے (Moody S&P) نے گزشتہ سال کے مقابلہ میں پاکستان کی ریٹنگ بہتر کر کے اس کے مستقبل کی توقعات کو بہتر قرار دیا ہے۔ ترقی کی رفتار آہستگی کے ساتھ بحالی کی جانب گامزن ہے اور تیل کی بین الاقوامی قیمتیں اُسکی معاونت کر رہی ہیں۔ حکومت نے اپنی توجہ معیشت میں تبدیلی لانے کے ساتھ ساتھ اقتصادی ترقی کو بہتر بنانے پر بھی دی ہے اور اس کے نتائج بھی برآمد ہوئے ہیں۔ پاکستان نے 6.15 بلین امریکی ڈالر کا آئی ایم ایف پروگرام (3 سالہ توسیعی فنڈسہولت کے تحت) کامیابی سے مکمل کر لیا ہے۔



مجموعی ملکی پیداوار کی شرح اضافہ گزشتہ کئی برسوں کے مقابلے میں بلند ترین رہی اور 4.7% تک پہنچ گئی اشیاء کے پیداوار کی شعبہ نے گزشتہ سال کے مقابلے میں کم کارکردگی دکھائی جبکہ صنعتی شعبہ جس نے جی ڈی پی میں 21.02% حصہ ڈالا اس نے گزشتہ سال 4.81% کے مقابلے میں 6.81% کی کارکردگی دکھائی۔ صنعتی شعبہ نے اپنے 6.4% کے ہدف کو عبور کیا ہے جو اس بات کی طرف اشارہ کرتا ہے کہ صنعتی شعبہ کی بحالی کا کام تیز بنیادوں پر جاری ہے۔ صنعتوں کو گیس کی فراہمی کی وجہ سے صنعتی شعبہ موثر لاگت کے ساتھ کارکردگی کے تسلسل کو جاری رکھے گا۔

توسیعی مالیاتی پالیسی نے ملک کی ترقی میں انتہائی اہم کردار ادا کیا ہے کیونکہ اس نے تعمیرات اور اس سے متعلقہ سرگرمیوں کی حوصلہ افزائی کی ہے۔ تاہم اپنے تازہ ترین مالیاتی اجلاس میں بینک دولت پاکستان نے بڑھتے ہوئے افراط زر کی توقعات کے پیش نظر پالیسی شرح میں کسی ردوبدل کے بغیر اسے 5.7% پر ہی برقرار رکھا ہے۔

سال 2016 میں سی پی آئی 3.7% سال بہ سال کی بنیاد پر بڑھا ہے اگرچہ دسمبر 2016 میں ماہ بہ ماہ بنیاد پر سی پی آئی میں غیر متوقع کمی آئی ہے مگر حالیہ بین الاقوامی تیل اور اشیاء کی قیمتوں میں اضافہ کے باعث گمان کیا جاتا ہے کہ 2017 کے پہلے چھ ماہ میں اس میں اضافہ ہو جائے گا۔ 2017 کے لئے بینک دولت پاکستان نے افراط زر کا تخمینہ 5.5% - 4.5% کے درمیان رہنے کی پیش گوئی کی ہے۔ کم شرح سود مع توانائی کی بہتر صورت حال معاشی سرگرمیوں کی بحالی کا باعث بن رہی ہیں۔



زرمبادلہ کے ذخائر میں استحکام جو کہ فی الوقت 23 ارب امریکی ڈالر کی ریکارڈ سطح پر ہیں انکی وجہ سے 2016 کے نو ماہ میں شرح تبادلہ اور ملکی درآمدات کے حفظ میں بہتری رہی ہے۔ زرمبادلہ کے ذخائر بیرون ملک پاکستانی ملازمین کی ترسیلات، بین الاقوامی سطح پر تیل کی قیمتوں کے علاوہ کثیر جہتی اور دو جہتی بھاؤ کا مجموعہ ہے۔ پاک چین اقتصادی راہداری (سی پیک) کے تحت ہونے والے منصوبوں پر کام نے زور پکڑ لیا ہے جس کی وجہ سے تعمیرات سے متعلق صنعتوں کو تقویت فراہم ہوئی ہے اور اسکے ساتھ پاکستان کی جغرافیائی سیاسی اہمیت میں بھی اضافہ ہوا ہے۔

سب سے اہم پاکستان اسٹاک ایکسچینج کی ایم ایس سی آئی انڈیکس کی ابھرتی مارکیٹوں میں نئی درجہ بندی کو عالمی سرمایہ کاروں نے مثبت توقعات کا آئینہ دار سمجھا ہے۔ بازار حصص نے تسلسل کے ساتھ کارکردگی کا مظاہرہ کرتے ہوئے اس سال کے دوران نئی بلند یوں کو چھوا ہے۔ کے ایس ای انڈیکس سال 2016 کے اختتام 46% اضافہ کے ساتھ بند ہوا۔ تیزی کی وجہ سے رجحان بنیادی طور پر پی ایس ایکس کی ایم ایس سی آئی انڈیکس۔ ابھرتی ہوئی مارکیٹوں میں نئی درجہ بندی کی وجہ سے متحرک ہوا۔

### مالیاتی جھلکیاں:

گرتی ہوئی شرح سود نے محصولات پر کافی اثر ڈالا ہے۔ کم شرح سود کو مد نظر رکھتے ہوئے سرمایہ کاری کو مجتمع کیا گیا ہے چنانچہ دسمبر 2016 کے اختتام پر کل اثاثہ جات دسمبر 2015 کے اختتام کے مقابلے میں کم رہے۔ گرتے ہوئے محصولات کو مدد دینے کے لئے قرضہ جات کی فراہمی کو بڑھایا گیا خالص قرضہ جات 55% اضافہ کے ساتھ 2016 دسمبر میں 5.4 ارب روپے پر بند ہوئے جو کہ 2015 دسمبر میں 3.5 ارب

# STATEMENT OF INTERNAL CONTROLS

For the Year Ended December 31, 2016

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

The management of PAIR Investment has adopted 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 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 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 decide on priority and implementation initiatives required taking into account 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 2015 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 2016. Statutory auditors were engaged to prepare a Long Form Report on ICFR as of December 31, 2016.

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

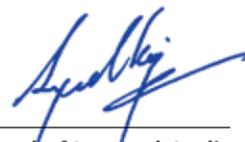
Based upon the results achieved from reviews and audits conducted during the year, management considers that the existing Internal Control System is adequate and has been effectively implemented and monitored, though room for improvement always exists.



Managing Director/  
Chief Executive Officer



Chief Financial Officer



Head of Internal Audit

Date: February 17, 2017

# REVIEW REPORT TO THE MEMBERS

## ON STATEMENT OF COMPLIANCE OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended December 31, 2016 prepared by the Board of Directors (the Board) of **PAiR Investment Company Limited** (the Company) 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 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 and 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's statement on internal controls 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 its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board 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 December 31, 2016.

Place: Karachi  
Date: February 17, 2017



**Grant Thornton Anjum Rahman**  
Chartered Accountants  
**Khaliq-ur-Rahman**  
Engagement Partner

# THE STATEMENT OF COMPLIANCE

## WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

- As per the joint venture arrangement between Government of Pakistan and 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:

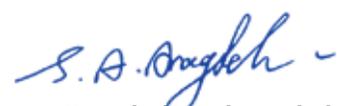
| Category                | Names   |
|-------------------------|---|
| Executive Directors     | Nadeem Karamat  |
| Non-Executive Directors | Mr. Aamer Mahmood Hussain<br>Mr. Hamid Eftekhari Kondelaji<br>Mr. Seyed Ahmad Araghchi<br>Mr. Hemmat Jafari<br>Mr. Zahoor Ahmed |

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
- 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 NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- Two casual vacancies occurred on the Board which aroused during the year were duly filled within prescribed time.

| Name of Director | Date of the Appointment | SBP's FPT Clearance | Date of Submission of Form 28 |
|------------------|-------------------------|---------------------|-------------------------------|
| Hemmat Jafari    | May 03, 2016            | June 15, 2016       | June 27, 2016                 |
| Zahoor Ahmed     | July 27, 2016           | August 25, 2016     | September 09, 2016            |

- 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.
- 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.
- 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. Director's training has already been performed by three directors the other three will attend Director's 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 CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises 3 members, who all are non-executive directors and the chairman of the committee is a director representing Ministry of Finance- Government of Pakistan.
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 3 members, of whom 2 are non-executive directors and the chairman of the committee is a non-executive director representing Iran Foreign Investment Company.
18. The Board has set up an effective internal audit function, which is considered suitably qualified and experienced for the purpose and 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 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. Seyed Ahmad Araghchi**  
Chairman

Date: February 17, 2017

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of PAIR Investment Company Limited (the Company) as at December 31, 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2016 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

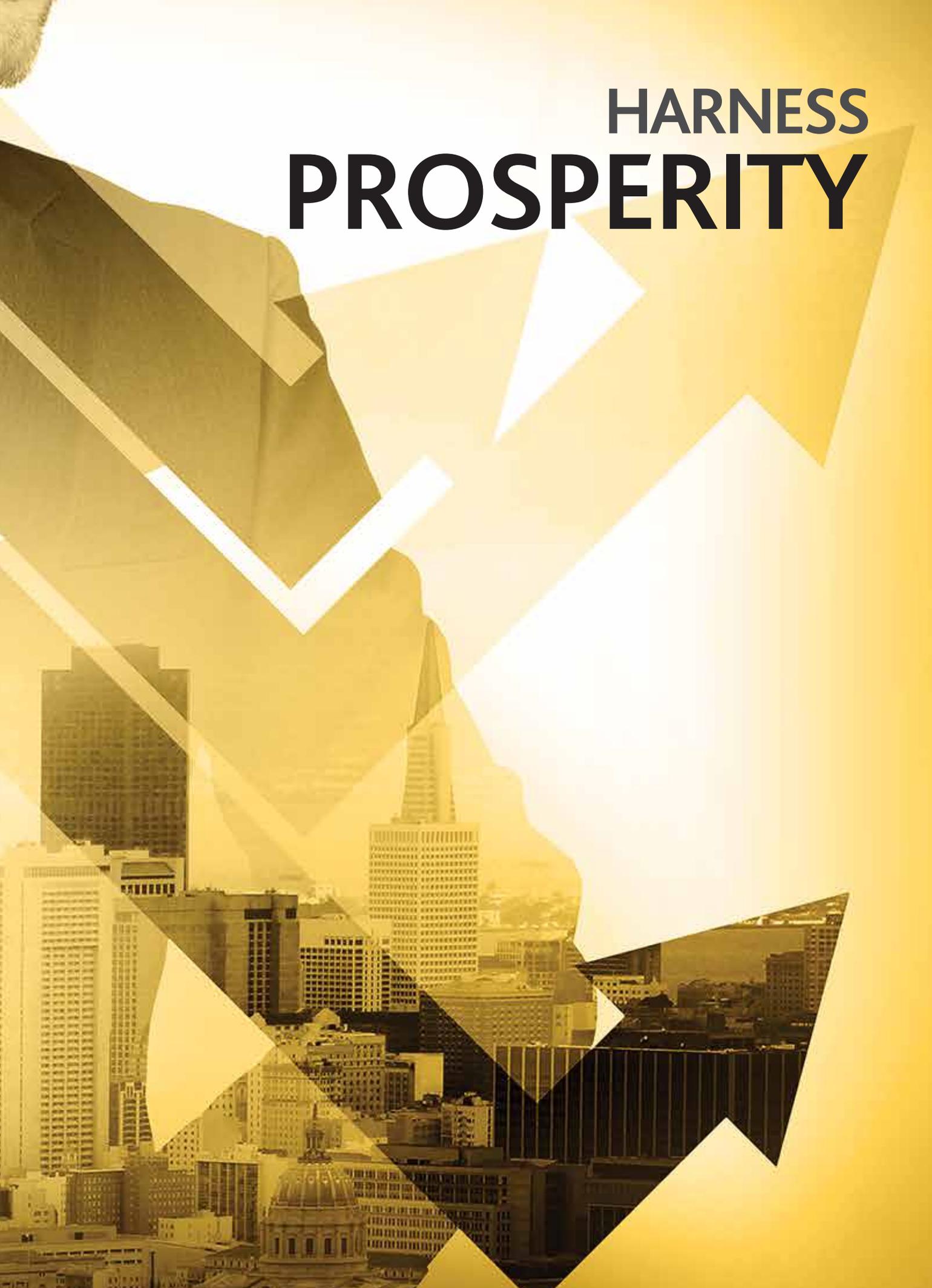
Karachi  
Date: February 17, 2017



**Grant Thornton Anjum Rahman**  
Chartered Accountants  
**Khaliq-ur-Rahman**  
Engagement Partner



# HARNESS PROSPERITY



# PAIR INVESTMENT COMPANY LIMITED

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

|  | Note | 2016<br>(Rupees in '000) | 2015              |
|--|------|--------------------------|-------------------|
| <b>ASSETS</b>  |      |                          |                   |
| Cash and balances with treasury banks                  | 5    | 64,205                   | 46,114            |
| Balances with other banks                              | 6    | 432,783                  | 215,426           |
| Lendings to financial institutions                     | -    | -                        | -                 |
| Investments  | 7    | 11,842,973               | 18,543,009        |
| Advances   | 8    | 5,424,351                | 3,502,948         |
| Operating fixed assets                                 | 9    | 176,982                  | 191,311           |
| Deferred tax asset - net                               | 10   | 238,128                  | 259,691           |
| Other assets   | 11   | 419,049                  | 462,778           |
|  |      | <b>18,598,471</b>        | <b>23,221,277</b> |
| <b>LIABILITIES</b>                                     |      |                          |                   |
| Bills payable  |      | -                        | -                 |
| Borrowings   | 12   | 6,549,981                | 11,652,435        |
| Deposits and other accounts                            | 13   | 2,079,728                | 1,890,502         |
| Sub-ordinated loans                                    |      | -                        | -                 |
| Liabilities against assets subject to finance lease    |      | -                        | -                 |
| Deferred tax liabilities                               |      | -                        | -                 |
| Other liabilities                                      | 14   | 518,803                  | 484,862           |
|  |      | <b>9,148,512</b>         | <b>14,027,799</b> |
| <b>NET ASSETS</b>                                      |      |                          |                   |
|  |      | <b>9,449,959</b>         | <b>9,193,478</b>  |
| <b>REPRESENTED BY</b>                                  |      |                          |                   |
| Share capital  | 15   | 6,000,000                | 6,000,000         |
| Reserves   | 16   | 794,107                  | 673,449           |
| Unappropriated profit                                  |      | 2,572,774                | 2,390,166         |
|  |      | <b>9,366,881</b>         | <b>9,063,615</b>  |
| Surplus on revaluation of assets - net of deferred tax | 17   | 83,078                   | 129,863           |
|  |      | <b>9,449,959</b>         | <b>9,193,478</b>  |
| <b>CONTINGENCIES AND COMMITMENTS</b>                   |      |                          |                   |
|  | 18   |                          |                   |

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

  
Chairman

  
Chief Executive &  
Managing Director

  
Director

  
Director

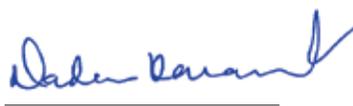
PAIR INVESTMENT COMPANY LIMITED  
**PROFIT AND LOSS ACCOUNT**

For the Year Ended December 31, 2016

|   | Note | 2016<br>(Rupees in '000) | 2015           |
|---|------|--------------------------|----------------|
| Mark-up / return / interest earned  | 21   | 1,243,694                | 1,509,674      |
| Mark-up / return / interest expensed  | 22   | 533,274                  | 627,125        |
| <b>Net mark-up / interest income</b>  |      | <b>710,420</b>           | <b>882,549</b> |
| (Reversal)/Provision for non-performing loans and advances                                | 8.5  | (49,647)                 | 36,247         |
| (Reversal) of provision for diminution in the value of investments                        | 7.3  | (366,209)                | (19,298)       |
|   |      | (415,856)                | 16,949         |
| <b>Net mark-up / interest income after provisions</b>                                     |      | <b>1,126,276</b>         | <b>865,600</b> |
| <b>NON MARK-UP / INTEREST INCOME</b>  |      |                          |                |
| Fee, commission and brokerage income  |      | 19,631                   | 13,825         |
| Dividend income   |      | 30,205                   | 30,260         |
| Gain from dealing in foreign currencies   |      | 408                      | 542            |
| Gain on sale of securities - net  | 23   | 4,913                    | 313,567        |
| Unrealised (loss) / gain on revaluation of investments classified as held for trading-net | 7.10 | (1,920)                  | 738            |
| Other income  | 24   | 5                        | 828            |
| <b>Total non mark-up / interest income</b>  |      | <b>53,242</b>            | <b>359,760</b> |
| <b>NON MARK-UP / INTEREST EXPENSES</b>  |      |                          |                |
| Administrative expenses   | 25   | 318,148                  | 302,183        |
| Other provisions / write offs   |      | -                        | -              |
| Other charges / (reversal) -net   | 26   | 279                      | (154)          |
| <b>Total non mark-up / interest expenses</b>  |      | <b>318,427</b>           | <b>302,029</b> |
|   |      | <b>861,091</b>           | <b>923,331</b> |
| Extra ordinary / unusual items  |      | -                        | -              |
| <b>PROFIT BEFORE TAXATION</b>   |      | <b>861,091</b>           | <b>923,331</b> |
| Taxation  |      |                          |                |
| - current   |      | 214,558                  | 267,480        |
| - prior years   |      | 10,984                   | 42,925         |
| - deferred  |      | 32,258                   | 15,512         |
|   | 27   | 257,800                  | 325,917        |
| <b>PROFIT AFTER TAXATION</b>  |      | <b>603,291</b>           | <b>597,414</b> |
| Basic and diluted earnings per share - (Rupees)   | 28   | 1.01                     | 1.00           |

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

  
 Chairman

  
 Chief Executive &  
 Managing Director

  
 Director

  
 Director

# PAIR INVESTMENT COMPANY LIMITED

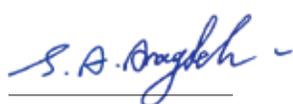
## STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended December 31, 2016

|  | Note | 2016<br>(Rupees in '000) | 2015<br>(Rupees in '000) |
|--|------|--------------------------|--------------------------|
| Profit after taxation  |      | 603,291                  | 597,414                  |
| <b>Other comprehensive income</b>  |      |                          |                          |
| <i>Items that will not be reclassified to profit and loss account in subsequent periods:</i> |      |                          |                          |
| Actuarial (loss) on re-measurement of defined benefit obligation                             | 31.9 | (36)                     | (1,970)                  |
| Related deferred tax   |      | 11                       | 630                      |
|  |      | (25)                     | (1,340)                  |
| <b>Comprehensive income transferred to equity</b>  |      | <b>603,266</b>           | <b>596,074</b>           |
| <i>Components of comprehensive income not reflected in equity</i>                            |      |                          |                          |
| Surplus on revaluation of available for sale securities - net                                |      | (57,469)                 | (48,457)                 |
| Deferred tax on revaluation  | 10.1 | 10,684                   | 2,283                    |
|  |      | (46,785)                 | (46,174)                 |
| <b>Total comprehensive income</b>  |      | <b>556,481</b>           | <b>549,900</b>           |

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

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



Chairman



Chief Executive &  
Managing Director



Director



Director

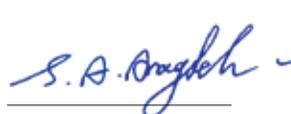
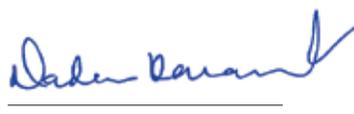
# PAIR INVESTMENT COMPANY LIMITED

## CASH FLOW STATEMENT

For the Year Ended December 31, 2016

|  | Note | 2016<br>(Rupees in '000) | 2015               |
|--|------|--------------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                      |      |                          |                    |
| Profit before taxation   |      | 861,091                  | 923,331            |
| Less: Dividend income  |      | (30,205)                 | (30,260)           |
|  |      | <b>830,886</b>           | <b>893,071</b>     |
| <b>Adjustments for:</b>  |      |                          |                    |
| Depreciation   | 9.2  | 14,957                   | 20,655             |
| Amortisation   | 9.3  | 288                      | 1,094              |
| (Reversal) / provision against non-performing loans and advances | 8.5  | (49,647)                 | 36,247             |
| Reversal of provision for diminution in the value of investments | 7.3  | (366,209)                | (19,298)           |
| Gain on sale of operating fixed assets                           | 24   | (5)                      | (828)              |
| Charge for defined benefit plan                                  | 25   | 8,499                    | 9,600              |
| Unrealised loss on revaluation of held for trading investments   | 7.10 | 1,920                    | 738                |
|  |      | <b>(390,197)</b>         | <b>48,208</b>      |
|  |      | <b>440,689</b>           | <b>941,279</b>     |
| <b>(Increase) / decrease in operating assets</b>                 |      |                          |                    |
| Held-for-trading securities                                      |      | 5,924,979                | (552,161)          |
| Advances   |      | (1,871,756)              | 52,983             |
| Others assets  |      | 45,334                   | 74,348             |
|  |      | <b>4,098,557</b>         | <b>(424,830)</b>   |
| <b>Increase / (decrease) in operating liabilities</b>            |      |                          |                    |
| Borrowings   |      | (5,102,454)              | 2,431,210          |
| Deposits and other accounts                                      |      | 189,226                  | 1,504,442          |
| Other liabilities (excluding provision for taxation - net)       |      | (95,940)                 | 74,599             |
|  |      | <b>(5,009,168)</b>       | <b>4,010,251</b>   |
|  |      | <b>(469,922)</b>         | <b>4,526,700</b>   |
| Income tax paid  |      | (244,354)                | (316,724)          |
| Defined benefits paid  |      | (10,827)                 | (28,168)           |
| <b>Net cash flows (used in) / from operating activities</b>      |      | <b>(725,103)</b>         | <b>4,181,808</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                      |      |                          |                    |
| Net investments in available for sale securities                 |      | 938,544                  | (4,150,551)        |
| Net investments in held to maturity securities                   |      | 143,333                  | (17,403)           |
| Dividend income received   |      | 29,586                   | 30,202             |
| Investment in operating fixed assets                             |      | (1,000)                  | (2,865)            |
| Sale proceeds of operating fixed assets disposed off             |      | 88                       | 987                |
| <b>Net cash flows from / (used in) investing activities</b>      |      | <b>1,110,551</b>         | <b>(4,139,630)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                      |      |                          |                    |
| Dividend paid  |      | (150,000)                | (75,000)           |
| <b>Net cash flows from financing activities</b>                  |      | <b>(150,000)</b>         | <b>(75,000)</b>    |
| <b>Increase in cash and cash equivalents</b>                     |      | <b>235,448</b>           | <b>(32,822)</b>    |
| Cash and cash equivalents at beginning of the year               | 29   | 261,540                  | 294,362            |
| <b>Cash and cash equivalents at end of the year</b>              | 29   | <b>496,988</b>           | <b>261,540</b>     |

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

Chairman

Chief Executive &  
Managing Director



Director



Director

PAIR INVESTMENT COMPANY LIMITED  
**STATEMENT OF CHANGES IN EQUITY**

For the Year Ended December 31, 2016

|  | Note | Issued,<br>subscribed and<br>paid-up capital | Reserve               |                          | Total            |
|--|------|--|-----------------------|--------------------------|------------------|
|  |      |  | Statutory<br>reserves | Unappropriated<br>profit |                  |
| (Rupees in '000)   |      |  |                       |                          |                  |
| <b>Balance as at December 31, 2014</b>   |      | <b>6,000,000</b>                             | <b>553,966</b>        | <b>2,063,575</b>         | <b>8,617,541</b> |
| <b>Total comprehensive income for the year</b>                                 |      |  |                       |                          |                  |
| Profit for the year ended<br>December 31, 2015                                 |      | -  | -                     | 597,414                  | 597,414          |
| Other comprehensive income   |      | -  | -                     | (1,340)                  | (1,340)          |
| Total comprehensive income for the year ended<br>December 31, 2015             |      | -  | -                     | 596,074                  | 596,074          |
| Transfer to statutory reserve  | 16   | -  | 119,483               | (119,483)                | -                |
| <b>Transactions with owners recognised directly in equity</b>                  |      |  |                       |                          |                  |
| Final cash dividend - December 31, 2014 declared<br>subsequent to the year end |      | -  | -                     | (150,000)                | (150,000)        |
| <b>Balance as at December 31, 2015</b>   |      | <b>6,000,000</b>                             | <b>673,449</b>        | <b>2,390,166</b>         | <b>9,063,615</b> |
| <b>Total comprehensive income for the year</b>                                 |      |  |                       |                          |                  |
| Profit for the year ended<br>December 31, 2016                                 |      | -  | -                     | 603,291                  | 603,291          |
| Other comprehensive income   |      | -  | -                     | (25)                     | (25)             |
| Total comprehensive income for the year ended<br>December 31, 2016             |      | -  | -                     | 603,266                  | 603,266          |
| Transfer to statutory reserve  | 16   | -  | 120,658               | (120,658)                | -                |
| <b>Transactions with owners recognised directly in equity</b>                  |      |  |                       |                          |                  |
| Final cash dividend - December 31, 2015 declared<br>subsequent to the year end |      | -  | -                     | (300,000)                | (300,000)        |
| <b>Balance as at December 31, 2016</b>   |      | <b>6,000,000</b>                             | <b>794,107</b>        | <b>2,572,774</b>         | <b>9,366,881</b> |

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

  
 Chairman

  
 Chief Executive &  
 Managing Director

  
 Director

  
 Director

# PAİR INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

### 1. STATUS AND NATURE OF BUSINESS

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

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

### 2. BASIS OF PREPARATION

#### 2.1 Basis of measurement

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

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

### 3. STATEMENT OF COMPLIANCE

- 3.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the provisions of and directives issued under the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962 and the directives issued by State Bank of Pakistan (SBP) and Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives of SBP or SECP differ with the requirements of IFRSs, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives shall prevail.

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

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

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

#### 3.2 Standards, amendments and interpretations to the published standards that are relevant to the company and adopted in the current year

The Company has adopted the following new standards, amendments to published standards and interpretations of IFRSs which became effective during the current year.

| Standard or Interpretation   | Effective Date  |
|--|-----------------|
| IAS 1 - Disclosure Initiative (Amendments to IAS 1 Presentation of Financial Statements)   | January 1, 2016 |
| IFRS 10, IFRS 12 and IAS 28 - Investment Entities : Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) | January 1, 2016 |
| Annual Improvements to IFRSs 2012 - 2014 Cycle   | January 1, 2016 |
| IAS 16 and IAS 41 - Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)   | January 1, 2016 |
| IAS 27 - Equity method in Separate Financial Statements (Amendments to IAS 27)   | January 1, 2016 |

|  |                 |
|--|-----------------|
| IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) | January 1, 2016 |
| IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)                             | January 1, 2016 |

Adoption of the above revisions, amendments and interpretations of the standards have no significant effect on the amounts for the year ended December 31, 2015 and 2016.

**Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Company**

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

| Standard or Interpretation  | Effective Date  |
|---|-----------------|
| IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) | Postponed       |
| IAS 7 - Disclosure Initiative (Amendments to IAS 7)   | January 1, 2017 |
| IAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)  | January 1, 2017 |
| IFRS 2 - Classification and Measurement of Share-based Payment Transaction (Amendments to IFRS 2)   | January 1, 2018 |

The Company is in the process of assessing the impact of these Standards, amendments and interpretations to the published standards on the financial statements of the Company.

**Standards, amendments and interpretations to the published standards that are not yet notified by the Securities and Exchange Commission of Pakistan (SECP)**

Following new standards have been issued by the International Accounting Standards Board (IASB) which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

| Standard or Interpretation                      | IASB effective date<br>(Annual periods beginning on or after) |
|---|---|
| IFRS 14 - Regulatory Deferral Accounts          | January 1, 2016   |
| IFRS 15 - Revenue from Contracts with Customers | January 1, 2018   |
| IFRS 9 - Financial Instruments (2014)           | January 1, 2019   |
| IFRS 16 - Leases                                | January 1, 2018   |

**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.

The significant judgments made by the management in applying the accounting policies and the key sources of estimating uncertainty were the same as those applied to financial statements for the year ended December 31, 2015.

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

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

#### 4.4 Investments

The Company classifies its investments as follows:

##### *Held for trading*

These are securities, which are 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.

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

##### *Available for sale*

Investments that do not fall under the 'held for trading' or 'held to maturity categories' 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 and 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 9.2 to these financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date. Full month depreciation is charged in the month the assets are available for use and no depreciation is charged in the month of disposal.

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

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

##### *Intangible assets*

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

##### *Capital works-in-progress*

Capital 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 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.

##### 4.18.1 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 and 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.  |

##### 4.18.2 Geographical segments

The Company operates only in Pakistan.

#### 4.19 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 recognise past service cost as an expense at the earlier of the following dates:

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

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

##### *Defined contribution plan*

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

#### 4.20 Employees' compensated absences

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

# PAİR INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

|   | Note | 2016<br>(Rupees in '000) | 2015   |
|---|------|--------------------------|--------|
| <b>5. CASH AND BALANCES WITH TREASURY BANKS</b> |      |                          |        |
| <b>In hand</b>                                  |      |                          |        |
| Local currency                                  |      | 70                       | 70     |
| Foreign currencies                              |      | 642                      | 706    |
|   |      | 712                      | 776    |
| <b>With State Bank of Pakistan in</b>           |      |                          |        |
| Local currency current account                  | 5.1  | 62,960                   | 44,808 |
| <b>With National Bank of Pakistan in</b>        |      |                          |        |
| Local currency current account                  |      | 8                        | 385    |
| Local currency deposit account                  | 5.2  | 525                      | 145    |
|   |      | 533                      | 530    |
|   |      | 64,205                   | 46,114 |

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 (2015: 4%).

|                                     | Note | 2016<br>(Rupees in '000) | 2015    |
|-------------------------------------|------|--------------------------|---------|
| <b>6. BALANCES WITH OTHER BANKS</b> |      |                          |         |
| <b>In Pakistan</b>                  |      |                          |         |
| In current accounts                 |      | 4,509                    | 3,468   |
| In deposits accounts                | 6.1  | 428,274                  | 211,958 |
|                                     |      | 432,783                  | 215,426 |

6.1 These deposit accounts carry annual markup ranging from 3.75% to 4% (2015: 4% to 4.5%).

# PAİR INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

### 7. INVESTMENTS

| 7.1 Investments by type   | Note | 2016                |                     |                   | 2015                |                     |                   |
|---|------|---------------------|---------------------|-------------------|---------------------|---------------------|-------------------|
|   |      | Held by the Company | Given as collateral | Total             | Held by the Company | Given as collateral | Total             |
| <b>Held for trading securities</b>                                |      |                     |                     |                   |                     |                     |                   |
| Market treasury bills   |      | -                   | -                   | -                 | 638,631             | 4,322,407           | 4,961,038         |
| Pakistan Investment Bonds   |      | 322,815             | -                   | 322,815           | 433,950             | 805,822             | 1,239,772         |
| Shares in listed companies  |      | 4,215               | -                   | 4,215             | 50,461              | -                   | 50,461            |
|   |      | <b>327,030</b>      | <b>-</b>            | <b>327,030</b>    | <b>1,123,042</b>    | <b>5,128,229</b>    | <b>6,251,271</b>  |
| <b>Available for sale securities</b>                              |      |                     |                     |                   |                     |                     |                   |
| Market treasury bills   |      | 1,744,779           | 3,696,579           | 5,441,358         | 1,924,043           | 1,924,044           | 3,848,087         |
| Pakistan Investment Bonds   |      | 463,663             | 1,568,555           | 2,032,218         | 871,909             | 3,749,214           | 4,621,123         |
| Units of mutual funds   |      | 800,000             | -                   | 800,000           | 300,000             | -                   | 300,000           |
| Shares in listed companies  |      | 250,022             | 10,822              | 260,844           | 635,595             | -                   | 635,595           |
| Shares in unlisted companies                                      |      | -                   | -                   | -                 | 296,860             | -                   | 296,860           |
| Sukuk bonds   |      | 255,468             | -                   | 255,468           | 240,002             | -                   | 240,002           |
| Term finance certificates - Listed                                |      | 339,371             | 659,869             | 999,240           | 999,640             | -                   | 999,640           |
| Term finance certificates - Unlisted                              |      | 1,626,609           | -                   | 1,626,609         | 1,412,974           | -                   | 1,412,974         |
|   |      | <b>5,479,912</b>    | <b>5,935,825</b>    | <b>11,415,737</b> | <b>6,681,023</b>    | <b>5,673,258</b>    | <b>12,354,281</b> |
| <b>Held to maturity securities</b>                                |      |                     |                     |                   |                     |                     |                   |
| Preference shares - Unlisted                                      |      | -                   | -                   | -                 | 143,333             | -                   | 143,333           |
|   |      | -                   | -                   | -                 | 143,333             | -                   | 143,333           |
| <b>Investments at cost</b>  |      | <b>5,806,942</b>    | <b>5,935,825</b>    | <b>11,742,767</b> | <b>7,947,398</b>    | <b>10,801,487</b>   | <b>18,748,885</b> |
| Provision for diminution in value of investments                  | 7.3  | (12,571)            | -                   | (12,571)          | (378,780)           | -                   | (378,780)         |
| <b>Investments - net of provisions</b>                            |      | <b>5,794,371</b>    | <b>5,935,825</b>    | <b>11,730,196</b> | <b>7,568,618</b>    | <b>10,801,487</b>   | <b>18,370,105</b> |
| (Deficit) / Surplus on revaluation of held for trading securities | 7.10 | (1,920)             | -                   | (1,920)           | (126)               | 864                 | 738               |
| Surplus on revaluation of available for sale securities           | 17   | 48,191              | 66,506              | 114,697           | 118,606             | 53,560              | 172,166           |
| <b>Total investments at market value</b>                          |      | <b>5,840,642</b>    | <b>6,002,331</b>    | <b>11,842,973</b> | <b>7,687,098</b>    | <b>10,855,911</b>   | <b>18,543,009</b> |

# PAİR INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

|   | Note | 2016             | 2015       |
|---|------|------------------|------------|
|   |      | (Rupees in '000) |            |
| <b>7.2 Investments by segment</b>   |      |                  |            |
| <b>Federal Government securities</b>  |      |                  |            |
| - Market treasury bills   | 7.4  | 5,441,358        | 8,809,125  |
| - Pakistan Investment Bonds   | 7.5  | 2,355,033        | 5,860,895  |
| <b>Units in mutual funds</b>  |      | 800,000          | 300,000    |
| <b>Fully paid up ordinary shares</b>  |      |                  |            |
| - Listed companies  |      | 265,059          | 686,056    |
| - Unlisted companies  |      | -                | 296,860    |
|   |      | 265,059          | 982,916    |
| <b>Sukuk bonds</b>  |      | 255,468          | 240,002    |
| <b>Term finance certificates</b>  |      |                  |            |
| - Listed  |      | 999,240          | 999,640    |
| - Unlisted  |      | 1,626,609        | 1,412,974  |
|   |      | 2,625,849        | 2,412,614  |
| <b>Unlisted Preference Shares</b>   |      | -                | 143,333    |
| <b>Total investments at cost</b>  |      | 11,742,767       | 18,748,885 |
| Provision for diminution in value of investments                                    | 7.3  | (12,571)         | (378,780)  |
| <b>Investments - net of provisions</b>  |      | 11,730,196       | 18,370,105 |
| (Deficit) / Surplus on revaluation of held for trading securities                   | 7.10 | (1,920)          | 738        |
| Surplus on revaluation of available for sale securities                             | 17   | 114,697          | 172,166    |
| <b>Total investments at market value</b>  |      | 11,842,973       | 18,543,009 |
| <b>7.3 Particulars of provision held for diminution in the value of investments</b> |      |                  |            |
| Opening balance   |      | 378,780          | 398,078    |
| Charge for the year   |      | -                | 24,506     |
| Reversals   |      | (366,209)        | (43,804)   |
|   |      | (366,209)        | (19,298)   |
| Closing balance   |      | 12,571           | 378,780    |
| <b>Particulars of provision in respect of types and segments</b>                    |      |                  |            |
| <b>Available for sale securities</b>  |      |                  |            |
| Shares in listed companies  |      | -                | 173,250    |
| Shares in unlisted companies  |      | -                | 192,959    |
| Sukuk bonds   |      | 1,326            | 1,326      |
| Term finance certificates - Unlisted  |      | 11,245           | 11,245     |
|   |      | 12,571           | 378,780    |

7.4 Market treasury bills carry yield ranging from 5.83% to 5.96% per annum (2015: 6.39% to 6.95% per annum) with maturities upto July 20, 2017 (2015: August 18, 2016).

7.5 The investments in Pakistan investment bonds are maturing upto July 17, 2019 and the effective yield ranges from 6.57% to 12.58%



# PAIR INVESTMENT COMPANY LIMITED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

| Number of Certificates /<br>Units | Certificates / Units in Listed<br>Mutual Funds |      | Market value    |         | Cost    |         | Long / medium<br>term credit rating<br>(Entity) | Rated by |
|-----------------------------------|--|------|-----------------|---------|---------|---------|---|----------|
|                                   | 2016   | 2015 | 2016            | 2015    | 2016    | 2015    |   |          |
| 36,251,570                        | 27,831,637                                     |      | 400,711         | 310,150 | 400,000 | 300,000 | A-(f)   | PACRA    |
| 4,583,203                         | -  |      | 402,337         | -       | 400,000 | -       | BBB+(f)   | JCR-VIS  |
|                                   |  |      | 803,048         | 310,150 | 800,000 | 300,000 |   |          |
| <b>Shares in listed companies</b> |  |      |                 |         |         |         |   |          |
| 340,000                           | 340,000  |      | 40,531          | 32,048  | 36,796  | 38,677  | AA+/A1+   | PACRA    |
| 30,000                            | 11   |      | 2,224           | 1       | 1,696   | 1       | AA  | PACRA    |
| -                                 | 6,680,058                                      |      | -               | 62,459  | -       | 200,402 | Unrated   |          |
| 600,000                           | 425,000  |      | 22,776          | 12,070  | 15,882  | 12,764  | AA  | PACRA    |
| 45,000                            | -  |      | 2,655           | -       | 1,999   | -       | AA+   | PACRA    |
| -                                 | 50,000   |      | -               | 7,380   | -       | 7,435   | Unrated   |          |
| -                                 | 100,000  |      | -               | 1,044   | -       | 1,073   | A-  | PACRA    |
| 340,000                           | 175,000  |      | 11,818          | 5,982   | 12,210  | 6,942   | Unrated   |          |
| 100,000                           | 300,000  |      | 4,508           | 11,046  | 4,371   | 11,119  | Unrated   |          |
| -                                 | -  |      | -               | -       | -       | -       | Unrated   |          |
| 260,000                           | 139,300  |      | 27,136          | 16,435  | 29,892  | 16,916  | Unrated   |          |
| 10,000                            | -  |      | 2,333           | -       | 2,211   | -       | Unrated   |          |
| 117,500                           | -  |      | 3,082           | -       | 2,940   | -       | Unrated   |          |
| 25,000                            | -  |      | 1,279           | -       | 1,324   | -       | AAA   | JCR-VIS  |
| 54,500                            | -  |      | 14,892          | -       | 11,794  | -       | AAA/A-1+  | JCR-VIS  |
| 175,000                           | -  |      | 6,475           | 3,809   | 5,577   | 4,419   | AA+   | PACRA    |
| -                                 | 125,000  |      | -               | 14,336  | -       | 14,582  | Unrated   |          |
| 30,000                            | 60,000   |      | 3,704           | 32,063  | 3,452   | 27,288  | AA+/A1+   | PACRA    |
| 1,650,000                         | 312,500  |      | 14,992          | 1,488   | 13,160  | 1,621   | AA+   | JCR-VIS  |
| 210,000                           | 200,000  |      | 16,548          | 17,010  | 16,857  | 14,272  | AA+   | JCR-VIS  |
| 304,500                           | -  |      | 7,369           | -       | 7,058   | -       | Unrated   |          |
| -                                 | 12,500   |      | -               | 257     | -       | 91      | Unrated   |          |
| 35,000                            | 40,000   |      | 8,324           | 8,674   | 8,176   | 9,960   | AAA/A1+   | PACRA    |
|                                   |  |      | 190,646         | 226,102 | 175,395 | 367,562 |   |          |
|                                   |  |      | <b>Subtotal</b> |         |         |         |   |          |

# PAİR INVESTMENT COMPANY LIMITED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

|  | Number of Shares |           | Market value     |                | Cost           |                | Long / medium term credit rating (Entity) | Rated by |
|--|------------------|-----------|------------------|----------------|----------------|----------------|---|----------|
|  | 2016             | 2015      | 2016             | 2015           | 2016           | 2015           |   |          |
|  |                  |           | (Rupees in '000) |                |                |                |   |          |
| <b>Brought forward</b>                     |                  |           | <b>190,646</b>   | <b>226,102</b> | <b>175,395</b> | <b>367,562</b> |   |          |
| Maple Leaf Cement Factory Limited          | -                | 100,000   | -                | 7,458          | -              | 7,401          | A   | PACRA    |
| Mughal Steel and Iron                      | 40,000           | -         | 3,526            | -              | 3,984          | -              | Unrated                                   |          |
| National Bank of Pakistan                  | 130,000          | 228,000   | 9,736            | 12,321         | 9,830          | 13,739         | AAA+/A-1+                                 | JCR-VIS  |
| Next Capital Limited                       | -                | -         | -                | -              | -              | -              | Unrated                                   |          |
| NIB Bank                                   | 500,000          | 500,000   | 905              | 950            | 993            | 993            | AA-                                       | PACRA    |
| Nishat Chunian Limited                     | 8,000            | 60,000    | 444              | 2,040          | 449            | 2,607          | A-  | JCR-VIS  |
| Nishat Mills Limited                       | -                | 190,000   | -                | 18,025         | -              | 21,836         | AA  | PACRA    |
| Oil and Gas Development Company Limited    | 105,300          | 450,000   | 17,411           | 52,803         | 14,892         | 63,056         | Unrated                                   |          |
| Pak Gen Power Limited                      | 12,500           | -         | 335              | -              | 323            | -              | Unrated                                   |          |
| Pak Suzuki Motor Company Limited           | 20,000           | -         | 12,256           | -              | 10,756         | -              | Unrated                                   |          |
| Pakistan Petroleum Limited                 | 10,000           | 355,400   | 1,882            | 43,291         | 1,593          | 56,333         | Unrated                                   |          |
| Pakistan State Oil Company Limited         | 19,000           | 42,160    | 8,250            | 13,734         | 7,979          | 15,036         | AA  | PACRA    |
| Pakistan Telecommunication Company Limited | 1,200,000        | 1,554,000 | 20,645           | 25,625         | 23,097         | 34,749         | Unrated                                   |          |
| Saif Power Limited                         | 33,500           | -         | 1,191            | -              | 1,142          | -              | Unrated                                   |          |
| Sui Northern Gas Pipelines Company Limited | -                | 200,000   | -                | 4,808          | -              | 6,232          | AA-                                       | PACRA    |
| Sui Southern Gas Company Limited           | -                | 725,000   | -                | 27,079         | -              | 29,668         | AA-                                       | PACRA    |
| Telecard Limited                           | -                | 200,000   | -                | 576            | -              | 1,076          | Unrated                                   |          |
| TRG Pak Ltd                                | -                | 200,000   | -                | 6,930          | -              | 7,358          | Unrated                                   |          |
| United Bank Limited                        | 49,600           | 48,100    | 11,849           | 7,453          | 10,411         | 7,949          | AA+/A-1+                                  | JCR-VIS  |
|  |                  |           | <b>279,076</b>   | <b>449,195</b> | <b>260,844</b> | <b>635,595</b> |   |          |





# PAIR INVESTMENT COMPANY LIMITED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

| Number of Certificates of<br>Rs. 1 million each  | 2015 | Term Finance Certificates- <i>Unlisted</i> | Market value |         | Cost    |         | Long / medium<br>term credit rating<br>(Entity) | Rated by |
|--|------|--|--------------|---------|---------|---------|---|----------|
|  |      |  | 2016         | 2015    | 2016    | 2015    |   |          |
| 300  | 300  | Askari Bank Limited                        | 303,891      | 302,216 | 300,935 | 301,064 | AA-   | PACRA    |
| (Rupees in '000)                                 |      |  |              |         |         |         |   |          |
| Number of Certificates of<br>Rs. 50 million each | 2015 | Term Finance Certificates- <i>Unlisted</i> | Market value |         | Cost    |         | Long / medium<br>term credit rating<br>(Entity) | Rated by |
|  |      |  | 2016         | 2015    | 2016    | 2015    |   |          |
| 8  | 8    | JDW Sugar Mills Limited - 2                | 133,333      | 222,222 | 133,333 | 222,222 | A+  | JCR-VIS  |

## 7.8 Quality of held to maturity securities

| Number of Certificates of<br>Rs. 2.5 million each | 2015       | Preference shares | Market value      |                   | Cost              |                   | Long / medium<br>term credit rating<br>(Entity) | Rated by |
|---|------------|-------------------|-------------------|-------------------|-------------------|-------------------|---|----------|
|   |            |                   | 2016              | 2015              | 2016              | 2015              |   |          |
| -   | 40,000,000 | Preference shares | -                 | 143,333           | -                 | 143,333           |   |          |
| <b>Total investments</b>                          |            |                   | <b>11,842,973</b> | <b>18,543,009</b> | <b>11,742,767</b> | <b>18,748,885</b> |   |          |

7.9 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. 24.2 million (2015: Rs. 26.195 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.

# PAIR INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

|   | Note  | 2016<br>(Rupees in '000) | 2015       |
|---|-------|--------------------------|------------|
| <b>7.10 Unrealised gain / (loss) on revaluation of investments classified as held for trading - net</b> |       |                          |            |
| Market treasury bills   |       | -                        | (19)       |
| Pakistan investment bonds   |       | (1,918)                  | 1,409      |
| Shares of listed companies  |       | (2)                      | (652)      |
|   |       | <b>(1,920)</b>           | <b>738</b> |
| <b>8. ADVANCES</b>  |       |                          |            |
| <b>In Pakistan</b>  |       |                          |            |
| Loans, cash credits, finances etc.  | 8.2   | <b>6,127,766</b>         | 4,346,407  |
| Net investment in finance lease   | 8.3   | <b>129,748</b>           | 64,069     |
|   |       | <b>6,257,514</b>         | 4,410,476  |
| Bill discounted and purchased (excluding treasury bills)  |       | <b>24,718</b>            | -          |
| Advances - gross  |       | <b>6,282,232</b>         | 4,410,476  |
| Provision against non-performing loans and advances   | 8.4   | <b>(857,881)</b>         | (907,528)  |
| Advances - net of provision   |       | <b>5,424,351</b>         | 3,502,948  |
| <b>8.1 Particulars of advances - gross</b>  |       |                          |            |
| In local currency   | 8.1.1 | <b>6,282,232</b>         | 4,410,476  |
| In foreign currencies   |       | -                        | -          |
|   |       | <b>6,282,232</b>         | 4,410,476  |
| <b>8.1.1 Short-term (upto one year)</b>   |       | <b>1,943,056</b>         | 1,986,003  |
| Long-term (over one year)   |       | <b>4,339,176</b>         | 2,424,473  |
|   |       | <b>6,282,232</b>         | 4,410,476  |

**8.2** 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% (2015: 3% and 5%) respectively.

### 8.3 Net investment in finance lease

| Description                             | 2016                    |   |                 |                | 2015                    |   |                 |          |
|---|-------------------------|---|-----------------|----------------|-------------------------|---|-----------------|----------|
|   | Not later than one year | Later than one and less than five years | Over five years | Total          | Not later than one year | Later than one and less than five years | Over five years | Total    |
|   | (Rupees in '000)        |   |                 |                |                         |   |                 |          |
| Lease rentals receivable                | 41,431                  | 91,036                                  | -               | 132,467        | 9,718                   | 63,078                                  | -               | 72,796   |
| Guaranteed residual value               | -                       | 19,839                                  | -               | 19,839         | -                       | 9,869                                   | -               | 9,869    |
| Minimum lease payments                  | 41,431                  | 110,875                                 | -               | 152,306        | 9,718                   | 72,947                                  | -               | 82,665   |
| Finance charge for future periods       | (10,383)                | (12,175)                                | -               | (22,558)       | (5,969)                 | (12,627)                                | -               | (18,596) |
| Present value of minimum lease payments | <b>31,048</b>           | <b>98,700</b>                           | -               | <b>129,748</b> | 3,749                   | 60,320                                  | -               | 64,069   |

**8.3.1** The Company's implicit rate of return on leases ranges between 8.39% and 13.37% (2015: 11% and 13.37%) per annum. These are secured against leased assets and security deposits generally upto 20% (2015: 20%) of the cost of leased assets.

**8.3.2** Lease rentals received during the year aggregate to Rs. 22.648 million (2015: Rs. 1.340 million).

# PAIR INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

8.4 Advances include Rs. 1,168.33 million (2015: Rs. 1,300.08 million) which has been placed under non-performing status as detailed below:

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

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

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

| Note                | 2016           |                  |                | 2015           |          |                |
|---------------------|----------------|------------------|----------------|----------------|----------|----------------|
|                     | Specific       | General          | Total          | Specific       | General  | Total          |
|                     |                | (Rupees in '000) |                |                |          |                |
| Opening balance     | 907,528        | -                | 907,528        | 871,281        | -        | 871,281        |
| Charge for the year | 58,235         | -                | 58,235         | 37,308         | -        | 37,308         |
| Reversals           | (107,882)      | -                | (107,882)      | (1,061)        | -        | (1,061)        |
|                     | (49,647)       | -                | (49,647)       | 36,247         | -        | 36,247         |
| Amounts written off | -              | -                | -              | -              | -        | -              |
| Closing balance     | <u>857,881</u> | <u>-</u>         | <u>857,881</u> | <u>907,528</u> | <u>-</u> | <u>907,528</u> |

8.5.1 Particulars of provision against non-performing advances

|                   | 2016           |                  |                | 2015           |          |                |
|-------------------|----------------|------------------|----------------|----------------|----------|----------------|
|                   | Specific       | General          | Total          | Specific       | General  | Total          |
|                   |                | (Rupees in '000) |                |                |          |                |
| In local currency | <u>857,881</u> | <u>-</u>         | <u>857,881</u> | <u>907,528</u> | <u>-</u> | <u>907,528</u> |

# PAIR INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

**8.6** In accordance with BSD Circular No. 1 dated October 21, 2011 issued by the SBP, the Company has availed the benefit of Forced Sales Value (FSV) against the non-performing advances. Had this benefit of FSV not been taken by the Company, the specific provision against non-performing advances would have been higher by Rs. 156.95 million (2015: Rs. 215.19 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.

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

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

|                                  | Note | 2016<br>(Rupees in '000) | 2015           |
|----------------------------------|------|--------------------------|----------------|
| Balance at beginning of the year |      | 43,904                   | 34,921         |
| Loans granted during the year    |      | 5,718                    | 25,681         |
| Repayments during the year       |      | (5,004)                  | (16,698)       |
| Balance at end of the year       |      | <u>44,618</u>            | <u>43,904</u>  |
| <b>9. OPERATING FIXED ASSETS</b> |      |                          |                |
| Capital work-in-progress         | 9.1  | 154,343                  | 154,343        |
| Property and equipment           | 9.2  | 22,365                   | 36,457         |
| Intangible asset                 | 9.3  | 274                      | 511            |
|                                  |      | <u>176,982</u>           | <u>191,311</u> |

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

PAIR INVESTMENT COMPANY LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2016

9.2 Property and equipment

|   | Cost               |                       |                         | Accumulated depreciation |  | Net book value at December 31, 2016 | Rate of depreciation (%) |
|---|--------------------|-----------------------|-------------------------|--------------------------|--|-------------------------------------|--------------------------|
|   | At January 1, 2016 | Additions/ (disposal) | As at December 31, 2016 | At January 1, 2016       | Charge/ (disposals) At December 31, 2016 |                                     |                          |
|   | Rupees in '000     |                       |                         |                          |  |                                     |                          |
| Furniture and fixtures                    | 35,100             | 323                   | 35,423                  | 28,548                   | 2,910                                    | 31,458                              | 20%                      |
| Electrical, office and computer equipment | 35,116             | 626 (148)             | 35,594                  | 28,328                   | 3,233 (65)                               | 31,496                              | 20% to 25%               |
| Vehicles                                  | 37,406             | -                     | 37,406                  | 14,290                   | 8,814                                    | 23,104                              | 25%                      |
| 2016                                      | 107,622            | 949 (148)             | 108,423                 | 71,166                   | 14,957 (65)                              | 86,058                              | 22,365                   |
| 2015                                      | 107,137            | 2,743 (2,258)         | 107,622                 | 52,610                   | 20,655 (2,099)                           | 71,166                              | 36,457                   |

9.3 Intangible assets

|                   | Cost                  |                       |                         | Accumulated Amortization |  | Net book value as at December 31, 2016 | Rate of amortization Rate (%) |
|-------------------|-----------------------|-----------------------|-------------------------|--------------------------|--|--|-------------------------------|
|                   | As at January 1, 2016 | Additions/ (Deletion) | As at December 31, 2016 | As at January 1, 2016    | Charge/ (disposals) At December 31, 2016 |  |                               |
|                   | Rupees in '000        |                       |                         |                          |  |  |                               |
| Computer software | 18,673                | 51                    | 18,724                  | 18,162                   | 288                                      | 18,450                                 | 33%                           |
| 2016              | 18,550                | 122                   | 18,673                  | 17,068                   | 1,094                                    | 18,162                                 | 511                           |
| 2015              |                       |                       |                         |                          |  |  | 33%                           |

PAIR INVESTMENT COMPANY LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2016

| 10. DEFERRED TAX ASSET - NET                      | Note | 2016<br>(Rupees in '000) | 2015           |
|---|------|--------------------------|----------------|
| Deferred tax asset - net                          |      | <u>238,128</u>           | <u>259,691</u> |
| <b>The balance of deferred taxation comprises</b> |      |                          |                |
| Debit / (credit) balances arising on account of:  |      |                          |                |
| Surplus on revaluation of assets                  |      | (31,024)                 | (42,301)       |
| Accelerated tax depreciation allowance            |      | (381)                    | (6,945)        |
| Provision for gratuity, LFA and leave encashment  |      | (306)                    | 632            |
| Provision against non - performing loans          |      | 265,942                  | 290,008        |
| Provision against investments                     |      | 3,897                    | 18,297         |
|   |      | <u>238,128</u>           | <u>259,691</u> |

**10.1 Movement in temporary differences during the year**

|   | Balance at<br>1 January,<br>2016 | Recognised<br>in profit<br>and loss | Recognised<br>in equity | Balance at<br>31 December,<br>2016 |
|---|----------------------------------|-------------------------------------|-------------------------|------------------------------------|
| (Rupees in '000)  |                                  |                                     |                         |                                    |
| <b>Debit / (Credit) balances arising on account of:</b> |                                  |                                     |                         |                                    |
| (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                              |
|   | <u>259,691</u>                   | <u>(32,258)</u>                     | <u>10,695</u>           | <u>238,128</u>                     |
| <br>  |                                  |                                     |                         |                                    |
|   | Balance at<br>1 January,<br>2015 | Recognised<br>in profit<br>and loss | Recognised<br>in equity | Balance at<br>31 December,<br>2015 |
| (Rupees in '000)  |                                  |                                     |                         |                                    |
| <b>Debit / (Credit) balances arising on account of:</b> |                                  |                                     |                         |                                    |
| (Deficit) / surplus on revaluation of assets            | (45,035)                         | 451                                 | 2,283                   | (42,301)                           |
| Accelerated tax depreciation allowance                  | 6,809                            | (13,754)                            | -                       | (6,945)                            |
| Provision for gratuity, LFA & leave encashment          | 6,706                            | (6,074)                             | -                       | 632                                |
| Provision against non performing loans                  | 287,523                          | 2,485                               | -                       | 290,008                            |
| Provision against investments                           | 16,917                           | 1,380                               | -                       | 18,297                             |
|   | <u>272,920</u>                   | <u>(15,512)</u>                     | <u>2,283</u>            | <u>259,691</u>                     |

# PAIR INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

|  | Note  | 2016<br>(Rupees in '000) | 2015              |
|--|---|--------------------------|-------------------|
| <b>11. OTHER ASSETS</b>  |   |                          |                   |
| Income / mark-up accrued in local currency                       |   | 281,187                  | 435,767           |
| Advances, deposits, advance rent and other prepayments           |   | 23,141                   | 19,345            |
| Dividend receivable  |   | 1,054                    | 435               |
| Receivable from defined benefit plan                             | 31.4  | 986                      | -                 |
| Security deposits  |   | 7,231                    | 7,231             |
| Non-banking asset acquired in satisfaction of claims             | 11.1  | 105,450                  | -                 |
|  |   | <u>419,049</u>           | <u>462,778</u>    |
| <b>11.1</b>  | This represents property against which debt previously fully provided aggregating to Rs. 172.31 million (including mark up of Rs. 75.87 million) was assigned / novated in accordance with the 'Debt Property Swap / Settlement Agreement' with the borrower. The remaining unassigned debt of Rs. 66.86 million represents fully provided markup and has been restructured as debt payable in 7 years at 0% markup in 16 equal quarterly installments after the expiry of moratorium period of 3 years. The property acquired in satisfaction of claims has been evaluated based on the valuation reports from valuers on Pakistan Banks Association's list of approved valuers. |                          |                   |
| <b>12. BORROWINGS</b>  |   |                          |                   |
| In Pakistan (local currency)                                     | 12.1  | <u>6,549,981</u>         | <u>11,652,435</u> |
| <b>12.1 Details of borrowings secured / unsecured</b>            |   |                          |                   |
| <b>Secured</b>   |   |                          |                   |
| Borrowings from State Bank of Pakistan- Under financing facility |   |                          |                   |
| -for Storage of Agricultural Produce (FFSAP)                     | 12.2  | 9,870                    | 16,446            |
| -for Imported & Locally Manufactured Plant & Machinery (LTFF)    | 12.3  | 273,150                  | 273,150           |
| Repurchase agreement borrowings                                  | 12.4  | 5,187,461                | 10,425,339        |
| Term borrowings  | 12.5  | 562,500                  | 937,500           |
|  |   | <u>6,032,981</u>         | <u>11,652,435</u> |
| <b>Unsecured</b>   |   |                          |                   |
| Call borrowings  |   | 517,000                  | -                 |
|  |   | <u>6,549,981</u>         | <u>11,652,435</u> |
| <b>12.2</b>  | 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 4.5% (2015: 6.5%). The borrowing will mature in November 2019.  |                          |                   |
| <b>12.3</b>  | The Company has entered into agreement with the SBP for extending Long Term Financing Facility (LTFF) for Imported & Locally Manufactured Plant & Machinery. The borrowing carries mark-up rate of 3.5% per annum (2015: 3.5%). The borrowing will mature in November 2023.   |                          |                   |
| <b>12.4</b>  | These carry mark-up at the rates ranging from 5.9% to 6.2% per annum (2015: 6.40% to 6.55%) and are secured against government securities having carrying amount of Rs. 5.26 billion (2015: Rs. 10.8 billion). These borrowings will mature up to January 2017 (2015: February 2016).   |                          |                   |
| <b>12.5</b>  | These represent finances obtained from Allied Bank Limited to finance regular business operations of the Company. These finances is 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 2019.   |                          |                   |
| <b>13. DEPOSITS AND OTHER ACCOUNTS</b>                           | Note  | 2016<br>(Rupees in '000) | 2015              |
| <b>Customers</b>   |   |                          |                   |
| Term Deposits - Remunerative                                     | 13.2  | 1,254,468                | 240,362           |
| Term Deposits - Non-Remunerative                                 | 13.3  | 260                      | 140               |
| <b>Financial Institutions</b>                                    |   |                          |                   |
| Term Deposits - Remunerative                                     | 13.4  | 825,000                  | 1,650,000         |
|  |   | <u>2,079,728</u>         | <u>1,890,502</u>  |
| <b>13.1 Particulars of deposits</b>                              |   |                          |                   |
| In local currency  |   | 2,079,728                | 1,890,502         |
| In foreign currencies  |   | -                        | -                 |
|  |   | <u>2,079,728</u>         | <u>1,890,502</u>  |

# PAIR INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

- 13.2 The mark-up rates on these certificate of investments (COI) range between 6.2% to 7% per annum (2015: 6.8% to 7.5% per annum). These COIs will mature up to December 2017 (2015: March 2016).
- 13.3 These include non-interest bearing certificate of investments (COI) issued to employees of the Company maturing up to December 2017 (2015: November 2016).
- 13.4 The mark-up rates on these certificate of investments (COI) range between 6.25% to 6.40% per annum (2015: 6.8% to 7.5% per annum). These COIs will mature up to December 2017 (2015: March 2016).

| 14. OTHER LIABILITIES                                 | Note | 2016<br>(Rupees in '000) | 2015           |
|---|------|--------------------------|----------------|
| Mark-up / return / interest payable in local currency |      | 40,966                   | 80,403         |
| Accrued expenses                                      |      | 8,932                    | 11,950         |
| Provision for taxation - net                          |      | 89,387                   | 108,199        |
| Dividend payable                                      |      | 300,000                  | 150,000        |
| Payable Brokerage/NCCPL                               |      | 179                      | 57,815         |
| Payable to defined benefit plan                       | 31.4 | -                        | 1,307          |
| Payable to an associated undertaking                  |      | 4,900                    | 4,900          |
| Government levies payable                             |      | 3,243                    | 2,864          |
| Provision for compensated absences                    |      | -                        | 1,321          |
| Provision for audit fee                               |      | 1,495                    | 1,357          |
| Advance insurance premium on lease                    |      | 265                      | 41             |
| Security deposits against finance lease               |      | 23,102                   | 9,869          |
| Provision for staff rewards                           |      | 46,334                   | 54,836         |
|   |      | <u>518,803</u>           | <u>484,862</u> |

### 15. SHARE CAPITAL

#### 15.1 Authorised capital

| 2016<br>(Number of shares) | 2015                 |                                | 2016<br>(Rupees in '000) | 2015              |
|----------------------------|----------------------|--------------------------------|--------------------------|-------------------|
| <u>1,000,000,000</u>       | <u>1,000,000,000</u> | Ordinary shares of Rs. 10 each | <u>10,000,000</u>        | <u>10,000,000</u> |

#### 15.2 Issued, subscribed and paid-up share capital

|                    |                    |                                |                  |                  |
|--------------------|--------------------|--------------------------------|------------------|------------------|
| <u>600,000,000</u> | <u>600,000,000</u> | Ordinary shares of Rs. 10 each | <u>6,000,000</u> | <u>6,000,000</u> |
| <u>600,000,000</u> | <u>600,000,000</u> | Fully paid in cash             | <u>6,000,000</u> | <u>6,000,000</u> |

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

| Name of shareholder               | 2016                  |                            | 2015                  |                            |
|-----------------------------------|-----------------------|----------------------------|-----------------------|----------------------------|
|                                   | 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%                        |
|                                   | <u>600,000,000</u>    | <u>100%</u>                | <u>600,000,000</u>    | <u>100%</u>                |

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

### 16. RESERVES

|                          | 2016<br>(Rupees in '000) | 2015           |
|--------------------------|--------------------------|----------------|
| Statutory reserves       |                          |                |
| Opening balance          | 673,449                  | 553,966        |
| Transfer during the year | 120,658                  | 119,483        |
| Closing balance          | <u>794,107</u>           | <u>673,449</u> |

- 16.1 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.

# PAIR INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

|   | Note  | 2016<br>(Rupees in '000)         | 2015           |
|---|---|----------------------------------|----------------|
| <b>17. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX</b>           |   |                                  |                |
| <b>On revaluation of available-for-sale securities- net of deferred tax</b> |   |                                  |                |
| Surplus arising on revaluation of quoted equity shares                      |   | 18,232                           | (13,148)       |
| Surplus arising on revaluation of mutual funds                              |   | 3,048                            | 10,150         |
| (Deficit) / surplus arising on revaluation of market treasury bills         |   | (2,355)                          | 3,849          |
| Surplus arising on revaluation of term finance certificate                  |   | 19,645                           | (5,538)        |
| Surplus arising on revaluation of Pakistan investment bond                  |   | 76,127                           | 176,853        |
|   |   | <u>114,697</u>                   | <u>172,166</u> |
| Related deferred tax (liability)  |   | (31,619)                         | (42,303)       |
|   |   | <u>83,078</u>                    | <u>129,863</u> |
| <b>18. CONTINGENCIES AND COMMITMENTS</b>                                    |   |                                  |                |
| <b>18.1</b>   | The income tax department has amended the assessments for the tax years 2009 to 2015, which resulted in additional liability of Rs 194.698 million in respect of Workers' Welfare Fund (WWF), allocation of Interest expenses against capital gains which are exempt and dividend income which is subject to tax at reduced rate etc.   |                                  |                |
|   | For tax years 2009 to 2013, the Company has filed appeals before the Appellate Tribunal Inland Revenue (ATIR) against the orders passed by Commissioner Inland Revenue and confirmed by Commissioner (Appeals), which are pending for hearing. The management of the Company is confident that outcome of the appeals will be in favor of the Company.  |                                  |                |
|   | The ATIR has passed the orders for Tax Year 2014 and 2015 in which it has deleted the demand raised on account 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 the Supreme Court's order. Further ATIR has also remanded back certain issues for re-adjudication. However, the income tax department may file reference before High Court on the orders passed by ATIR.  |                                  |                |
| <b>18.2</b>   | <b>Commitments in respect of repo transactions</b>  | <b>2016<br/>(Rupees in '000)</b> | <b>2015</b>    |
|   | Repurchase agreement borrowings   | -                                | 106,732        |
| <b>18.3</b>   | <b>Direct credit substitutes</b>  | <u>222,392</u>                   | -              |
| <b>18.4</b>   | <b>Commitments to extend credit</b>   |                                  |                |
|   | 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.  |                                  |                |
| <b>19. OFF BALANCE SHEET FINANCIAL INSTRUMENTS</b>                          |   |                                  |                |
|   | 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. |                                  |                |
| <b>20. DERIVATIVE INSTRUMENTS</b>   |   |                                  |                |
|   | 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.   |                                  |                |
| <b>20.1</b>   | <b>Equity futures</b>   |                                  |                |
|   | 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.  |                                  |                |

# PAİR INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

|   | Note | 2016<br>(Rupees in '000) | 2015             |
|---|------|--------------------------|------------------|
| <b>21. MARK-UP / RETURN / INTEREST EARNED</b>   |      |                          |                  |
| <b>On loans and advances to</b>   |      |                          |                  |
| - customers   |      | 325,972                  | 362,930          |
| - employees   |      | 2,082                    | 1,788            |
| <b>On investments in</b>  |      |                          |                  |
| - held-for-trading securities   |      | 59,819                   | 5,355            |
| - available-for-sale securities   |      | 832,484                  | 1,112,481        |
| - held-to-maturity securities   |      | 3,067                    | 17,403           |
| <b>On deposits with financial institutions</b>  |      | 11,839                   | 8,473            |
| <b>On placements</b>  |      | 8,431                    | 1,244            |
|   |      | <u>1,243,694</u>         | <u>1,509,674</u> |
| <b>22. MARK-UP/RETURN/INTEREST EXPENSED</b>   |      |                          |                  |
| Deposits and other accounts   |      | 104,276                  | 110,994          |
| Securities sold under repurchase agreements   |      | 363,959                  | 414,725          |
| On borrowing from State Bank of Pakistan- Under financing facility  |      |                          |                  |
| -for Storage of Agricultural Produce (FFSAP)  |      | 557                      | 936              |
| -for Imported & Locally Manufactured Plant & Machinery (LTFF)   |      | 5,493                    | 584              |
| Other short-term borrowings   |      | 7,996                    | -                |
| Long term borrowings  |      | 50,993                   | 99,886           |
|   |      | <u>533,274</u>           | <u>627,125</u>   |
| <b>23. GAIN ON SALE OF SECURITIES - NET</b>   |      |                          |                  |
| Market treasury bills   |      | 1,126                    | 230              |
| Ordinary shares in companies  |      | (196,919)                | 57,318           |
| Units of mutual funds   |      | 33,504                   | 25,737           |
| Term finance certificates   |      | 370                      | 15,737           |
| Pakistan investment bonds   |      | 166,832                  | 214,545          |
|   |      | <u>4,913</u>             | <u>313,567</u>   |
| <b>24. OTHER INCOME</b>   |      |                          |                  |
| This represents gain on sale of operating fixed assets amounting to Rs. 0.005 million ( 2015: Rs 0.828 million) |      |                          |                  |
| <b>25. ADMINISTRATIVE EXPENSES</b>  |      |                          |                  |
| Salaries, allowances and benefits   |      | 187,654                  | 176,176          |
| Charge for defined benefit plan   |      | 8,499                    | 9,600            |
| Contribution to defined contribution plan   |      | 9,216                    | 7,850            |
| Non-executive Directors' fee  |      | 2,182                    | 1,830            |
| Rent and utilities  |      | 26,473                   | 23,753           |
| Repairs and maintenance   |      | 7,089                    | 10,792           |
| Insurance   |      | 4,703                    | 3,905            |
| Communication   |      | 3,764                    | 3,372            |
| Advertisement   |      | 468                      | 1,129            |
| Depreciation  | 9.2  | 14,957                   | 20,655           |
| Amortisation  | 9.3  | 288                      | 1,094            |
| Printing and stationery   |      | 1,706                    | 888              |
| Legal and professional charges  |      | 12,167                   | 3,168            |
| Travelling, conveyance and entertainment  |      | 22,176                   | 20,641           |
| Brokerage and commissions   |      | 3,223                    | 6,084            |
| Bank charges  |      | 452                      | 729              |
| <b>Balance carried forward</b>  |      | <u>305,017</u>           | <u>291,666</u>   |

# PAIR INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

|   | Note | 2016<br>(Rupees in '000)          | 2015           |
|---|------|-----------------------------------|----------------|
| <b>Balance brought forward</b>  |      | <b>305,017</b>                    | 291,666        |
| Fee and subscriptions   |      | 8,275                             | 6,373          |
| Auditors' remuneration  | 25.1 | 1,436                             | 1,426          |
| Donations and charity   | 25.2 | 774                               | 415            |
| Others  |      | 2,646                             | 2,303          |
|   |      | <u>318,148</u>                    | <u>302,183</u> |
| <b>25.1 Auditors' remuneration</b>  |      |                                   |                |
| Audit fee   |      | 518                               | 518            |
| Half yearly review  |      | 204                               | 204            |
| Special certifications and others   |      | 583                               | 583            |
| Out of pocket expenses  |      | 131                               | 121            |
|   |      | <u>1,436</u>                      | <u>1,426</u>   |
| <b>25.2 Donations and charity</b>   |      |                                   |                |
| None of the directors, executives or their spouses had any interest in the donee. Detail of donations made during the year is as follows: |      |                                   |                |
| Rotary Club   |      | 150                               | -              |
| Special Olympics  |      | 200                               | -              |
| Patient Aid Foundation  |      | 100                               | -              |
| Inner Wheel Club  |      | 24                                | -              |
| Kidney Center   |      | 300                               | -              |
| Sharmeen Khan Memorial Foundation   |      | -                                 | 200            |
| Institute of Business Administration  |      | -                                 | 215            |
|   |      | <u>774</u>                        | <u>415</u>     |
| <b>26. OTHER CHARGES/ (REVERSALS) - NET</b>   |      |                                   |                |
| This represents penalties imposed by State Bank of Pakistan amounting to Rs 0.279 million (2015: Rs 0.154 million)                        |      |                                   |                |
| <b>27. TAXATION</b>   |      |                                   |                |
| Current   |      | 214,558                           | 267,480        |
| Prior year  |      | 10,984                            | 42,925         |
| Deferred  |      | 32,258                            | 15,512         |
|   |      | <u>257,800</u>                    | <u>325,917</u> |
| <b>27.1 Relationship between tax expense and accounting profit</b>  |      |                                   |                |
| Profit before tax   |      | 861,091                           | 923,331        |
| Tax on income @ 31% (2015: 32%)   |      | 265,295                           | 295,466        |
| Net tax effect on income taxed at reduced rates   |      | (20,075)                          | (11,144)       |
| Net tax effect on income subject to FTR   |      | (9,318)                           | (2,765)        |
| Net tax effect of income / expenses not subject to tax  |      | (21,727)                          | (5,788)        |
| Tax effect of expenses that are not deductible in determining taxable profit  |      | (4,766)                           | (18,297)       |
| Effect of change in rate of tax   |      | 9,322                             | 8,270          |
| Prior years charge  |      | -                                 | -              |
| Others  |      | (4,173)                           | 1,738          |
| Tax charge  |      | <u>214,558</u>                    | <u>267,480</u> |
| <b>28. BASIC / DILUTED EARNINGS</b>   |      |                                   |                |
| Profit after taxation for the year  |      | <u>603,291</u>                    | <u>597,414</u> |
|   |      | <b>(Number of shares in '000)</b> |                |
| Weighted average number of ordinary shares outstanding during the year  |      | <u>600,000</u>                    | <u>600,000</u> |
|   |      | <b>(Rupees per share)</b>         |                |
| Basic / diluted earnings  |      | <u>1.01</u>                       | <u>1.00</u>    |

# PAİR INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

|  | Note | 2016<br>(Rupees in '000)   | 2015           |
|--|------|----------------------------|----------------|
| <b>29. CASH AND CASH EQUIVALENTS</b>   |      |                            |                |
| Cash and balances with treasury banks  | 5    | 64,205                     | 46,114         |
| Balances with other banks  | 6    | 432,783                    | 215,426        |
|  |      | <u>496,988</u>             | <u>261,540</u> |
| <b>30. STAFF STRENGTH</b>  |      | <b>Number of employees</b> |                |
| Permanent  |      | 45                         | 47             |
| Contractual  |      | 2                          | 1              |
| <b>Company's own staff strength at the end of the year</b>   |      | <u>47</u>                  | <u>48</u>      |
| Outsourced   |      | 7                          | 8              |
| <b>Total staff strength</b>  |      | <u>54</u>                  | <u>56</u>      |
| <b>31. DEFINED BENEFIT PLAN</b>  |      |                            |                |
| <b>31.1 General description</b>  |      |                            |                |
| As mentioned in note 4.19, 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. |      |                            |                |
| <b>31.2 Principal actuarial assumptions</b>  |      |                            |                |
| The actuarial valuation was carried out as at 31 December 2016 using the "Projected Unit Credit Actuarial Cost Method". The information provided in notes 31.3 to 31.14 has been obtained from the actuarial valuation carried out as at 31 December 2016.   |      |                            |                |
| <b>31.3 Actuarial Assumptions</b>  |      | <b>2016</b>                | <b>2015</b>    |
| <i>Financial Assumptions</i>   |      |                            |                |
| Discount rate  |      | 8.00%                      | 9.00%          |
| Expected rate of increase in salaries  |      | 7.00%                      | 8.00%          |
| <i>Demographic Assumptions</i>   |      | <b>SLIC (2001-05)-1</b>    |                |
| Mortality rates (for death in service)   |      | "Moderate"                 | "Moderate"     |
| Rates of employee turnover   |      |                            |                |
| <b>31.4 Reconciliation of amount payable to defined benefit obligation</b>   |      | <b>2016</b>                | <b>2015</b>    |
|  |      | <b>(Rupees in '000)</b>    |                |
| Present value of defined benefit obligation  | 31.7 | 31,920                     | 25,727         |
| Fair value of any assets   | 31.8 | (32,906)                   | (24,420)       |
| Payable to defined benefit plan  |      | <u>(986)</u>               | <u>1,307</u>   |
| (Surplus) / deficit  |      |                            |                |

# PAIR INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

|  | Note | 2016<br>(Rupees in '000) | 2015          |
|--|------|--------------------------|---------------|
| <b>31.5 Movement in (receivable) / payable to defined benefit plan</b>                                 |      |                          |               |
| Balance Sheet accrued as at the beginning of the year  |      | 1,307                    | 18,106        |
| Expense charged in the current period  |      | 8,499                    | 9,196         |
| Company's contribution to gratuity fund  |      | (10,600)                 | (24,420)      |
| Benefits paid to outgoing members by the company   |      | (228)                    | (3,545)       |
| Remeasurements recognized in OCI during the year   |      | 36                       | 1,970         |
| Balance Sheet (prepaid)/accrued as at the end of the year  |      | <u>(986)</u>             | <u>1,307</u>  |
| <b>31.6 Charge for defined benefit plan</b>  |      |                          |               |
| <i>Cost recognised in profit and loss account for the year</i>   |      |                          |               |
| Current service cost   |      | 8,386                    | 6,841         |
| Net interest cost  |      |                          |               |
| - Interest cost on defined benefit obligation  |      | 2,595                    | 2,355         |
| - Interest income on plan assets   |      | <u>(2,482)</u>           | <u>-</u>      |
|  |      | 113                      | 2,355         |
|  |      | <u>8,499</u>             | <u>9,196</u>  |
| <i>Re-measurements recognised in OCI during the year</i>   |      |                          |               |
| Actuarial (gain) / loss on obligation  |      | <u>(708)</u>             | <u>1,970</u>  |
| Actuarial loss on assets   |      | 744                      | -             |
|  |      | 36                       | 1,970         |
| Total defined benefit cost recognized in profit and loss and OCI                                       |      | <u>8,535</u>             | <u>11,166</u> |
| <b>31.7 Reconciliation of present value of defined benefit obligation</b>                              |      |                          |               |
| Opening balance of defined benefit obligation  |      | 25,727                   | 18,106        |
| Current service cost   |      | 8,386                    | 6,841         |
| Interest cost  |      | 2,595                    | 2,355         |
| Benefits paid during the year to outgoing members by the Company                                       |      | (228)                    | (3,545)       |
| Benefits paid during the year to outgoing members by the fund  |      | <u>(3,852)</u>           | <u>-</u>      |
| Remeasurements: Actuarial (gain) / during the year   |      | (708)                    | 1,970         |
| Closing balance of defined benefit obligation  |      | <u>31,920</u>            | <u>25,727</u> |
| <b>31.8 Reconciliation of fair value of plan assets</b>  |      |                          |               |
| Opening fair value of plan assets  |      | 24,420                   | -             |
| Expected return on plan assets during the year   |      | 2,482                    | -             |
| Actual contribution made by the Company  |      | 10,600                   | 24,420        |
| Actual benefits paid during the year   |      | <u>(3,852)</u>           | <u>-</u>      |
| Remeasurements: Actuarial (loss) on plan assets  |      | (744)                    | -             |
| Closing fair value of plan assets  |      | <u>32,906</u>            | <u>24,420</u> |
| Actual return on plan assets is 9.5% as at December 31, 2016.  |      |                          |               |
| <b>31.9 Remeasurements recognized in other comprehensive income, expense/ (income) during the year</b> |      | 2016                     | 2015          |
|  |      | (Rupees in '000)         |               |
| <i>Remeasurements: Actuarial loss / (gain) on obligation:</i>  |      |                          |               |
| (Gain) / Loss due to change in financial assumptions   |      | (99)                     | 909           |
| (Gain) / Loss due to change in demographic assumptions   |      | -                        | -             |
| (Gain) / Loss due to change in experience adjustments  |      | <u>(609)</u>             | <u>1,061</u>  |
| Total actuarial loss / (gain) on obligation carried forward  |      | <u>(708)</u>             | <u>1,970</u>  |

# PAIR INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

|  | Note | 2016<br>(Rupees in '000) | 2015   |
|--|------|--------------------------|--------|
| Total actuarial loss / (gain) on obligation brought forward  |      | (708)                    | 1,970  |
| <b>Remeasurements: Actuarial gain/ (loss) on assets:</b>   |      |                          |        |
| Actual net return on plan assets   |      | 1,502                    | -      |
| Less: Interest income on plan assets   |      | 2,482                    | -      |
|  |      | 980                      | -      |
| Opening difference   |      | 236                      | -      |
| Net return on plan assets  |      | 744                      | -      |
| Total Remeasurements recognized in OCI during the year   |      | 36                       | 1,970  |
| <b>31.10 Disaggregation of fair value of plan assets</b>   |      |                          |        |
| <b>Quoted:</b>   |      |                          |        |
| Cash and cash equivalents- after adjusting for current liabilities   |      | 819                      | 24,420 |
| Debt instruments   |      | 28,622                   | -      |
|  |      | 29,441                   | 24,420 |
| <b>Unquoted:</b>   |      |                          |        |
| Debt instruments   |      | 3,465                    | -      |
| Total (Quoted and Unquoted)  |      | 32,906                   | 24,420 |
|  |      | 2016                     | 2015   |
| <b>31.11 Maturity profile of defined benefit obligation</b>  |      | Years                    | Years  |
| Weighted average duration of the present value of defined benefit obligation   |      | 8.44                     | 9.37   |
|  |      | 2016                     | 2015   |
| <b>Benefit Payments</b>  |      | <b>(Rupees in '000)</b>  |        |
| Distribution of timing of benefit payments   |      |                          |        |
| Years  |      |                          |        |
| 1  |      | 1,491                    | 2,040  |
| 2  |      | 14,770                   | 9,449  |
| 3  |      | 2,396                    | 3,196  |
| 4  |      | 2,108                    | 2,697  |
| 5  |      | 2,338                    | 2,447  |
| 6-10   |      | 18,571                   | 15,949 |
| <b>31.12 Sensitivity analysis on significant actuarial assumptions: Actuarial liability</b>  |      |                          |        |
| Base   |      |                          |        |
| Discount rate +0.5%  |      | 30,620                   | 24,566 |
| Discount rate -0.5%  |      | 33,318                   | 26,982 |
| Future salary increases +0.5%  |      | 33,363                   | 27,051 |
| Future salary increases -0.5%  |      | 30,567                   | 24,493 |
| <b>32. DEFINED CONTRIBUTION PLAN</b>   |      |                          |        |
| 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. |      |                          |        |
|  |      | 2016                     | 2015   |
|  |      | (Rupees in '000)         |        |
| Contribution from the Company during the year  |      | 9,216                    | 7,850  |
| Contribution from the employees during the year  |      | 9,216                    | 7,850  |
| Employees covered under the plan   |      | 47                       | 48     |

# PAIR INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

### 33. COMPENSATION OF DIRECTORS AND EXECUTIVES

|  | Managing Director /<br>Chief Executive Officer |               | Director     |              | Executives     |               |
|--|--|---------------|--------------|--------------|----------------|---------------|
|  | 2016   | 2015          | 2016         | 2015         | 2016           | 2015          |
|  | (Rupees in ' 000)                              |               |              |              |                |               |
| Fees   | -  | -             | 2,182        | 1,830        | -              | -             |
| Managerial remuneration                      | 26,222   | 28,405        | -            | -            | 47,630         | 37,875        |
| Contribution to defined<br>contribution plan | 2,622  | 3,027         | -            | -            | 5,313          | 3,441         |
| Rent and house maintenance                   | -  | -             | -            | -            | 19,052         | 15,150        |
| Utilities                                    | 1,272  | 1,152         | -            | -            | 9,207          | 3,788         |
| Medical                                      | 374  | -             | -            | -            | 5,954          | 4,890         |
| Others                                       | 33,687   | 15,348        | -            | -            | 37,225         | 31,607        |
|  | <b>64,177</b>                                  | <b>47,932</b> | <b>2,182</b> | <b>1,830</b> | <b>124,381</b> | <b>96,751</b> |
| Number of persons                            | 1  | 1             | * 7          | * 7          | *28            | *25           |

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

\*This also includes outgoing directors / executives during the year.

### 34. FAIR VALUE OF FINANCIAL INSTRUMENTS

#### 34.1 On balance sheet financial instruments

|  | 2016                            |                                 | 2015                            |                                 |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|  | Book value<br>(Rupees in ' 000) | Fair value<br>(Rupees in ' 000) | Book value<br>(Rupees in ' 000) | Fair value<br>(Rupees in ' 000) |
| <b>Assets</b>                                  |                                 |                                 |                                 |                                 |
| Cash and balances with treasury banks          | 64,205                          | 64,205                          | 46,114                          | 46,114                          |
| Balances with other banks                      | 432,783                         | 432,783                         | 215,426                         | 215,426                         |
| Lendings to financial institutions             | -                               | -                               | -                               | -                               |
| Investments                                    | 11,730,196                      | 11,842,973                      | 18,370,105                      | 18,543,009                      |
| Advances                                       | 5,424,351                       | 5,424,351                       | 6,282,232                       | 3,502,948                       |
| Other assets                                   | 289,472                         | 289,472                         | 443,433                         | 443,433                         |
|  | <b>17,941,007</b>               | <b>18,053,784</b>               | <b>25,357,310</b>               | <b>22,750,930</b>               |
| <b>Liabilities</b>                             |                                 |                                 |                                 |                                 |
| Borrowings from financial institutions         | 6,549,981                       | 6,549,981                       | 11,652,435                      | 11,652,435                      |
| Deposits and other accounts                    | 2,079,728                       | 2,079,728                       | 1,890,502                       | 1,890,502                       |
| Other liabilities                              | 401,311                         | 401,311                         | 362,532                         | 362,532                         |
|  | <b>9,031,020</b>                | <b>9,031,020</b>                | <b>13,905,469</b>               | <b>13,905,469</b>               |
| <b>Off-balance sheet financial instruments</b> | -                               | -                               | -                               | -                               |

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.

# PAIR INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### For the Year Ended December 31, 2016

34.2

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

|   | 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 | Total     |
| <b>Financial assets measured at fair value</b>          |                  |                    |                  |                       |                             |             |           |           |         |           |
| <b>Investments</b>                                      |                  |                    |                  |                       |                             |             |           |           |         |           |
| 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 |
| <b>Financial assets not measured at fair value</b>      |                  |                    |                  |                       |                             |             |           |           |         |           |
| 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                    | -                | 1,615,364          | -                | -                     | -                           | 1,615,364   | -         | -         | -       | -         |
| Advances  | -                | -                  | -                | 5,424,351             | -                           | 5,424,351   | -         | -         | -       | -         |
| Other assets  | -                | -                  | -                | 313,599               | -                           | 313,599     | -         | -         | -       | -         |
| <b>Financial liabilities not measured at fair value</b> |                  |                    |                  |                       |                             |             |           |           |         |           |
| 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   | 1,086,337 | 8,883,844 | -       | 9,970,181 |

# PAIR INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

|  | 2015             |                    |                  |                             |              | Fair value   |         |            |         |            |
|--|------------------|--------------------|------------------|-----------------------------|--------------|--------------|---------|------------|---------|------------|
|  | Book value       |                    |                  | Other financial liabilities |              | Total        | Level 1 | Level 2    | Level 3 | Level 4    |
|  | Held for trading | Available for sale | Held-to-maturity | Loans and receivables       |              |              |         |            |         |            |
| Financial assets measured at fair value          |                  |                    |                  |                             |              |              |         |            |         |            |
| Investments                                      |                  |                    |                  |                             |              |              |         |            |         |            |
| Market treasury bills                            | 4,961,038        | 3,848,087          | -                | -                           | -            | 8,809,125    | -       | 8,812,955  | -       | 8,812,955  |
| Pakistan Investment Bonds                        | 1,239,772        | 4,621,123          | -                | -                           | -            | 5,860,895    | -       | 6,039,157  | -       | 6,039,157  |
| Units of mutual funds                            | -                | 300,000            | -                | -                           | -            | 300,000      | 310,150 | -          | -       | 310,150    |
| Shares in listed companies                       | 50,461           | 462,345            | -                | -                           | -            | 512,806      | 499,003 | -          | -       | 499,003    |
| Term finance certificates - Listed               | -                | 999,640            | -                | -                           | -            | 999,640      | -       | 985,530    | -       | 985,530    |
| Financial assets not measured at fair value      |                  |                    |                  |                             |              |              |         |            |         |            |
| Cash and balances with treasury banks            |                  |                    |                  |                             |              |              |         |            |         |            |
| Balances with other banks                        | -                | -                  | -                | 46,114                      | -            | 46,114       | -       | -          | -       | -          |
| Investments                                      | -                | -                  | -                | 215,426                     | -            | 215,426      | -       | -          | -       | -          |
| Shares in unlisted companies                     | -                | 103,901            | -                | -                           | -            | 103,901      | -       | -          | -       | -          |
| Preference shares - Unlisted                     | -                | 143,333            | -                | -                           | -            | 143,333      | -       | -          | -       | -          |
| Sukuk bonds                                      | -                | 238,676            | -                | -                           | -            | 238,676      | -       | -          | -       | -          |
| Term finance certificates - Unlisted             | -                | 1,401,729          | -                | -                           | -            | 1,401,729    | -       | -          | -       | -          |
| Advances   | -                | -                  | -                | 3,502,948                   | -            | 3,502,948    | -       | -          | -       | -          |
| Other assets                                     | -                | -                  | -                | 462,778                     | -            | 462,778      | -       | -          | -       | -          |
| Financial liabilities not measured at fair value |                  |                    |                  |                             |              |              |         |            |         |            |
| Borrowings                                       |                  |                    |                  |                             |              |              |         |            |         |            |
| Deposits and other accounts                      | -                | -                  | -                | -                           | (11,652,435) | (11,652,435) | -       | -          | -       | -          |
| Other liabilities                                | -                | -                  | -                | -                           | (1,890,502)  | (1,890,502)  | -       | -          | -       | -          |
|  |                  |                    |                  |                             | (484,862)    | (484,862)    | -       | -          | -       | -          |
|  | 6,251,271        | 12,118,834         | -                | 4,227,266                   | (14,027,799) | 8,569,572    | 809,153 | 15,837,642 | -       | 16,646,795 |

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 than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

# PAIR INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

### 35. 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:

#### 35.1 The Key Management Personnel / Directors' compensation are as follows:

|  | 2016<br>(Rupees in '000) | 2015           |
|--|--------------------------|----------------|
| <b>Loans and advances to key management personnel</b>                          |                          |                |
| Balance at beginning of the period / year                                      | 29,818                   | 17,228         |
| Loans granted during the period / year   | 1,369                    | 22,169         |
| Repayments during the period / year  | (4,561)                  | (9,579)        |
| Balance at end of the period / year  | <u>26,626</u>            | <u>29,818</u>  |
| <b>Deposits from the key management personal</b>                               |                          |                |
| Balance at beginning of the period / year                                      | 60                       | 20             |
| Deposits received during the period / year                                     | 360                      | 60             |
| Deposits redeemed during the period / year                                     | (300)                    | (20)           |
| Balance at end of the period / year  | <u>120</u>               | <u>60</u>      |
| Disposal of Fixed Assets to Key Management Personnal                           | <u>26</u>                | <u>-</u>       |
| Mark-up earned on loans and advances   | <u>1,341</u>             | <u>1,788</u>   |
| Salaries & Benefits  | <u>138,333</u>           | <u>111,619</u> |
| Contribution to defined contribution plan                                      | <u>6,104</u>             | <u>5,588</u>   |
| Non-executive directors' remuneration  | <u>2,182</u>             | <u>1,830</u>   |
| <b>35.2 Receivable from Iran Foreign Investment Company (net)</b>              | <u>2,664</u>             | <u>2,218</u>   |
| <b>35.3 Dividend payable to Iran Foreign Investment Company</b>                | <u>300,000</u>           | <u>150,000</u> |
| <b>35.4 Deposit from PAIR Investment Co. Ltd. Employees Gratuity Fund</b>      | <u>3,400</u>             | <u>-</u>       |
| <b>35.5 Deposit from Pak Iran Joint Inv. Co. Ltd. Staff Provident Fund</b>     | <u>12,500</u>            | <u>-</u>       |
| <b>35.6 Receivable/ (Payable) from PAIR Investment Employee Gratuity Funds</b> | <u>986</u>               | <u>(1,307)</u> |
| <b>35.7 Amount transferred to provident fund</b>                               | <u>17,205</u>            | <u>13,902</u>  |
| <b>35.8 Amount transferred to gratuity fund</b>                                | <u>10,600</u>            | <u>24,420</u>  |
| <b>35.9 Dividend paid to Ministry of Finance - Govt. of Pakistan</b>           | <u>150,000</u>           | <u>75,000</u>  |

\*Directors are also given travelling allowance of Euro 5,000/- per meeting for attending the board meetings held during the period.



# PAİR INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

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

### 37. CAPITAL ASSESSMENT AND ADEQUACY - BASEL III SPECIFIC

#### 37.1 Capital adequacy

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

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

#### *Goals of managing capital*

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

- To ensure availability of adequate capital at a reasonable cost so as to enable the Company to grow accordingly.
- To achieve a low cost of capital with appropriate mix of capital elements.
- To be an appropriately capitalized institution, as prescribed by regulatory authorities from time to time.
- To maintain highest quality ratings and to protect the Company against unexpected events.

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

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

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

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

#### **Scope of Applications**

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

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

#### 37.1.1 Leverage Ratio

"The leverage ratio of the DFI as on December 31, 2016 is 42.12% (2015: 39.38%)."

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

As on December 31, 2016, Total Tier 1 capital of the DFI amounts to Rs. 8.256 billions (2015: Rs. 8.35 billions) whereas the total exposure amounts to Rs. 19.599 billions (2015: Rs. 21.35 billions).

Shift in leverage ratio is primarily due to decrease in investments.

### 37.2 Capital Adequacy Ratio (CAR) disclosure template:

#### CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2016

|               |  | 2016             | 2015      |
|---------------|--|------------------|-----------|
|               |  | (Rupees in '000) |           |
|               |  | Amount           | Amount    |
| <b>Rows #</b> | <b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>                               |                  |           |
| 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  | 794,107          | 673,449   |
| 6             | Gain/(Losses) on derivatives held as Cash Flow Hedge   |                  |           |
| 7             | Unappropriated/unremitted profits/ (losses)  | 2,572,774        | 2,390,166 |
| 8             | bank subsidiaries (amount allowed in CET1 capital of the consolidation group)                      |                  |           |
| 9             | <b>CET 1 before Regulatory Adjustments</b>   | 9,366,881        | 9,063,615 |
| 10            | Total regulatory adjustments applied to CET1 (Note 37.2.1)   | (1,110,599)      | (678,453) |
| 11            | <b>Common Equity Tier 1</b>  | 8,256,282        | 8,385,162 |
|               |  |                  |           |
|               | <b>Additional Tier 1 (AT 1) Capital</b>  |                  |           |
| 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 |                  |           |
| 16            | of which: instrument issued by subsidiaries subject to phase out                                   |                  |           |
| 17            | <b>AT1 before regulatory adjustments</b>   | 0                | 0         |
| 18            | Total regulatory adjustment applied to AT1 capital (Note 37.2.2)                                   | 0                | 0         |
| 19            | Additional Tier 1 capital after regulatory adjustments   |                  |           |
| 20            | <b>Additional Tier 1 capital recognized for capital adequacy</b>                                   | 0                | 0         |
|               |  |                  |           |
| 21            | <b>Tier 1 Capital (CET1 + admissible AT1) (11+20)</b>  | 8,256,282        | 8,385,162 |
|               |  |                  |           |
|               | <b>Tier 2 Capital</b>  |                  |           |
| 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 |                  |           |
| 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       |                  |           |
| 27            | Revaluation Reserves (net of taxes)  |                  |           |
| 28            | of which: Revaluation reserves on fixed assets   |                  |           |
| 29            | of which: Unrealized gains/losses on AFS   | 64,801           | 115,350   |
| 30            | Foreign Exchange Translation Reserves  |                  |           |

|    |  | 2016              | 2015              |
|----|--|-------------------|-------------------|
|    |  | (Rupees in '000)  |                   |
|    |  | Amount            | Amount            |
| 31 | Undisclosed/Other Reserves (if any)  |                   |                   |
| 32 | <b>T2 before regulatory adjustments</b>  | 64,801            | 115,350           |
| 33 | Total regulatory adjustment applied to T2 capital (Note 37.2.3)  | (64,801)          | (115,350)         |
| 34 | Tier 2 capital (T2) after regulatory adjustments   | 0                 | 0                 |
| 35 | Tier 2 capital recognized for capital adequacy   | 0                 | 0                 |
| 36 | Portion of Additional Tier 1 capital recognized in Tier 2 capital  | 0                 | 0                 |
| 37 | <b>Total Tier 2 capital admissible for capital adequacy</b>  | 0                 | 0                 |
| 38 | <b>TOTAL CAPITAL (T1 + admissible T2) (21+37)</b>  | <b>8,256,282</b>  | <b>8,385,162</b>  |
| 39 | <b>Total Risk Weighted Assets (RWA) {for details refer Note 37.5}</b>  | <b>10,809,837</b> | <b>10,048,068</b> |
|    | <b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>  |                   |                   |
| 40 | <b>CET1 to total RWA</b>   | <b>76.38%</b>     | <b>83.45%</b>     |
| 41 | <b>Tier-1 capital to total RWA</b>   | <b>76.38%</b>     | <b>83.45%</b>     |
| 42 | <b>Total capital to total RWA</b>  | <b>76.38%</b>     | <b>83.45%</b>     |
| 43 | Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement) | 10.65%            | 10.25%            |
| 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)   | 70.38%            | 77.45%            |
|    | <b>National minimum capital requirements prescribed by SBP</b>   |                   |                   |
| 48 | <b>CET1 minimum ratio</b>  | <b>6.00%</b>      | <b>6.00%</b>      |
| 49 | <b>Tier 1 minimum ratio</b>  | <b>7.50%</b>      | <b>7.50%</b>      |
| 50 | <b>Total capital minimum ratio</b>   | <b>10.65%</b>     | <b>10.25%</b>     |

| Regulatory Adjustments and Additional Information | 2016           |  | 2015   |  |
|---|----------------|--|--------|--|
|   | Rupees in '000 |  |        |  |
|   | Amount         | Amounts subject to Pre-<br>Basel III<br>treatment* | Amount | Amounts subject to Pre-<br>Basel III<br>treatment* |

### 37.2.1 Common Equity Tier 1 Capital: Regulatory Adjustments

|    |  |           |        |         |        |
|----|--|-----------|--------|---------|--------|
| 1  | Goodwill (net of related deferred tax liability)   |           |        |         |        |
| 2  | All other intangibles (net of any associated deferred tax liability)   | 274       |        | 511     |        |
| 3  | Shortfall in provisions against classified assets  |           |        |         |        |
| 4  | Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)  |           |        |         |        |
| 5  | Defined-benefit pension fund net assets  |           |        |         |        |
| 6  | Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities   |           |        |         |        |
| 7  | Cash flow hedge reserve  |           |        |         |        |
| 8  | Investment in own shares/ CET1 instruments   |           |        |         |        |
| 9  | Securitization gain on sale  |           |        |         |        |
| 10 | Capital shortfall of regulated subsidiaries  |           |        |         |        |
| 11 | Deficit on account of revaluation from bank's holdings of fixed assets/ AFS  |           |        |         |        |
| 12 | Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | 39,882    | 26,587 | 43,769  | 65,654 |
| 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  | 281,991   | -      | 297,523 |        |
| 20 | Any other deduction specified by SBP (mention details)   |           |        |         |        |
| 21 | Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions  | 788,452   |        | 313,092 |        |
| 22 | Total regulatory adjustments applied to CET1 (sum of 1 to 21)  | 1,110,599 |        | 654,895 |        |

| Regulatory Adjustments and Additional Information | 2016           |   | 2015   |   |
|---|----------------|---|--------|---|
|   | Rupees in '000 |   |        |   |
|   | Amount         | Amounts subject to Pre-Basel III treatment* | Amount | Amounts subject to Pre-Basel III treatment* |

| Note 37.2.2 | Additional Tier-1 & Tier-1 Capital: regulatory adjustments   |         |   |         |        |
|-------------|--|---------|---|---------|--------|
| 23          | Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]  |         |   |         |        |
| 24          | Investment in own 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) | -       | - | 32,433  | 48,651 |
| 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 |   | 280,658 |        |
| 30          | Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)   | -       |   | -       |        |

| Note 37.2.3 | Tier 2 Capital: regulatory adjustments   |         |         |         |         |
|-------------|--|---------|---------|---------|---------|
| 31          | Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital  |         |         |         |         |
| 32          | Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities   |         |         |         |         |
| 33          | Investment in own Tier 2 capital instrument  |         |         |         |         |
| 34          | Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | 853,253 | 568,837 | 396,009 | 295,942 |
| 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)  | 64,801  |         | 115,350 |         |

|        |  | 2016             | 2015    |
|--------|--|------------------|---------|
|        |  | (Rupees in '000) |         |
| Note   | Additional Information   | Amount           | Amount  |
| 37.2.4 | <b>Risk Weighted Assets subject to pre-Basel III treatment</b>   |                  |         |
| 37     | Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)                                 | 605,880          | 779,299 |
| (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 | 605,880          | 779,299 |
| (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 |                  |         |
|        | <b>Amounts below the thresholds for deduction (before risk weighting)</b>  |                  |         |
| 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)  | 238,128          | 259,691 |
|        | <b>Applicable caps on the inclusion of provisions in Tier 2</b>  |                  |         |
| 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  |                  |         |

### 37.3 Capital Structure Reconciliation

| Table: 37.3.1                         | Balance sheet of the published financial statements | Under regulatory scope of consolidation |
|---------------------------------------|---|---|
| (in thousand PKR)                     | As at period end                                    | As at period end                        |
| Assets (1)                            | (2)   | (3)                                     |
| Cash and balances with treasury banks | 64,205  | 64,205                                  |
| Balanced with other banks             | 432,783   | 432,783                                 |
| Lending to financial institutions     | -   | -                                       |
| Investments                           | 11,842,973  | 11,842,973                              |
| Advances                              | 5,424,351   | 5,424,351                               |
| Operating fixed assets                | 176,982   | 176,982                                 |
| Deferred tax assets                   | 238,128   | 238,128                                 |
| Other assets                          | 419,049   | 419,049                                 |
| <b>Total assets</b>                   | <b>18,598,471</b>                                   | <b>18,598,471</b>                       |

| <b>Liabilities &amp; Equity</b>                     |                  |                  |
|---|------------------|------------------|
| Bills payable                                       | -                | -                |
| Borrowings  | 6,549,981        | 6,549,981        |
| Deposits and other accounts                         | 2,079,728        | 2,079,728        |
| Sub-ordinated loans                                 | -                | -                |
| Liabilities against assets subject to finance lease | -                | -                |
| Deferred tax liabilities                            | -                | -                |
| Other liabilities                                   | 518,803          | 518,803          |
| <b>Total liabilities</b>                            | <b>9,148,512</b> | <b>9,148,512</b> |

|   |                  |                  |
|---|------------------|------------------|
| Share capital/ Head office capital account  | 6,000,000        | 6,000,000        |
| Reserves                                    | 794,107          | 794,107          |
| Unappropriated/ Unremitted profit/ (losses) | 2,572,774        | 2,572,774        |
| Minority Interest                           | -                | -                |
| Surplus on revaluation of assets            | 83,078           | 83,078           |
| <b>Total liabilities &amp; equity</b>       | <b>9,449,959</b> | <b>9,449,959</b> |

| Table: 37.3.2  | Balance sheet as in published financial statements | Under regulatory scope of consolidation | Reference |
|--|--|---|-----------|
|  | As at period end                                   | As at period end                        |           |
| Assets (1)   | (2)  | (3)                                     | (4)       |
| Cash and balances with treasury banks  | 64,205   | 64,205                                  |           |
| Balanced with other banks  | 432,783  | 432,783                                 |           |
| Lending to financial institutions  | -  | -                                       |           |
| Investments  | 11,842,973   | 11,842,973                              |           |
| <i>of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold</i>           |  |   |           |
| <i>of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold</i> | 2,356,417  | 2,356,417                               | a         |
| <i>of which: Mutual Funds exceeding regulatory threshold</i>   | -  | -                                       | b         |
| <i>of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)</i>  | -  | -                                       | c         |
| <i>of which: others (mention details)</i>  | -  | -                                       | d         |
| Advances   | 5,424,351  | 5,424,351                               |           |
| <i>shortfall in provisions/ excess of total EL amount over eligible provisions under IRB</i>   | -  | -                                       | f         |
| <i>general provisions reflected in Tier 2 capital</i>  | -  | -                                       | g         |
| Fixed Assets   | 176,982  | 176,982                                 |           |
| Deferred Tax Assets  | 238,128  | 238,128                                 |           |
| <i>of which: DTAs that rely on future profitability excluding those arising from temporary differences</i>   | -  | -                                       | h         |
| <i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>  | -  | -                                       | i         |
| Other assets   | 419,049  | 419,049                                 |           |
| <i>of which: Goodwill</i>  | -  | -                                       | j         |
| <i>of which: Intangibles</i>   | 274  | 274                                     | k         |
| <i>of which: Defined-benefit pension fund net assets</i>   | -  | -                                       | l         |
| <b>Total assets</b>  | <b>18,598,471</b>                                  | <b>18,598,471</b>                       |           |

| Table: 37.3.2   |     | Balance sheet as<br>in published<br>financial<br>statements | Under regulatory<br>scope of<br>consolidation | Reference |
|---|-----|---|---|-----------|
|   |     | As at period end  | As at period end                              |           |
| Assets  | (1) | (2)   | (3)   | (4)       |
| Bills payable   |     | -   | -   |           |
| Borrowings  |     | 6,549,981   | 6,549,981                                     |           |
| Deposits and other accounts   |     | 2,079,728   | 2,079,728                                     |           |
| Sub-ordinated loans   |     | -   | -   | m         |
| <i>of which: eligible for inclusion in AT1</i>                            |     | -   | -   | n         |
| <i>of which: eligible for inclusion in Tier 2</i>                         |     | -   | -   |           |
| Liabilities against assets subject to finance lease                       |     | -   | -   |           |
| Deferred tax liabilities  |     | -   | -   |           |
| <i>of which: DTLs related to goodwill</i>                                 |     | -   | -   | o         |
| <i>of which: DTLs related to intangible assets</i>                        |     | -   | -   | p         |
| <i>of which: DTLs related to defined pension fund net assets</i>          |     | -   | -   | q         |
| <i>of which: other deferred tax liabilities</i>                           |     | -   | -   | r         |
| Other liabilities   |     | 518,803   | 518,803                                       |           |
| <b>Total liabilities</b>  |     | <b>9,148,512</b>  | <b>9,148,512</b>                              |           |
| Share capital   |     | 6,000,000   | 6,000,000                                     |           |
| <i>of which: amount eligible for CET1</i>                                 |     | 6,000,000   | 6,000,000                                     | s         |
| <i>of which: amount eligible for AT1</i>                                  |     | -   | -   | t         |
| Reserves  |     | 794,107   | 794,107                                       |           |
| <i>of which: portion eligible for inclusion in CET1 (provide breakup)</i> |     | 794,107   | 794,107                                       | u         |
| <i>of which: portion eligible for inclusion in Tier 2</i>                 |     | -   | -   | v         |
| Unappropriated profit/ (losses)   |     | 2,572,774   | 2,572,774                                     | w         |
| Minority Interest   |     | -   | -   |           |
| <i>of which: portion eligible for inclusion in CET1</i>                   |     | -   | -   | x         |
| <i>of which: portion eligible for inclusion in AT1</i>                    |     | -   | -   | y         |
| <i>of which: portion eligible for inclusion in Tier 2</i>                 |     | -   | -   | z         |
| Surplus on revaluation of assets  |     | 3,078   | 83,078  |           |
| <i>of which: Revaluation reserves on Fixed Assets</i>                     |     | -   | -   | aa        |
| <i>of which: Unrealized Gains/Losses on AFS</i>                           |     | 83,078  | 83,078  |           |
| <i>In case of Deficit on revaluation (deduction from CET1)</i>            |     | -   | -   | ab        |
| <b>Total liabilities &amp; Equity</b>                                     |     | <b>9,449,959</b>  | <b>9,449,959</b>                              |           |

| Basel III Disclosure Template (with added column)                    |  |  |  |  |
|--|--|--|--|--|
| S.No   | Table: 37.3.3  | Component of regulatory capital reported by bank | Source based on reference number from step 2 |  |
| <b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b> |  |  |  |  |
| 1  | Fully Paid-up Capital/ Capital deposited with SBP  | 6,000,000  |  |  |
| 2  | Balance in Share Premium Account   | -  | (s)  |  |
| 3  | Reserve for issue of Bonus Shares  | -  |  |  |
| 4  | General/ Statutory Reserves  | 794,107  |  |  |
| 5  | Gain/(Losses) on derivatives held as Cash Flow Hedge   | -  | (u)  |  |
| 6  | Unappropriated/unremitted profits/ (losses)  | 2,572,774  | (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  | <b>CET 1 before Regulatory Adjustments</b>   | <b>9,366,881</b>                                 |  |  |

| <b>Common Equity Tier 1 capital: Regulatory adjustments</b> |  |                  |                   |  |
|---|--|------------------|-------------------|--|
| 9   | Goodwill (net of related deferred tax liability)   | -                | (j) - (o)         |  |
| 10  | All other intangibles (net of any associated deferred tax liability)   | 274              | (k) - (p)         |  |
| 11  | Shortfall of provisions against classified assets  | -                | (f)               |  |
| 12  | Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)  | -                | {(h) - (r)} * x%  | where 'x' depends on transitional arrangement for capital deduction (e.g. 0%, 20% etc), Section 2.4.11   |
| 13  | Defined-benefit pension fund net assets  | -                | {(l) - (q)} * x%  |  |
| 14  | Reciprocal cross holdings in CET1 capital instruments  | -                | (d)               |  |
| 15  | Cash flow hedge reserve  | -                |                   |  |
| 16  | Investment in own shares/ CET1 instruments   | -                |                   |  |
| 17  | Securitization gain on sale  | -                |                   |  |
| 18  | Capital shortfall of regulated subsidiaries  | -                |                   |  |
| 19  | Deficit on account of revaluation from bank's holdings of fixed assets/ AFS  | -                | (ab)              |  |
| 20  | Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | 39,882           | (a) - (ac) - (ae) | Portion of amount above the threshold that is to be deducted from CET1, whereas "ac" is the portion to be deducted from AT1 and "ae" 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   | 281,991          |                   |  |
| 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   | 788,452          |                   |  |
| 30  | <b>Total regulatory adjustments applied to CET1 (sum of 9 to 29)</b>   | <b>1,110,599</b> |                   |  |
| 31  | <b>Common Equity Tier 1</b>  | <b>8,256,282</b> |                   |  |

| Additional Tier 1 (AT 1) Capital |  |   |     |  |
|----------------------------------|--|---|-----|--|
| 32                               | Qualifying Additional Tier-1 instruments plus any related share premium  | - |     |  |
| 33                               | of which: Classified as equity   | - | (t) |  |
| 34                               | of which: Classified as liabilities  | - | (m) |  |
| 35                               | Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) | - | (y) |  |
| 36                               | of which: instrument issued by subsidiaries subject to phase out   | - |     |  |
| 37                               | <b>AT1 before regulatory adjustments</b>   |   |     |  |

| Additional Tier 1 Capital: regulatory adjustments |  |                  |      |  |
|---|--|------------------|------|--|
| 38  | Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)  | -                |      |  |
| 39  | Investment in own AT1 capital instruments  | -                |      |  |
| 40  | Reciprocal cross holdings in Additional Tier 1 capital instruments   | -                |      |  |
| 41  | Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | -                | (ac) |  |
| 42  | Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation  | -                | (ad) |  |
| 43  | Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital   | -                |      |  |
| 44  | Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions   | 788,452          |      |  |
| 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  | <b>Tier 1 Capital (CET1 + admissible AT1) (31+47)</b>  | <b>8,256,282</b> |      |  |

| 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   | 64,801        |                 |  |
| 57             | Foreign Exchange Translation Reserves  | -             | (v)             |  |
| 58             | Undisclosed/Other Reserves (if any)  | 64,801        |                 |  |
| 59             | <b>T2 before regulatory adjustments</b>  | <b>64,801</b> |                 |  |

| Tier 2 Capital: regulatory adjustments |  |                  |      |  |
|--|--|------------------|------|--|
| 60                                     | Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital   | -                |      |  |
| 61                                     | Reciprocal cross holdings in Tier 2 instruments  | -                |      |  |
| 62                                     | Investment in own Tier 2 capital instrument  | -                |      |  |
| 63                                     | Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | 853,253          | (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)  | 64,801           |      |  |
| 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                                     | <b>TOTAL CAPITAL (T1 + admissible T2) (48+69)</b>  | <b>8,256,282</b> |      |  |

### 37.4 Main Features Template of Regulatory Capital Instruments

| Disclosure template for main features of regulatory capital instruments |   |  |                |                   |   |
|---|---|--|----------------|-------------------|---|
|   | Main Features   | Common Shares                          | Instrument - 2 | Inst. - 3 & so on | Explanation   |
| 1   | Issuer  | PAIR Investment Company Limited        |                |                   | Identifies issuer legal entity.   |
| 2   | Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)                            | <b>Not Applicable</b>                  |                |                   |   |
| 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  | <b>Not Applicable</b>                  |                |                   | 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   | <b>Not Applicable</b>                  |                |                   | 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   | <b>Solo</b>                            |                |                   | Specifies the level(s) within the group at which the instrument is included in capital. Enter: [Solo] [Group] [Solo and Group]  |
| 7   | Instrument type   | <b>Ordinary Shares</b>                 |                |                   | 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) | <b>PKR 6,000,000</b>                   |                |                   | Specifies amount recognized in regulatory capital.  |
| 9   | Par value of instrument   | <b>PKR 10</b>                          |                |                   | Par value of instrument   |
| 10  | Accounting classification   | <b>Shareholders's equity</b>           |                |                   | 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   | <b>2007</b>                            |                |                   | Specifies the date of issuance  |
| 12  | Perpetual or dated  | <b>Perpetual</b>                       |                |                   | Specifies whether dated or perpetual. Enter: [Perpetual/ no Maturity] [Dated]   |
| 13  | Original maturity date  | <b>No Maturity</b>                     |                |                   | For dated instrument, specifies original maturity date  |
| 14  | Issuer call subject to prior supervisory approval   | <b>No</b>                              |                |                   | 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                           | <b>Not Applicable</b>                  |                |                   | 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  | <b>Not Applicable</b>                  |                |                   | Specifies subsequent call dates, if applicable. Helps assess the permanence.  |

|    |  |                            |  |   |
|----|--|----------------------------|--|---|
|    | Coupons / dividends  |                            |  |   |
| 17 | Fixed or floating dividend / coupon  | <b>Not Applicable</b>      |  | Enter [fixed], [floating], [fixed to floating], [floating to fixed]   |
| 18 | Coupon rate and any related index / benchmark                                      | <b>Not Applicable</b>      |  |   |
| 19 | Existence of a dividend stopper  | <b>No</b>                  |  | 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)<br>Enter: [yes], [no]  |
| 20 | Fully discretionary, partially discretionary or mandatory                          | <b>Fully discretionary</b> |  | Enter: [fully discretionary] [partially discretionary] [mandatory]  |
| 21 | Existence of step up or other incentive to redeem                                  | <b>No</b>                  |  | Specifies whether there is a step-up or other incentive to redeem. Enter: [Yes] [No]  |
| 22 | Noncumulative or cumulative  | <b>Not Applicable</b>      |  | Specifies whether dividends / coupons are cumulative or noncumulative. Enter: [Noncumulative] [Cumulative]  |
| 23 | Convertible or non-convertible   | <b>Non-convertible</b>     |  | Specifies whether instrument is convertible or not. Helps to assess loss absorbency. Enter: [Convertible] [Nonconvertible]  |
| 24 | If convertible, conversion trigger (s)   | <b>No</b>                  |  | 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   | <b>Not Applicable</b>      |  | 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  | <b>Not Applicable</b>      |  | 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                                   | <b>Not Applicable</b>      |  | 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                           | <b>Not Applicable</b>      |  | 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                      | <b>Not Applicable</b>      |  | If convertible, specify issuer of instrument into which it converts.  |
| 30 | Write-down feature   | <b>No</b>                  |  | Specifies whether there is a write down feature. Helps to assess loss absorbency. Enter: [Yes] [No]   |
| 31 | If write-down, write-down trigger(s)   | <b>Not Applicable</b>      |  | 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, fully or partially  | <b>Not Applicable</b>      |  | 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  | <b>Not Applicable</b>      |  | 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                         | <b>Not Applicable</b>      |  | For instrument that has a temporary write-down, description of write-up mechanism.  |
| 35 | For instrument that has a temporary write-down, description of write-up mechanism. | <b>Not Applicable</b>      |  | Specifies instrument to which it is most immediately subordinate. Helps to assess loss absorbency on gone-concern basis.  |
| 36 | Non-compliant transitioned features  | <b>No</b>                  |  | Specifies whether there are non-compliant features. Enter: [Yes] [No]   |
| 37 | If yes, specify non-compliant features   | <b>Not Applicable</b>      |  | If there are non-compliant features, specifies which ones. Helps assess the instrument loss absorbency.   |

# PAIR INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

### 37.5 Risk Weighted Assets

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

|  | 2016                 |                      | 2015                 |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | Capital requirements | Risk weighted assets | Capital requirements | Risk weighted assets |
|  | (Rupees in '000)     |                      | (Rupees in '000)     |                      |
| <b>Credit risk</b>                         |                      |                      |                      |                      |
| Claims on:                                 |                      |                      |                      |                      |
| Banks                                      | 12,120               | 113,803              | 9,230                | 90,049               |
| Corporate                                  | 592,551              | 5,563,857            | 398,113              | 3,884,028            |
| Retail portfolio                           | 358                  | 3,365                | 379                  | 3,699                |
| Secured by residential property            | 1,496                | 14,046               | 1,398                | 13,640               |
| Past due loans                             | 89,020               | 835,871              | 93,570               | 912,880              |
| Listed equity investments                  | 123,169              | 1,156,518            | 107,163              | 1,045,497            |
| Unlisted equity investments                | -                    | -                    | 29,411               | 286,934              |
| Investments in fixed assets                | 18,849               | 176,982              | 19,609               | 191,311              |
| All other assets                           | 78,055               | 732,908              | 69,262               | 675,728              |
|  | <u>915,618</u>       | <u>8,597,350</u>     | <u>728,135</u>       | <u>7,103,766</u>     |
| <b>Market risk</b>                         |                      |                      |                      |                      |
| Interest rate risk                         | 12,988               | 162,350              | 35,864               | 448,302              |
| Equity risk                                | 39,163               | 489,538              | 76,938               | 961,731              |
|  | <u>52,151</u>        | <u>651,888</u>       | <u>112,802</u>       | <u>1,410,033</u>     |
| <b>Operational risk</b>                    | 124,848              | 1,560,599            | 122,742              | 1,534,269            |
|  | <u>1,092,617</u>     | <u>10,809,837</u>    | <u>963,679</u>       | <u>10,048,068</u>    |
| <b>Capital adequacy ratio</b>              |                      |                      |                      |                      |
| Total eligible regulatory capital held (a) |                      | <u>8,256,282</u>     |                      | <u>8,385,162</u>     |
| Total risk weighted assets (b)             |                      | <u>10,809,837</u>    |                      | <u>10,048,068</u>    |
| Capital adequacy ratio (a) / (b)*100       |                      | <u>76.38%</u>        |                      | <u>83.45%</u>        |

| Capital Adequacy Ratios     | 2016     |        | 2015     |        |
|-----------------------------|----------|--------|----------|--------|
|                             | Required | Actual | Required | Actual |
| CET1 to total RWA           | 6.00%    | 76.38% | 6.00%    | 83.45% |
| Tier-1 capital to total RWA | 7.50%    | 76.38% | 7.50%    | 83.45% |
| Total capital to total RWA  | 10.65%   | 76.38% | 10.25%   | 83.45% |

# PAİR INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

### 38. 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.

#### 38.1 Credit risk

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

- Participation in portfolio planning and management.
- Establishment of credit policies and standards that conform to regulatory requirements and the Company's overall objectives.
- Working with Business Units in keeping aggregate credit risk exposure within the Company's risk appetite.
- 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 financial 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.

# PAIR INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

### 38.1.1 Credit Risk – General Disclosures Basel II/ III specific

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

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

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

Types of exposures and ECAI's used :

| Exposures | JCR-VIS | PACRA |
|-----------|---------|-------|
| Banks     | ✓       | ✓     |
| Corporate | ✓       | ✓     |

### Credit exposures subject to standardised approach Exposures

|                              | Rating<br>Category | Amount<br>Outstanding | Deduction        | Net amount        |
|------------------------------|--------------------|-----------------------|------------------|-------------------|
| ----- (Rupees in '000) ----- |                    |                       |                  |                   |
| Corporate                    | 1                  | 788,435               | -                | 788,435           |
|                              | 2                  | 1,729,445             | -                | 1,729,445         |
|                              | 3,4                | 17,675                | -                | 17,675            |
|                              | 5,6                | -                     | -                | -                 |
|                              | Unrated 1          | 1,480,026             | -                | 1,480,026         |
|                              | Unrated 2          | 2,434,996             | -                | 2,434,996         |
| Banks                        | 1                  | 5,756,479             | 5,187,461        | 569,018           |
| Sovereigns                   |                    | 7,723,145             | -                | 7,723,145         |
| Portfolio                    |                    | 4,486                 | -                | 4,486             |
| Residential Mortgage Finance |                    | 40,132                | -                | 40,132            |
| Past Due Loans               |                    | 878,404               | -                | 878,404           |
| Listed Equity investments    |                    | 1,156,518             | -                | 1,156,518         |
| Unlisted Equity investments  |                    | -                     | -                | -                 |
| Cash and Cash Equivalents    |                    | 712                   | -                | 712               |
| Others                       |                    | 552,698               | -                | 552,698           |
|                              |                    | <u>22,563,151</u>     | <u>5,187,461</u> | <u>17,375,690</u> |

CRM = Credit Risk Mitigation

# PAIR INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

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

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

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

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

### 38.1.3 Segmental information

#### 38.1.3.1 Segments by class of business

|   | 2016             |             |                  |             |                               |             |
|---|------------------|-------------|------------------|-------------|-------------------------------|-------------|
|   | Advances - Gross |             | Deposits         |             | Contingencies and commitments |             |
|   | Rupees in '000   | Percent     | Rupees in '000   | Percent     | Rupees in '000                | Percent     |
| Cement                                    | 75,000           | 1%          | -                | 0%          | -                             | 0%          |
| Sugar                                     | 801,225          | 13%         | -                | 0%          | -                             | 0%          |
| Electronics and electrical appliances     | -                | 0%          | -                | 0%          | -                             | 0%          |
| Construction                              | 284,860          | 5%          | -                | 0%          | -                             | 0%          |
| Power (electricity), gas, water, sanitary | 689,002          | 11%         | -                | 0%          | 163,658                       | 74%         |
| Financial                                 | 577,731          | 9%          | 825,000          | 40%         | -                             | 0%          |
| Services                                  | 608,340          | 10%         | 981,468          | 47%         | -                             | 0%          |
| Textile                                   | 773,150          | 12%         | -                | 0%          | -                             | 0%          |
| Transport, Storage and Communication      | 45,896           | 1%          | -                | 0%          | -                             | 0%          |
| Fertilizer                                | 799,857          | 13%         | -                | 0%          | -                             | 0%          |
| Infrastructure                            | 214,542          | 3%          | -                | 0%          | -                             | 0%          |
| Individuals                               | -                | 0%          | 23,260           | 1%          | -                             | 0%          |
| Paper and board                           | 52,009           | 1%          | -                | 0%          | -                             | 0%          |
| Steel                                     | 670,899          | 11%         | -                | 0%          | -                             | 0%          |
| Oil and Gas                               | 360,000          | 6%          | -                | 0%          | -                             | 0%          |
| Others                                    | 329,721          | 5%          | 250,000          | 12%         | 58,734                        | 26%         |
|   | <b>6,282,232</b> | <b>100%</b> | <b>2,079,728</b> | <b>100%</b> | <b>222,392</b>                | <b>100%</b> |

PAIR INVESTMENT COMPANY LIMITED  
**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2016

2015

|   | Advances - Gross |             | Deposits         |             | Contingencies and commitments |           |
|---|------------------|-------------|------------------|-------------|-------------------------------|-----------|
|   | Rupees in '000   | Percent     | Rupees in '000   | Percent     | Rupees in '000                | Percent   |
| Cement                                    | 75,000           | 2%          | 61,962           | 0%          | -                             | 0%        |
| Sugar                                     | 455,736          | 10%         | 10,000           | 0%          | -                             | 0%        |
| Electronics and electrical appliances     | -                | 0%          | -                | 0%          | -                             | 0%        |
| Construction                              | 314,443          | 7%          | -                | 0%          | -                             | 0%        |
| Power (electricity), gas, water, sanitary | 760,652          | 17%         | -                | 0%          | -                             | 0%        |
| Financial                                 | -                | 0%          | 1,650,000        | 87%         | -                             | 0%        |
| Services                                  | 459,871          | 11%         | -                | 0%          | -                             | 0%        |
| Textile                                   | 864,817          | 20%         | -                | 0%          | -                             | 0%        |
| Transport, Storage and Communication      | -                | 0%          | -                | 0%          | -                             | 0%        |
| Fertilizer                                | 285,714          | 7%          | -                | 0%          | -                             | 0%        |
| Infrastructure                            | 256,997          | 6%          | -                | 0%          | -                             | 0%        |
| Individuals                               | -                | 0%          | -                | 0%          | -                             | 0%        |
| Paper and board                           | 86,250           | 2%          | -                | 0%          | -                             | 0%        |
| Steel                                     | 546,665          | 13%         | -                | 0%          | -                             | 0%        |
| Oil and Gas                               | 146,429          | 3%          | -                | 0%          | -                             | 0%        |
| Others                                    | 113,998          | 3%          | 168,540          | 9%          | -                             | 0%        |
|   | <b>4,366,572</b> | <b>100%</b> | <b>1,890,502</b> | <b>100%</b> | <b>-</b>                      | <b>0%</b> |

# PAIR INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

### 38.1.3.2 Segment by sector

| 2016                |                  |             |                  |             |                               |          |
|---------------------|------------------|-------------|------------------|-------------|-------------------------------|----------|
|                     | Advances - Gross |             | Deposits         |             | Contingencies and commitments |          |
|                     | Rupees in '000   | Percent     | Rupees in '000   | Percent     | Rupees in '000                | Percent  |
| Public / Government | -                | 0%          | -                | 0%          | -                             | -        |
| Private             | 6,282,232        | 100%        | 2,079,728        | 100%        | 222,392                       | -        |
|                     | <u>6,282,232</u> | <u>100%</u> | <u>2,079,728</u> | <u>100%</u> | <u>222,392</u>                | <u>-</u> |

| 2015                |                  |             |                  |             |                               |          |
|---------------------|------------------|-------------|------------------|-------------|-------------------------------|----------|
|                     | Advances - Gross |             | Deposits         |             | Contingencies and commitments |          |
|                     | (Rupees in '000) | Percent     | (Rupees in '000) | Percent     | (Rupees in '000)              | Percent  |
| Public / Government | -                | 0%          | -                | 0%          | -                             | -        |
| Private             | 4,366,572        | 100%        | 1,890,502        | 100%        | -                             | -        |
|                     | <u>4,366,572</u> | <u>100%</u> | <u>1,890,502</u> | <u>100%</u> | <u>-</u>                      | <u>-</u> |

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

|                | 2016                |                          | 2015                |                          |
|----------------|---------------------|--------------------------|---------------------|--------------------------|
|                | Classified Advances | Specific Provisions Held | Classified Advances | Specific Provisions Held |
| Cement         | 75,000              | 75,000                   | 75,000              | 75,000                   |
| Construction   | 218,000             | 218,000                  | 314,443             | 314,443                  |
| Textile        | 500,000             | 500,000                  | 500,000             | 476,182                  |
| Infrastructure | 204,672             | 35,288                   | 231,481             | 31,749                   |
| Sugar          | 75,416              | 29,591                   | 78,904              | 8,904                    |
| Others         | 95,250              | -                        | 100,250             | 1,250                    |
|                | <u>1,168,338</u>    | <u>857,879</u>           | <u>1,300,078</u>    | <u>907,528</u>           |

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

|                     |                  |                |                  |                |
|---------------------|------------------|----------------|------------------|----------------|
| Public / Government | -                | -              | -                | -              |
| Private             | 1,168,338        | 857,879        | 1,300,078        | 907,528        |
|                     | <u>1,168,338</u> | <u>857,879</u> | <u>1,300,078</u> | <u>907,528</u> |

# PAIR INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

### 38.1.3.5 Geographical segment analysis

|          | 2016                   |                       |                     |                             |
|----------|------------------------|-----------------------|---------------------|-----------------------------|
|          | Profit before taxation | Total assets employed | Net assets employed | Contingencies & commitments |
|          | Rupees in '000         |                       |                     |                             |
| Pakistan | <u>861,091</u>         | <u>18,598,471</u>     | <u>9,449,959</u>    | <u>222,392</u>              |
|          | 2015                   |                       |                     |                             |
|          | Profit before taxation | Total assets employed | Net assets employed | Contingencies & commitments |
|          | Rupees in '000         |                       |                     |                             |
| Pakistan | <u>923,331</u>         | <u>23,221,277</u>     | <u>9,193,478</u>    | <u>-</u>                    |

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

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

As of 31 December 2016 the equity portfolio of the Company comprised of investment in equities Majority of listed and unlisted equities are classified in Held for trading (HFT) and Available for Sale (AFS) while some unlisted equities are classified in Held to Maturity (HTM) category. The marked to market valuation on the listed equities is done on daily basis and any unrealised gain / loss is booked in the profit and loss account and the statement of financial position respectively.

### 38.3 Market risk

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

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

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

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

# PAIR INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

### 38.3.1 Foreign exchange risk

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

|                             | 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                   |
|                             | <u>18,598,471</u> | <u>9,148,512</u>  | <u>222,392</u>          | <u>9,672,351</u>      |
|                             | 2015              |                   |                         |                       |
|                             | Assets            | Liabilities       | Off-balance sheet items | Net currency exposure |
| ------(Rupees in '000)----- |                   |                   |                         |                       |
| Pakistan Rupees             | 22,408,194        | 14,027,799        | -                       | 8,380,395             |
| US Dollars                  | 813,036           | -                 | -                       | 813,036               |
| Euros                       | 47                | -                 | -                       | 47                    |
|                             | <u>23,221,277</u> | <u>14,027,799</u> | <u>-</u>                | <u>9,193,478</u>      |

### 38.3.2 Equity position risk

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

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

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

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

# PAIR INVESTMENT COMPANY LIMITED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

## 38.3.4 Mismatch of interest rate sensitive assets and liabilities

2016

| Effective yield / interest rate | Exposed to yield / interest risk |                 |                          |                           |                         |                        |                         |                         |                          |               | Non-interest bearing financial instruments |
|---------------------------------|----------------------------------|-----------------|--------------------------|---------------------------|-------------------------|------------------------|-------------------------|-------------------------|--------------------------|---------------|--|
|                                 | Total                            | Up to one 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                                | 64,205     | 432,783   | -         | -         | -         | -     | -         | -       | -       | -      | - | - | - | - | - | - | - | - | 63,680    |   |
|---------------------------------------|------------|-----------|-----------|-----------|-----------|-------|-----------|---------|---------|--------|---|---|---|---|---|---|---|---|-----------|---|
| Cash and balances with treasury banks | 525        | 432,783   | -         | -         | -         | -     | -         | -       | -       | -      | - | - | - | - | - | - | - | - | -         | - |
| Balances with other banks             | -          | -         | -         | -         | -         | -     | -         | -       | -       | -      | - | - | - | - | - | - | - | - | -         | - |
| Lendings to financial institutions    | -          | -         | -         | -         | -         | -     | -         | -       | -       | -      | - | - | - | - | - | - | - | - | -         | - |
| Investments - net                     | 1,674,440  | 4,157,544 | 4,157,544 | 1,206,870 | 2,039,635 | -     | 1,337,549 | -       | -       | -      | - | - | - | - | - | - | - | - | 1,106,017 |   |
| Advances - net                        | 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                    | 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

| Liabilities                            | 6,549,981 | 2,079,728 | 518,803   | 9,148,512 | 5,541,445 | 1,932,599 | 807,233 | 71,768 | 47,066 | 45,583 | 91,167 | 92,628 | - | - | - | - | - | - | - | 220 | 518,803 |         |
|--|-----------|-----------|-----------|-----------|-----------|-----------|---------|--------|--------|--------|--------|--------|---|---|---|---|---|---|---|-----|---------|---------|
| Borrowings from financial institutions | 5,307,749 | 650,000   | 1,282,599 | 312,500   | 3,288     | 47,066    | 45,583  | 91,167 | 92,628 | -      | -      | -      | - | - | - | - | - | - | - | -   | 220     | 518,803 |
| Deposits and other accounts            | 233,696   | -         | -         | 494,733   | 68,480    | -         | -       | -      | -      | -      | -      | -      | - | - | - | - | - | - | - | -   | -       | -       |
| Other liabilities - net                | -         | -         | -         | -         | -         | -         | -       | -      | -      | -      | -      | -      | - | - | - | - | - | - | - | -   | -       | -       |
|  | 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 |
|--|-----------|-------------|-----------|-----------|-----------|----------|-----------|---------|---------|--------|-----------|

520,560

### Non financial net assets

9,449,959

Total net assets



# PAIR INVESTMENT COMPANY LIMITED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

2015

| Effective yield / interest rate                         | Total            | Exposed to yield / interest risk |                          |                           |                          |                        |                         |                         | Non-interest bearing financial instruments |                          |
|---|------------------|----------------------------------|--------------------------|---------------------------|--------------------------|------------------------|-------------------------|-------------------------|--|--------------------------|
|   |                  | Up to 1 month                    | Over 1 month to 3 months | Over 3 months to 6 months | Over 6 months to 1 years | Over 1 year to 2 years | Over 2 years to 3 years | Over 3 years to 5 years |  | Over 5 years to 10 years |
|   |                  | (Rupees in '000)                 |                          |                           |                          |                        |                         |                         |  |                          |
| <b>On-balance sheet financial instruments</b>           |                  |                                  |                          |                           |                          |                        |                         |                         |  |                          |
| <b>Assets</b>   |                  |                                  |                          |                           |                          |                        |                         |                         |  |                          |
| Cash and balances with treasury banks                   | 46,114           |                                  |                          |                           |                          |                        |                         |                         |  | 46,114                   |
| Balances with other banks                               | 215,426          | 215,426                          |                          |                           |                          |                        |                         |                         |  |                          |
| Lendings to financial institutions                      | -                |                                  |                          |                           |                          |                        |                         |                         |  |                          |
| Investments - net                                       | 18,543,009       | 817,874                          | 2,152,969                | 4,340,671                 | 6,052,209                | 1,060,643              | 345,961                 | 2,696,610               | -  | 1,076,072                |
| Advances - net  | 3,502,948        | 849,076                          | 964,561                  | 659,673                   | 327,879                  | 3,617                  | 3,007                   | 4,414                   | 284,999                                    | 388,801                  |
| Other assets - net                                      | 462,778          |                                  |                          |                           |                          |                        |                         |                         |  | 462,778                  |
|   | 22,770,275       | 1,882,376                        | 3,117,530                | 5,000,344                 | 6,380,088                | 1,064,260              | 348,968                 | 2,701,024               | 284,999                                    | 1,973,765                |
| <b>Liabilities</b>                                      |                  |                                  |                          |                           |                          |                        |                         |                         |  |                          |
| Borrowings from financial institutions                  | 11,652,435       | 7,247,343                        | 3,677,996                | 437,500                   |                          |                        | 16,446                  |                         | 273,150                                    | 80                       |
| Deposits and other accounts                             | 1,890,502        | 170,354                          | 1,706,608                | 13,460                    |                          |                        |                         |                         |  | 484,862                  |
| Other liabilities - net                                 | 484,862          |                                  |                          |                           |                          |                        |                         |                         |  |                          |
|   | 14,027,799       | 7,417,697                        | 5,384,604                | 450,960                   |                          |                        | 16,446                  |                         | 273,150                                    | 484,942                  |
| On-balance sheet gap                                    | 8,742,476        | (5,535,321)                      | (2,267,074)              | 4,549,384                 | 6,380,088                | 1,064,260              | 332,522                 | 2,701,024               | 11,849                                     | 1,488,823                |
| Non financial net assets                                | 451,002          |                                  |                          |                           |                          |                        |                         |                         |  |                          |
| Total net assets  | 9,193,478        |                                  |                          |                           |                          |                        |                         |                         |  |                          |
| <b>Off-balance sheet financial instruments</b>          |                  |                                  |                          |                           |                          |                        |                         |                         |  |                          |
| Equity Future   | -                | -                                | -                        | -                         | -                        | -                      | -                       | -                       | -  | -                        |
| Forward Lending   | -                | -                                | -                        | -                         | -                        | -                      | -                       | -                       | -  | -                        |
| Forward borrowings                                      | -                | -                                | -                        | -                         | -                        | -                      | -                       | -                       | -  | -                        |
| Off-balance sheet gap                                   | -                | -                                | -                        | -                         | -                        | -                      | -                       | -                       | -  | -                        |
| <b>Total yield / interest risk sensitivity gap</b>      | <b>8,742,476</b> | <b>(5,535,321)</b>               | <b>(2,267,074)</b>       | <b>4,549,384</b>          | <b>6,380,088</b>         | <b>1,064,260</b>       | <b>332,522</b>          | <b>2,701,024</b>        | <b>11,849</b>                              | <b>1,488,823</b>         |
| <b>Cumulative yield / interest risk sensitivity gap</b> | <b>8,742,476</b> | <b>(5,535,321)</b>               | <b>(7,802,395)</b>       | <b>(3,253,011)</b>        | <b>3,127,077</b>         | <b>4,191,337</b>       | <b>4,523,859</b>        | <b>7,224,883</b>        | <b>7,236,732</b>                           | <b>8,742,476</b>         |

38.4

## 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.

# PAIR INVESTMENT COMPANY LIMITED NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

## 38.4.1 Maturity of assets and liabilities

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

### 38.4.1.1 Maturities of assets and liabilities

2016

|  | Total             | Up to 1 month      | Over 1 month to 3 months | Over 3 months to 6 months | Over 6 months to 1 years | Over 1 year to 2 years | Over 2 years to 3 years | Over 3 years to 5 years | Over 5 years to 10 years | Over 10 years  |
|--|-------------------|--------------------|--------------------------|---------------------------|--------------------------|------------------------|-------------------------|-------------------------|--------------------------|----------------|
| ----- (Rupees in '000) -----                         |                   |                    |                          |                           |                          |                        |                         |                         |                          |                |
| <b>Assets</b>  |                   |                    |                          |                           |                          |                        |                         |                         |                          |                |
| 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        |
|  | <b>18,598,471</b> | <b>1,645,760</b>   | <b>4,212,821</b>         | <b>1,664,774</b>          | <b>3,498,749</b>         | <b>1,147,721</b>       | <b>2,441,915</b>        | <b>1,366,922</b>        | <b>2,077,158</b>         | <b>542,651</b> |
| <b>Liabilities</b>                                   |                   |                    |                          |                           |                          |                        |                         |                         |                          |                |
| 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                    | -                        | -                      | -                       | -                       | -                        | -              |
|  | <b>9,148,512</b>  | <b>5,856,410</b>   | <b>1,993,885</b>         | <b>574,865</b>            | <b>259,408</b>           | <b>172,066</b>         | <b>108,083</b>          | <b>91,167</b>           | <b>92,628</b>            | <b>-</b>       |
| <b>Net assets</b>                                    | <b>9,449,959</b>  | <b>(4,210,650)</b> | <b>2,218,936</b>         | <b>1,089,909</b>          | <b>3,239,341</b>         | <b>975,655</b>         | <b>2,333,832</b>        | <b>1,275,755</b>        | <b>1,984,530</b>         | <b>542,651</b> |
| <b>Represented by:</b>                               |                   |                    |                          |                           |                          |                        |                         |                         |                          |                |
| Share capital  | 6,000,000         |                    |                          |                           |                          |                        |                         |                         |                          |                |
| Reserves   | 794,107           |                    |                          |                           |                          |                        |                         |                         |                          |                |
| Unappropriated profit                                | 2,572,774         |                    |                          |                           |                          |                        |                         |                         |                          |                |
| Surplus on revaluation of assets-net of deferred tax | 83,078            |                    |                          |                           |                          |                        |                         |                         |                          |                |
|  | <b>9,449,959</b>  |                    |                          |                           |                          |                        |                         |                         |                          |                |

# PAIR INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

2015

|  | 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)                                     |                  |               |                          |                           |                         |                        |                         |                         |                          |               |
| <b>Assets</b>  |                  |               |                          |                           |                         |                        |                         |                         |                          |               |
| Cash and balances with treasury banks                | 46,114           | 46,114        | -                        | -                         | -                       | -                      | -                       | -                       | -                        | -             |
| Balances with other banks                            | 215,426          | 215,426       | -                        | -                         | -                       | -                      | -                       | -                       | -                        | -             |
| Lendings to financial institutions                   | -                | -             | -                        | -                         | -                       | -                      | -                       | -                       | -                        | -             |
| Investments - net                                    | 18,543,009       | 158,234       | 2,180,418                | 3,646,364                 | 6,285,379               | 1,493,102              | 617,703                 | 2,999,957               | 1,161,852                | -             |
| Advances - net                                       | 3,502,948        | 228,998       | 341,009                  | 149,480                   | 417,816                 | 834,004                | 758,315                 | 448,337                 | 324,989                  | -             |
| Operating fixed assets                               | 191,311          | -             | -                        | -                         | -                       | -                      | -                       | -                       | -                        | -             |
| Deferred tax asset - net                             | 259,691          | -             | -                        | -                         | -                       | -                      | -                       | -                       | -                        | -             |
| Other assets - net                                   | 462,778          | 52,711        | 24,866                   | 368,582                   | 11,719                  | 4,900                  | -                       | -                       | -                        | -             |
|  | 23,221,277       | 701,483       | 2,546,293                | 4,164,426                 | 6,714,914               | 2,332,006              | 1,376,018               | 3,448,294               | 1,486,841                | -             |
| <b>Liabilities</b>                                   |                  |               |                          |                           |                         |                        |                         |                         |                          |               |
| Borrowings from financial institutions               | 11,652,435       | 7,250,631     | 3,456,663                | 62,500                    | 190,788                 | 381,576                | 173,877                 | 136,400                 | -                        | -             |
| Deposits and other accounts                          | 1,890,502        | 170,354       | 1,706,608                | 13,460                    | 80                      | -                      | -                       | -                       | -                        | -             |
| Other liabilities - net                              | 484,862          | 219,805       | 30,787                   | 229,370                   | -                       | 4,900                  | -                       | -                       | -                        | -             |
|  | 14,027,799       | 7,640,790     | 5,194,058                | 305,330                   | 190,868                 | 386,476                | 173,877                 | 136,400                 | -                        | -             |
| <b>Net assets</b>                                    | 9,193,478        | (6,939,307)   | (2,647,765)              | 3,859,096                 | 6,524,046               | 1,945,530              | 1,202,141               | 3,311,894               | 1,486,841                | -             |
| <b>Represented by:</b>                               |                  |               |                          |                           |                         |                        |                         |                         |                          |               |
| Share capital  | 6,000,000        |               |                          |                           |                         |                        |                         |                         |                          |               |
| Reserves   | 673,449          |               |                          |                           |                         |                        |                         |                         |                          |               |
| Unappropriated profit                                | 2,390,166        |               |                          |                           |                         |                        |                         |                         |                          |               |
| Surplus on revaluation of assets-net of deferred tax | 129,863          |               |                          |                           |                         |                        |                         |                         |                          |               |
|  | <b>9,193,478</b> |               |                          |                           |                         |                        |                         |                         |                          |               |

# PAIR INVESTMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

### 38.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. PAIR Investment Company, in the light of SBP guidelines on Operational Risk Framework via BPRD Circular# 04-2014 dated May 20, 2014, has developed Operational Risk Management Framework considering the regulatory guidelines and best practices in the market. The internal and regulatory reporting pertaining to Operational Risk Management shall start from 1st Quarter CY'17, as timelines defined by the regulator. Once the framework is implemented, the Company will be able to manage operational risks in a more systematic way that includes analyzing current systems for data collection, migration, validation and retention for current and historical reference and calculation.

#### 38.5.1 Operational risk disclosure - Basel II/III specific

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

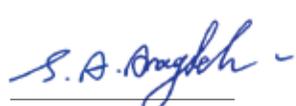
### 39. RECLASSIFICATION

For the better presentation of financial statements, the figures have been reclassified as follows:

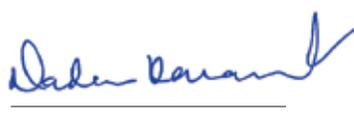
| From        | To           | Rs in '000 |
|-------------|--------------|------------|
| Investments | Other assets | 264,364    |

### 40. GENERAL

- 40.1 These financial statements were authorized for issue on Feb 17, 2017 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. 300 million (2015: Rs. 300 million) for the year ended December 31, 2016 in their meeting held on Feb 17, 2017. These financial statements do not include the effect of this appropriation which will be accounted for subsequent to the year end.



Chairman



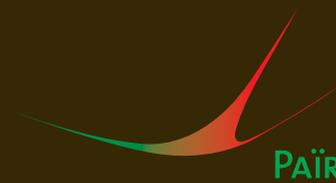
Chief Executive & Managing Director



Director



Director



Investment Company Limited

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