



# AWARD WINNING BANKING

## ANNUAL REPORT 2015



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# CORPORATE

INFORMATION







# We

are a leading commercial bank, established on November 8, 1949 under the National Bank of Pakistan Ordinance 1949. While we have been entrusted to act as the trustee of public funds and as the agent to the State Bank of Pakistan\*; over the years, we have redefined our role into a modern growth-oriented commercial bank by expanding our business network across continents and by capturing large market share in the debt equity market, corporate investment banking, retail and consumer banking, agricultural financing and treasury services in Pakistan. We have an international presence through our branches and subsidiaries in the Far East, Middle East, South Asia, Central Asia, Europe and North America.

Together, with our local and international subsidiaries, we provide commercial banking services including corporate loans, investment advisory, forex, global remittances, underwriting, asset management, agency services, brokerage, leasing, modarba and such other banking & financial services. We strive in promoting financial inclusion of the unbanked masses in the country, creating equal employment opportunities, identifying & delivering our responsibilities as a good corporate citizen.

**20**  
Countries

**1403**  
Domestic Online Branches

**79**  
Islamic Branches

**21**  
Foreign Branches

**8**  
Local & International  
Subsidiaries

**AAA**  
Rated 'AAA' by both  
PACRA and JCR-VIS

*\* in places where SBP does not have presence.*



## CORPORATE INFORMATION

### Board of Directors

**Muneer Kamal**

Chairman

**Syed Ahmed Iqbal Ashraf**

President

**Tariq Kirmani**

Director

**Farrakh Qayyum**

Director

**Muhammad Naeem**

Director

**A. Akbar Sharifzada**

Director

**Mir Balakh Sher Marri**

Director

**Iftikhar A. Allawala**

Director

### Board Committees

Director	Board Risk Committee	Board Audit Committee	Board HR Committee	Board IT Committee
Farrakh Qayyum	Member	Member	Member & Chairman	
Syed Ahmed Iqbal Ashraf	Member		Member	Member
Tariq Kirmani		Member	Member	Member & Chairman
Muhammad Naeem	Member	Member & Chairman	Member	
Iftikhar A. Allawala	Member & Chairman	Member		Member
A. Akbar Sharifzada		Member	Member	
Mir Balakh Sher Marri	Member	Member	Member	Member

### Company Secretary

**S. M. Ali Zamin**

Executive Vice President

### Registered & Head Office

NBP Building  
I.I. Chundrigar Road,  
Karachi, Pakistan

### Auditors

**Ernst & Young Ford Rhodes Sidat Hyder**

Chartered Accountants

**KPMG Taseer Hadi & Co.**

Chartered Accountants

### Registrar & Share Registration Office

Central Depository Co. of Pakistan (CDC),  
CDC House, 99-B, Block-B, S.M.C.H.S.,  
Main Sharah-e-Faisal, Karachi, Pakistan  
UAN: 111-111-500

### Legal Advisor

**Mandviwalla & Zafar**

Advocates & Legal Consultants

### Website

[www.nbp.com.pk](http://www.nbp.com.pk)





## Think Green!

Our shareholders can help us improve the environment by consenting to receive the Financial Statements through email only. If you haven't already, please fill in the consent form given at the end of this report. Financial Statements are now also accessible online.

Please visit our website for online access to the Annual Report.



## Through the Year 2015

### Account Opening

We simplified the account opening process with reduction in the minimum initial deposit to as low as Rs. 100.

### Recovery of NPLs

Rs. 4,986 Mn. provision write-back during the year.

### Advance Salary

We have facilitated more than 350 thousand Government employees through our Advance Salary product.

### Financial Inclusion

We have extended Rs. 6,600 Mn of soft loans to more than 7,000 Youth under the PMYBL Scheme. We extended Agri-Loans to our 270 thousand agri-farmers.

### Network & Customer Facilitation

We opened 49 more branches. Installed 500+ Biometric-enabled ATMs. Installation of another 500 is expected during 2016. We issued 118,000 new ATM Cards, taking the total to 1.48 Mn.

### Going Electronic

NBP Paigham: SMS Alert Service and E- statement. Automation of pension payment through biometric ATMs to be enabled by June 2016.

### With the Society

We identified and acknowledged our social responsibilities through generous contributions and donations.

### Winning the World Over

We achieved the 'Bank of the Year Award - 2015', awarded by The Banker - UK.

### G2P Services

Collection of taxes/government fees through ATM and telcos. Footprint increased from 605 authorised branches to over 100,000+ agents of telcos.

### Shareholders' Value

Shareholders' value enhanced through dividend payout of Rs. 15.96 Bn.

### Infrastructural

The Core Banking Application has now been deployed at our entire domestic branch network of 1403 branches.

### Islamic Banking

Our Islamic Branches' Network now stands increased from 22 branches to 79 branches with total deposits of Rs. 12.7 Bn.

## Our Drivers for the Year 2016

Further market penetration for greater financial inclusion.

Improved alternative delivery channels & customer services.

Reduction in NPLs through recoveries and rehabilitation of infected portfolio.

Image building through face lift of branches.

Investing in our people through training & capacity building.

Strengthening compliance and controls.

Improving customer service quality.

Lending growth and improving asset quality.

Partnering for economic development in the country.



BOARD OF DIRECTORS



Mr. Tariq Kirmani  
Director

Mr. Muhammad Naeem  
Director

Mr. Balakh Sher Marri  
Director

Mr. Muneer Kamal  
Chairman

Syed Ahmed Iqbal Ashraf  
President

Mr. Iftikhar A. Allawala  
Director

Mr. A. Akbar Sharifzada  
Director

Mr. Farrakh Qayyum  
Director



## MR. MUNEEB KAMAL

**CHAIRMAN** National Bank of Pakistan and Chairman of Pakistan Stock Exchange (Formerly: Karachi Stock Exchange) [“PSX”], has over 35 years of extensive experience in banking and financial sector. With an MBA degree from University of Karachi, his career started with Citibank where, between November 1979 and July 1994, he served locally and internationally on various senior positions including his term as Director, Head of Country Public Sector and Financial Institutions. During this association, he also attended a number of training courses / programs in Far East, Middle East and Africa.

Mr. Kamal then joined Faysal Bank Limited as President/CEO and led to spread out its operations from 3 branches to 11 and also expanded the balance sheet size from Rs.3 billion to Rs.30 billion.

Mr. Kamal also held position of President/CEO, and then as Vice Chairman and Chief Operating Officer (International) of the Union Bank Limited, where he had been instrumental in various acquisitions done by Union Bank Limited i.e. Bank of America, American Express Credit Cards, Emirates Bank International and Mashreq Bank, Sri Lanka. As a result, Union Bank emerged as a success story and was ably acquired by Standard Chartered Bank.

After his stint with Union Bank, Mr. Kamal began his association with KASB Group - first as President/CEO of KASB Bank Limited from November 2005 to August 2010 and then as Vice Chairman of KASB Group. For KASB Bank, he again oversaw the manifold expansion of operations coupled with acquisition of other entities and introduction of new and modern products, services, policies, procedures and systems.

### Other Directorships & Offices:

- Chairman, Pakistan Stock Exchange;
- Director, United National Bank Limited (UK);
- Director, Engro Corporation Limited;
- Director, Karachi Education Initiative.





## SYED AHMED IQBAL ASHRAF

**PRESIDENT** Syed Ahmed Iqbal Ashraf has rich experience of over 35 years in domestic and international banking. Mr. Ashraf is a Fellow of the Association of Chartered Certified Accountants (FACCA) from the UK, from where he not only acquired his education but also started his career. His work experience spans over three continents as he worked in the UK, USA and UAE for 19 years before he decided to return to Pakistan.

Prior to becoming the President of NBP, he was MD/CEO of PAIR Investment Company Limited. Mr. Ashraf has also enjoyed commanding positions as Group Chief at NBP and managed and revamped the Corporate & Investment Banking Group. He played a pivotal role in the establishment of a network of branches in the UK and USA for an International Bank. Another high point in his career is the establishment of Investment Banking Group for Habib Bank Limited. He successfully established the largest DFI, a JV between GoP & China's largest Policy Bank, CDB, in Pakistan. During his tenure as the Deputy Managing Director Pak China Investment Company Ltd., he successfully appraised multiple projects. He restructured, reformed and repositioned The Bank of Khyber as the Managing Director/CEO. He has also served as Country Head - Investment Banking & Head of Financial Institutions for Societe Generale (SG) - the French International Bank from 1996 to 2002. Amongst his achievements at SG, was the appointment as the Financial Advisor to the Privatisation Commission of Pakistan and successful privatisation of United Bank Limited. During his tenure with SG, he also successfully arranged numerous syndicated facilities as the Sole Arranger / Lead Arranger. He also helped the SG consortium to be appointed as Financial Advisor for privatization of PESCO by the Privatization Commission.

Mr. Ashraf is the Vice Chairman of Pakistan Banks' Association for the past 2 years. He is also director of four companies and a council member / trustee of three organisations.







## Mr. Farrakh Qayyum | Director

Mr. Farrakh Qayyum was appointed as Director of National Bank of Pakistan by the Government of Pakistan with effect from 9<sup>th</sup> September, 2013.

Mr. Farrakh Qayyum retired as Secretary to the Government of Pakistan. He served as Secretary Economic Affairs Division, Finance, Petroleum and Natural Resources, Telecommunications and Information Technology, Privatization and Science & Technology. Mr. Qayyum has extensive experience in policy and strategy formation and implementation, institutional development, economic and financial evaluation, in managing multi-disciplinary teams for financial and development projects, and in working closely with commercial banks and multilateral and bilateral donor agencies. Mr. Qayyum has played an instrumental role in the Government's financial sector and telecommunications sector reforms, and successful privatization of PTCL and some other financial institutions.

Mr. Qayyum holds a Master's Degree in Economics with a major in International Trade and Finance from the University of San Francisco, USA. He has received certifications from the Kennedy School of Government, Harvard University, the Overseas Economic Cooperation Fund and several other prestigious organizations.

He has represented Pakistan as Alternate Governor World Bank and Asian Development Bank in their annual meetings. He also served as Executive Director on the Board of Islamic Development Bank. He also represented the Government on the Boards of Directors of State Bank of Pakistan and PIA. He has also been on the Board of Directors of Allied Bank Limited, Pak China Investment Company Limited and PAIR Investment Company Limited. He is currently a member of the Economic Advisory Committee, constituted by the Ministry of Finance.

Mr. Qayyum is, presently, the Chief Executive Officer of GEI Pakistan Pvt. Ltd., a subsidiary of Global Energy Holdings Group, focused on delivering affordable and clean energy, water and power solutions to developing countries.





## Mr. Tariq Kirmani | Director

Soon after completing his Master's in Business Administration, Mr. Tariq Kirmani started his career with a multinational oil company (Caltex - later Chevron Pakistan) in 1969 and worked for 7 years in the United States (US), United Arab Emirates (UAE) and Australia in different senior management positions in marketing, operations and finance. In 1991, Mr. Tariq Kirmani became the first Pakistani to be elected as a Director of the Company.

In April 1999, he joined Pakistan State Oil as Deputy Managing Director and went on to become the Managing Director in July 2001. He turned around this public sector organization and converted it into a customer-focused entity, by giving it a new brand image and making it profitable, while aggressively competing with multinational companies like Shell, Chevron and TOTAL.

With PSO's successful turnaround and his 36 years of multifaceted experience in the corporate sector, both domestic and international, the Government of Pakistan appointed Mr. Tariq Kirmani as Chairman & CEO, Pakistan International Airlines (PIA) in April 2005. He served PIA for 2 years, during which he introduced customer focus, identified and initiated implementation of programs in three key areas for improvement; (a) Aircraft Fleet Renewal, (b) Employee Rationalization, (c) Systems and Processes through implementation of IT and Enterprise Resource Planning.

Mr. Tariq Kirmani has previously served on a number of Boards of multinational and public sector companies which includes Pakistan Refinery Limited, Pakistan Telecommunications Limited, Pakistan Private Infrastructure Board and Board of Governors at LUMS, Lahore.

Currently, he is also serving as the Chairman of UBL Fund Managers, National Academy of Performing Arts and Greenstar Social Marketing. He is also serving as Director on the Board of Professional Education Foundation and Family Education Services Foundation. Due to his personal efforts, PSO and PIA became members of the World Economic Forum, Davos, Switzerland and the World Business Council for Sustainable Development, Geneva, Switzerland.





## Mr. Iftikhar A. Allawala | Director

Mr. Iftikhar A. Allawala has over 40 years' experience in Management & Finance. After qualifying for an MBA (Master's of Business Administration) from IBA Karachi, he joined Citibank Pakistan. Within less than three years' of association with Citibank, he was promoted to Country Manager (Operations).

Later, he joined Speciality Printers Pvt. Ltd. Karachi (manufacturers of specialized flexible packaging materials) as a Director. Mr. Allawala has also served as Non-Executive Director on the Boards of various entities including:

Director, United Bank Ltd.

Chairman, Audit Committee - UBL.

Member, Board of Governors - IBA.

Member, Audit & Finance Committee - IBA.

Chairman, The Sri Lanka - Pakistan Business Council.

Director, State Bank of Pakistan (SBP).

Member, Monetary Policy Committee - SBP.





## Mr. Muhammad Naeem | Director

Mr. Muhammad Naeem is a Chartered Accountant by profession. He got his college education from F.C. College and Hailey College of Commerce in Lahore. He did his MBA from IBA, Karachi in 1964. He became a Chartered Accountant in 1967 after serving his Articleship with A.F. Ferguson & Co. in Karachi.

He qualified as a CPA from the State of California (USA).

He has been an Executive Committee member and President of the Lahore Tax Bar Association.

He has been a Council member and Vice President of the Institute of Chartered Accountants of Pakistan.

He has served as Executive Committee member and Vice President of Lahore Chamber of Commerce & Industry.

He has also served as Honorary Treasurer of the Pakistan Cricket Board.





## Mr. A. Akbar Sharifzada | Director

Mr. A. Akbar Sharifzada was nominated as Director on the Board of National Bank of Pakistan by the Government of Pakistan on November 17, 2015. He has a 26 year Civil Service career in the Government of Pakistan and has remained posted in different ministries, gaining wide-ranging policy making and administrative experience. Presently he is an Additional Finance Secretary in the Ministry of Finance, Islamabad. He holds Master's degrees in English Literature and Economics. He also attended a number of courses / workshops / seminars within the country and abroad.

Mr. Sharifzada has been Director on the Board of Pakistan Security Printing Corporation, PAIR Investment Company Limited, House Building Finance Corporation and Allied Bank Limited.





## Mr. Mir Balakh Sher Marri | Director

Mir Balakh Sher Marri comes from the noble Marri family of District Kohlu, Balochistan. The brave family is well known for their meritorious services rendered for the uplift and well-being of the downtrodden masses in the locality, as well as the overall good of the country in general and the Balochistan province in particular. Mr. Balakh Sher belongs to the prestigious Marri tribe of Pakistan and is the Chief of the renowned Pawdi Marri tribe.

Mir Balakh Sher Marri is presently Financial Advisor to M/s Bolan Security (Pvt.) Ltd., M/s Surveillance Security Solutions and M/s Index Pakistan (Pvt.) Ltd. He is also Technical Advisor to M/s SFM Hasni Traders & Industries (Pvt.) Ltd. Pakistan.

Mr. Marri's schooling was from Aitchison College, Lahore. He is a law graduate and also holds a Master's Degree from University of Balochistan. He was a Minister and held the portfolio of Local Government, Rural Development and Women Development, Government of Balochistan from 1996-1997.





*Sitting: Left to Right*

**SULTANA NAHEED**  
SEVP / Group Chief  
Risk Management Group

**MASOOD KARIM SHAIKH**  
SEVP / Group Chief  
International Banking Group

**MUHAMMAD NUSRAT VOHRA**  
SEVP / Group Chief  
Treasury Management Group

**NAUSHERWAN ADIL**  
SEVP / Group Chief  
Operations Group

**SYED AHMED IQBAL ASHRAF**  
President

**ASIF HASSAN**  
SEVP / Group Chief  
Audit & Inspection Group

**TARIQ JAMALI**  
SEVP / Group Chief  
Logistic Support Group

**KAUSAR IQBAL MALIK**  
SEVP / Group Chief  
Compliance Group

**MUDASSIR H. KHAN**  
SEVP / Group Chief  
Commercial Retail Banking Group

*Standing: Left to Right*

**MIRZA BABUR BAIG**  
EVP / PSO to the President

**MUFTI EHSAN WAQUAR AHMAD**  
Shariah Advisor

**AKBAR HASAN KHAN**  
EVP / Head  
Corporate Investment Banking Group

**MAHMOOD SIDDIQUE**  
EVP, Divisional Head / CIO  
IT Division

**AAMIR SATTAR**  
SEVP / Chief Financial Officer  
Financial Control Division

**S. M. ALI ZAMIN**  
EVP, Secretary Board of  
Directors

**WAJAHAT A. BAQAI**  
SEVP / Head  
Credit Management Group

**OVAIS ASAD KHAN**  
EVP / Head  
Strategic Marketing Division

**SAHIBZADA RAFAT RAOOF ALI KHAN**  
EVP / Head  
Assets Recovery Group

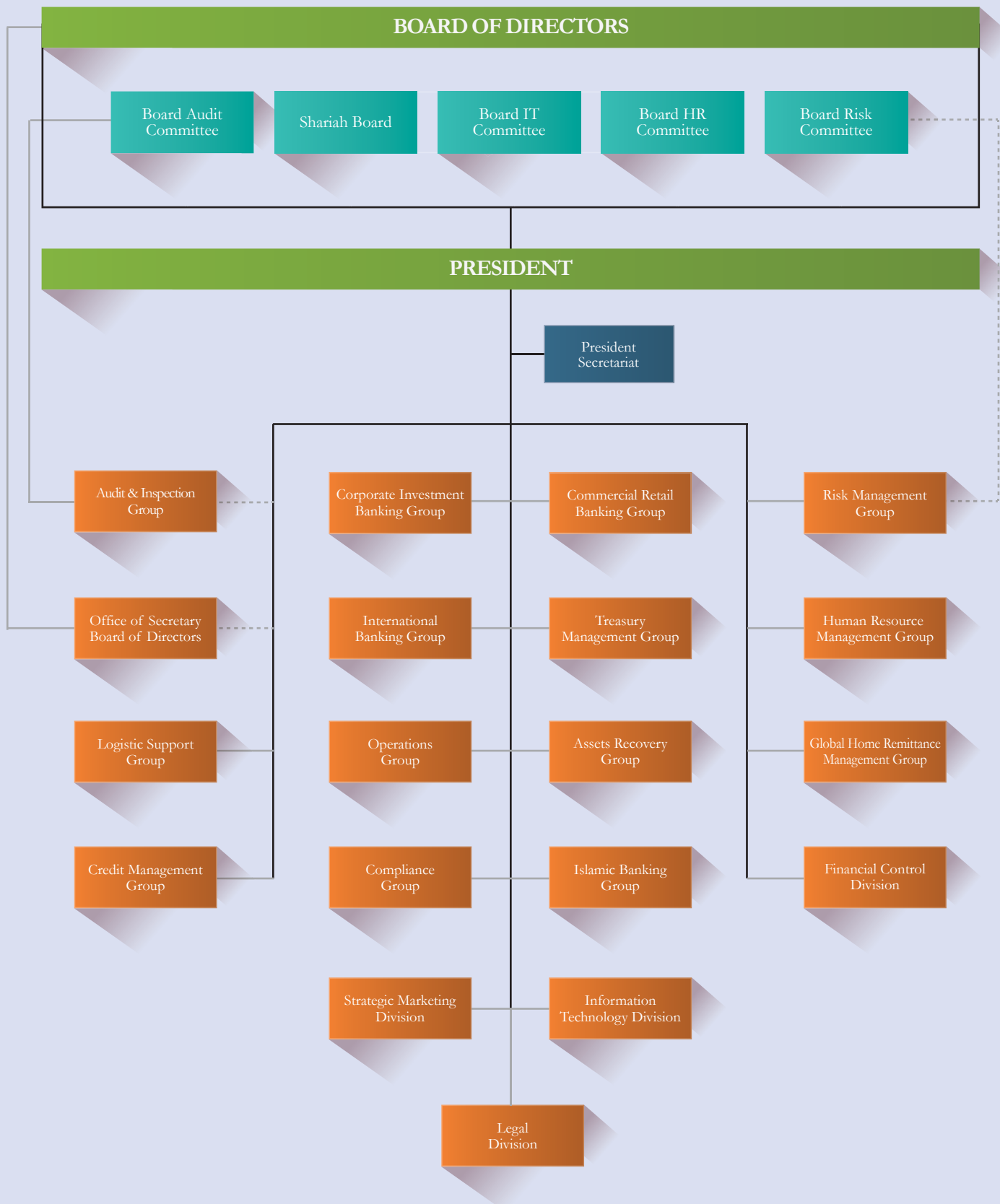
**ZAHID MEHMOOD CHAUDHRY**  
SEVP / Group Chief  
Human Resource Management Group

**KHAWAJA M. AMIN-UL-AZAM**  
EVP / Head  
Islamic Banking Group

**RIFFAT SULTANA MUGHAL**  
SVP / Head (A)  
Legal Division



# ORGANOGRAM





## OUR BUSINESS, OBJECTIVES AND STRATEGY

### Our Business

Together, with our local and foreign subsidiaries, we provide commercial banking services including commercial loans, investment advisory, asset management, global remittances, agency services, forex, leasing, modarba, underwriting, brokerage, and such other services.

Key stream of our income includes net mark-up/interest income generated through loans & investments under both conventional and Islamic modes of financing. This is the residue from the mark-up income generated through lending to our individual, commercial and corporate borrowers, and investments, the cost we bear on the deposits placed by customers, borrowings and other debt obligations. We earn non mark-up income by way of fees for financial services and other products, and the income generated through investments, dividend income, gains on equity investments, income through dealing in foreign exchange, government securities, etc. We also earn through strategic investments in other entities as well as investments in subsidiaries and associates.

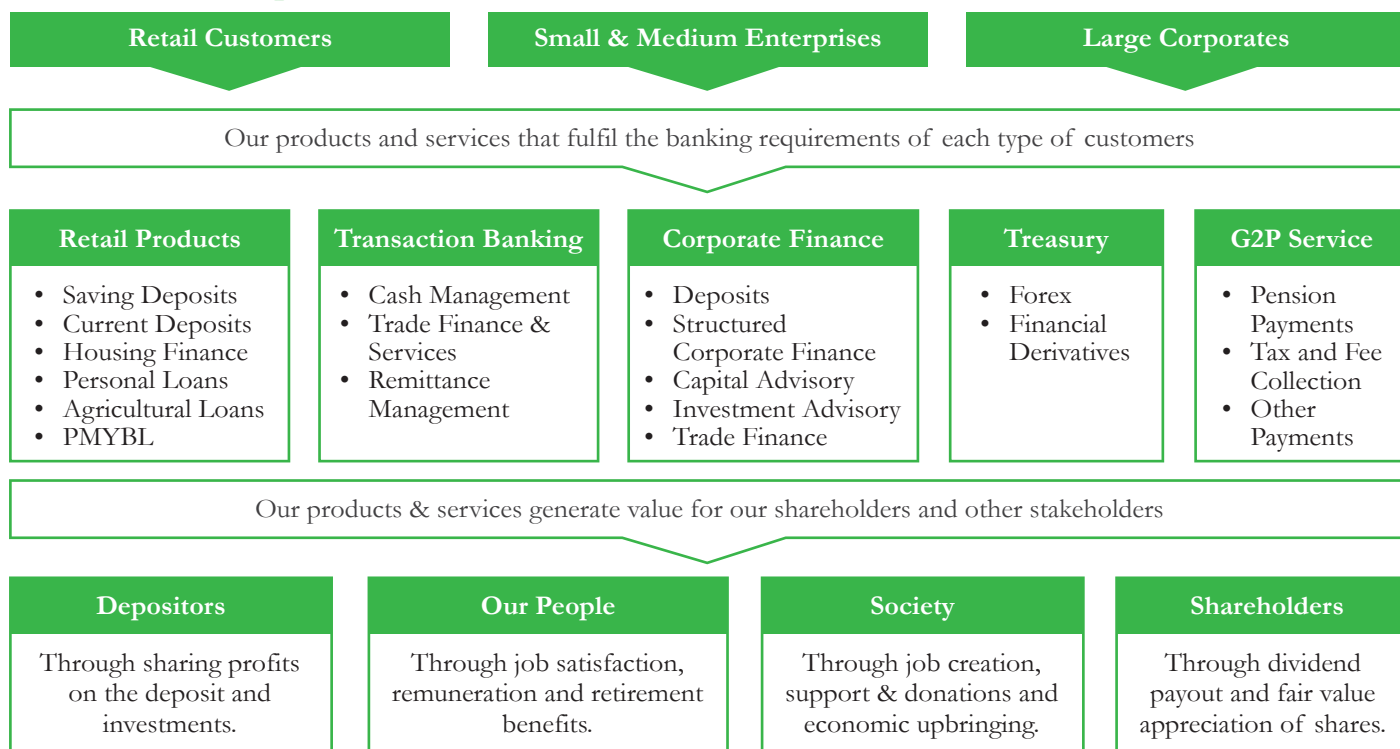
We function in a market environment which is highly competitive and regulated, but offers huge opportunities for generating value for our stakeholders. By virtue of our strong branding, capital adequacy and other strengths, our aim is to capitalise the market opportunities for sustainable maximisation of shareholders' value.

### Our Business Model

We proactively identify our customers and their banking requirements. Our business operations are based on a geographically diversified, composite, integrated & cohesive structure, whereby the banking and other financial & related services are typically provided by the Bank through our branches.

Geographical Presence	Non-Banking Financial Services
<ul style="list-style-type: none"> <li>- Pakistan</li> <li>- South Asia &amp; Far East</li> <li>- Middle East</li> <li>- Central Asia</li> <li>- Europe</li> <li>- North America</li> </ul>	<ul style="list-style-type: none"> <li>- Leasing</li> <li>- Modarba</li> <li>- Foreign Exchange</li> <li>- Asset Management</li> </ul>

### Products Landscape and Value Generation





## Our Operating Structure

We have 5 customer-facing business functions, focused on catering to the banking requirements of each type of customers.



The business groups are primarily responsible for making the plans & strategy for their respective business domains and ensuring it is coherent with overall business strategy of the Bank. Each group defines and delivers the customer proposition, and is accountable for end-to-end customer processes and products.

## Control and Support Functions

These groups define the functional strategy to support the business groups in achieving their business strategy. The

control functions extend their expertise in developing the policy framework that sets the route for the business groups.

## Our Ambition and Strategic Priorities

As the Bank is now moving forward through restoring its fundamental strengths, we have defined interconnected and mutually composite strategies for the years ahead. Our priorities are weighted equally, and set a clear path for us to deliver our strategy towards capitalising value generation opportunities offered by the market.

Our Goals	Our Methodology Towards Achieving Our Goals.
Maintain Leadership Position	We will increase our market share through organic as well as strategic expansion, locally and internationally. We will introduce new products to capitalize on our strengths and to compete with the industry.
Customer Service	We will add alternate delivery channels by moving towards branchless banking. We will also invest in making our business places more innovative, customer service oriented and pleasant.
Adopting to the Best Practices	We will bring strategic realignment of various functions, business process reengineering and change management. Our business will be technologically-advanced and well-equipped.
Improving Asset Quality	We will improve our asset quality through efficient lending framework, collateral management and effective post-disbursement credit monitoring mechanism.
Greater Financial Inclusion	We will capitalize on our rural coverage by bringing banking home to the unbanked masses, and through developing products for low income groups, particularly women.
Strengthening Compliance and Controls	We will ensure 100% compliance to our recently formulated zero tolerance policy for fraud and forgeries. We will improve technological infrastructure to improve the monitoring mechanism to ensure compliance of policies.
Maximising Shareholders Values	We will create value through maximising income and gains to maintain a healthy and sustainable payout ratio. We will further improve our Cost to Income ratio and retain the profits as much as necessary for achieving organisational growth.
Partnering for Economic Development in the Country	We will continue our support for financing large infrastructure projects in the country. While CPEC remains on our radar as a key project to create opportunities for growth, we will also cash on our function to represent central bank for treasury business.
Investing in Our People	We will invest further in our people through training & development by promoting a transparent culture based on our principle of 'reward for performance'. We will add more to our human capital pool and devise a well thought succession planning.



## Business Continuity Plan

We are determined to have effective and robust business continuity measures in place for the protection of our employees and information assets. As a financial institution, we ensure an effective business continuity plan is implemented bank-wide for smooth recovery and continuity of our critical businesses and functions during and after any disastrous interruption. The aim is to continue business operations in case of any unforeseen event to protect our corporate image, mitigate associated risks, safeguard our revenues and sustain our relations with all stakeholders, including customers, business counterparts and regulators.

To deliver on our business commitments and to remain compliant with regulatory requirements when confronted with significant business disruptions, our infrastructural architecture includes a Business Continuity Plan for resumption of operations and constitutes as an integral part thereof.

Our business continuity strategies encompass disaster recovery, business recovery, crisis management, incident management, emergency management and contingency planning. As a measure to ensure uninterrupted business operations, we have our business continuity and resilience services arrangements with IBM for our DR Site. Disaster Recovery Planning for business operations and services is also implemented bank-wide to adequately address the potential risks and provide measures to be adopted in case of natural disasters, accidents, sabotage, power breakdowns, communications discontinuation/disruption, etc.

## Customer Service Quality

Our market share, financial results and the acclaim we receive at local and international forums is reminiscent of the continuous resolve & success towards transformation. However, in the fiercely competitive market, we are striving to develop a customer-oriented Sales & Service Culture. Our Board is also keen in observing a visible change in Service Quality Standards at NBP. A separate function of Service Quality at NBP has been introduced with the sole aim & objective to reinvigorate the sales & service culture and changeover from customer satisfaction to Customer Delight. Our team, with its vast experience of Service Quality in the financial services industry, has strategized various initiatives to be implemented at NBP in phases to ensure smooth transition towards Customer Delight. Our plans to achieve Customer Delight include employee training, improving business processes and work place environment, and placement of service quality officers.

## Investor Relations

Maximising shareholders' value is on top of our mission. We aspire to further strengthen our corporate image and instil investors' confidence in NBP by implementing business-like approach for the communication of material financial information to the shareholders and other stakeholders. We are determined to resolve our shareholders' concerns, and to discharge our obligation of providing material information about the financial position & performance of the Bank, its subsidiaries, joint venture and associates within statutory timelines. Our goal, under this strategy, is to represent NBP in a true & fair manner so as to assist the existing as well as potential investors in making properly informed investment decisions; and, that other stakeholders can develop a well-informed and balanced understanding of the NBP.

Through this function the Bank strives to minimise investment risks, provide an effective avenue to express and resolve concerns of the stakeholders for developing a sustainable relationship. Our designated Investor Relations Team within the Financial Control Division manages investors' concerns. The team may be approached by email at [investor.relations@nbp.com.pk](mailto:investor.relations@nbp.com.pk). Investors may also raise their concerns by writing to our Share Registrar.



# 368%

## PROFIT GROWTH IN JUST 2 YEARS!

### NO WONDER WE ARE THE 'BANK OF THE YEAR' FOR PAKISTAN



The Banker Awards 2015

Profit - Phenomenal Increase of **368%**  
over 2 years

Deposits - Substantial Increase of **30%**  
over 2 years

Assets - Record Growth of **25%**  
over 2 years

Technology Transformation of **1400 plus**  
branches in 2 years

NBP, the nation's bank, shines once again with record growth in profit, deposits and assets over two successive years. As Pakistan's largest Public Sector Bank, rated AAA by PACRA & JCR-VIS, NBP plays an essential role in strengthening the nation and facilitating its citizens. In just 2 years - 2014 and 2015 - NBP achieved phenomenal growth:

- The fastest-growing Islamic banking branches & services
- The widest online banking network
- The largest lender in agricultural financing
- One of the largest consumer banks of Pakistan

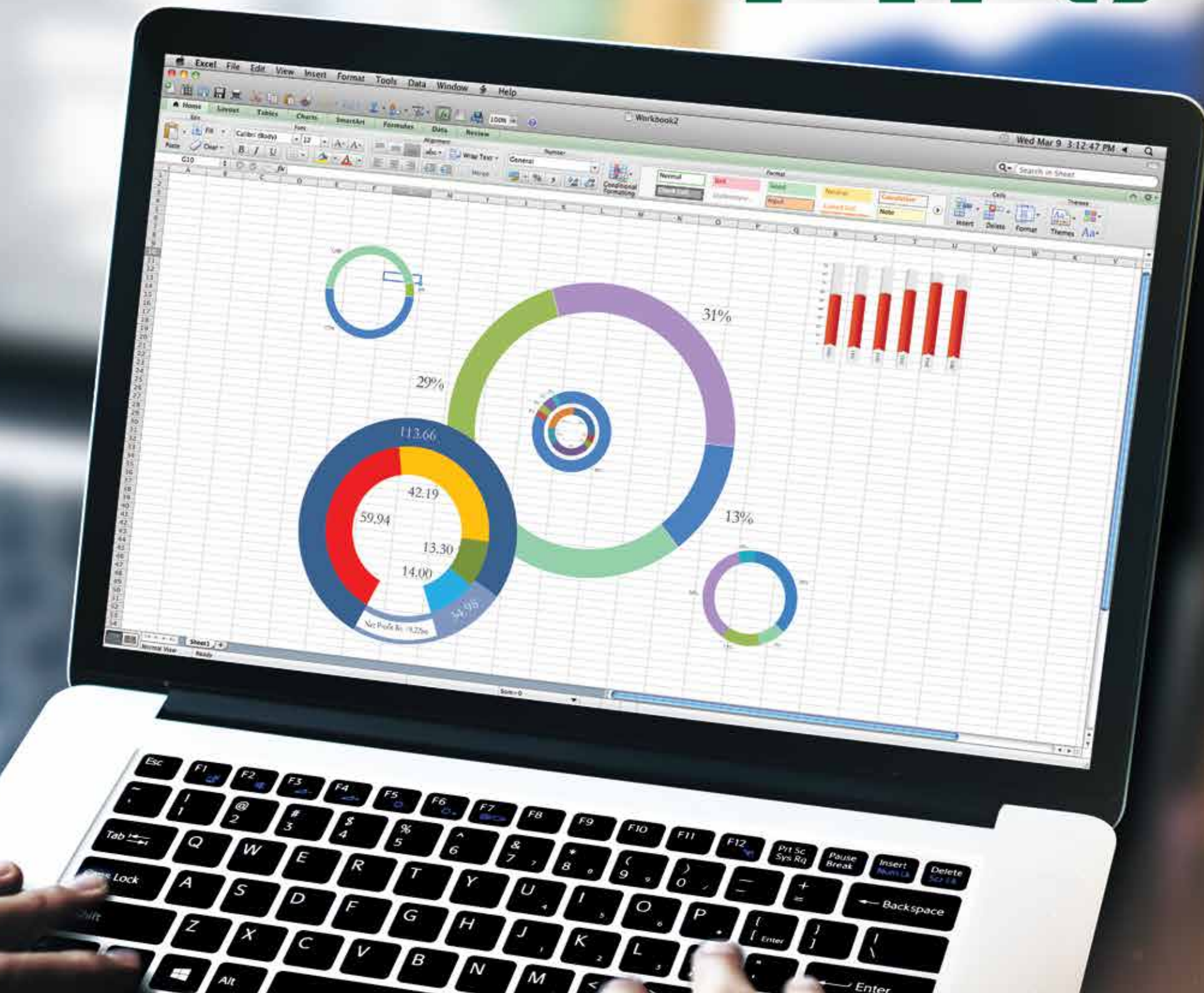
**Exceeding expectations on the road to success.**

(Rs. in billion)			
YEAR	ASSETS	DEPOSITS	PROFIT BEFORE TAX
2013	1,364.9	1,101.1	7.1
2014	1,543.1	1,233.5	22.0
2015	1,706.4	1,431.0	33.2
Growth% From 2013	25%	30%	368%



# FINANCIAL

HIGHLIGHTS



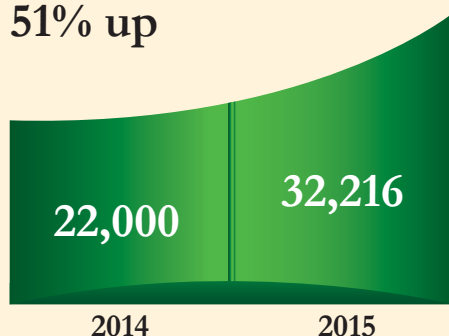


## Strategies Translated into Numbers 2015 vs 2014

(Rs. in million)

### Pre-tax Profit

51% up

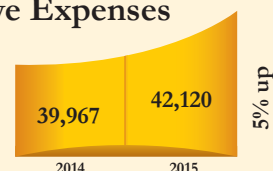


### Non Mark-up / Interest Income



15% up

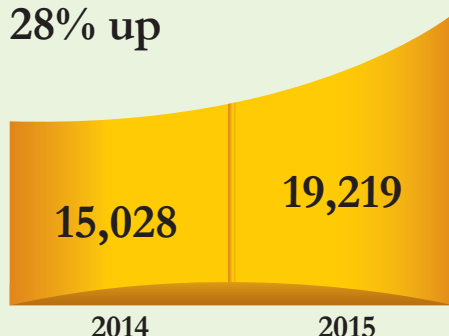
### Administrative Expenses



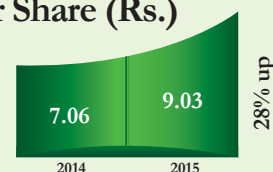
5% up

### After-tax Profit

28% up

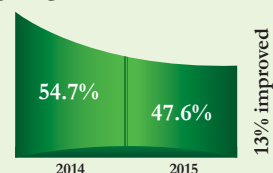


### Earnings per Share (Rs.)



28% up

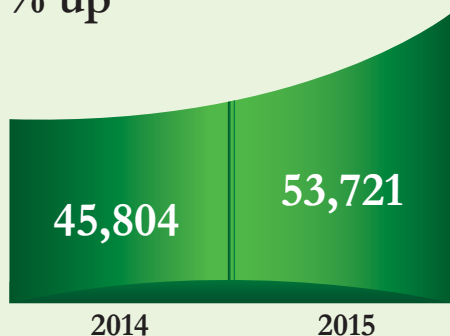
### Cost-to-Income



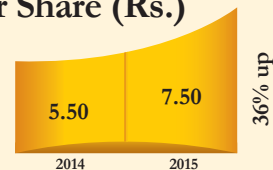
13% improved

### Net Mark-up / Interest Income

17% up

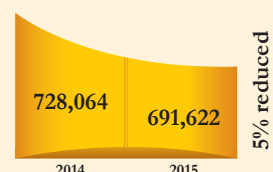


### Dividend per Share (Rs.)



36% up

### Advances\*



5% reduced

\*Gross

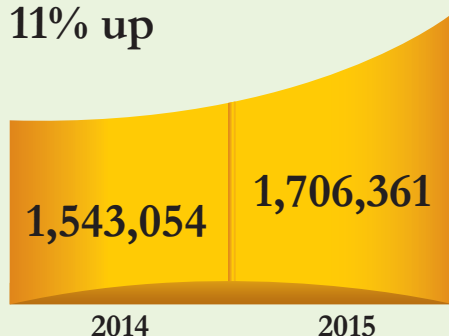


## Strategies Translated into Numbers 2015 vs 2014

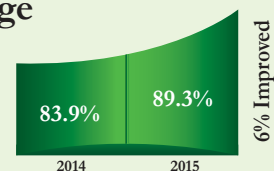
(Rs. in million)

## Total Assets

11% up



## NPL Coverage



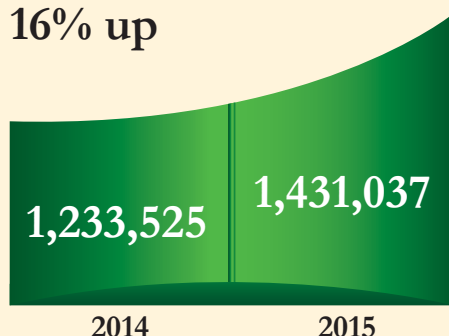
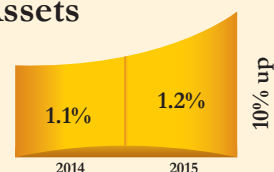
## Investments\*



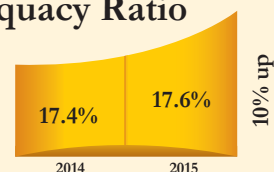
\*Gross

## Deposits

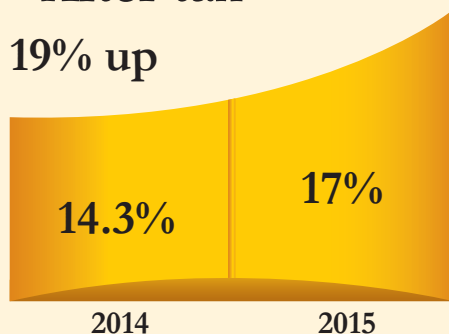
16% up

Return on Assets  
- After tax

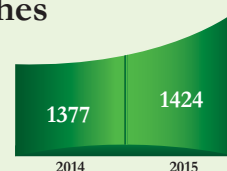
## Capital Adequacy Ratio

Return on Equity  
- After tax

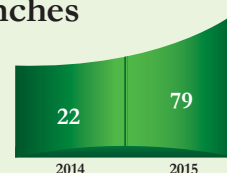
19% up



## Total Branches



## Islamic Branches

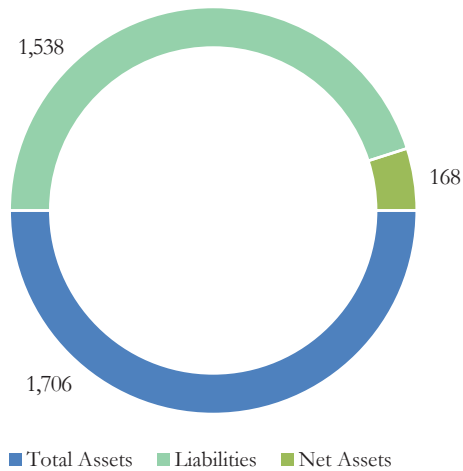




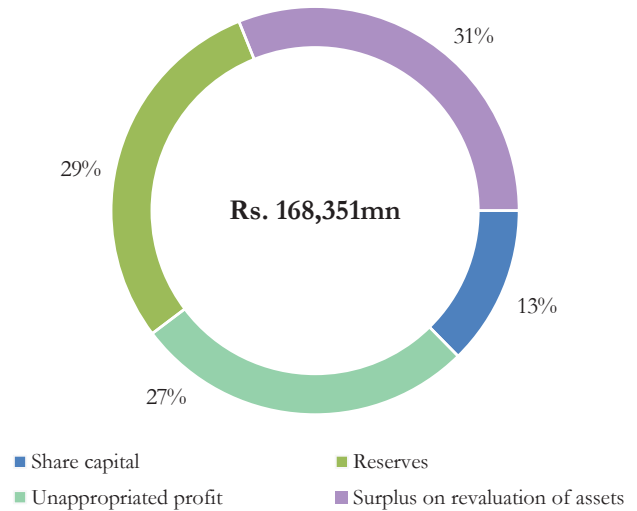


## Financial Position & Performance - Graphical View

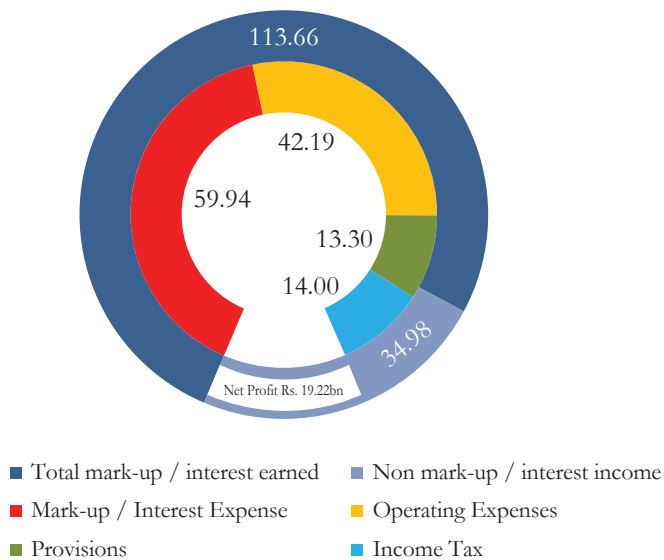
Balance Sheet Structure (Rs. in Bn)



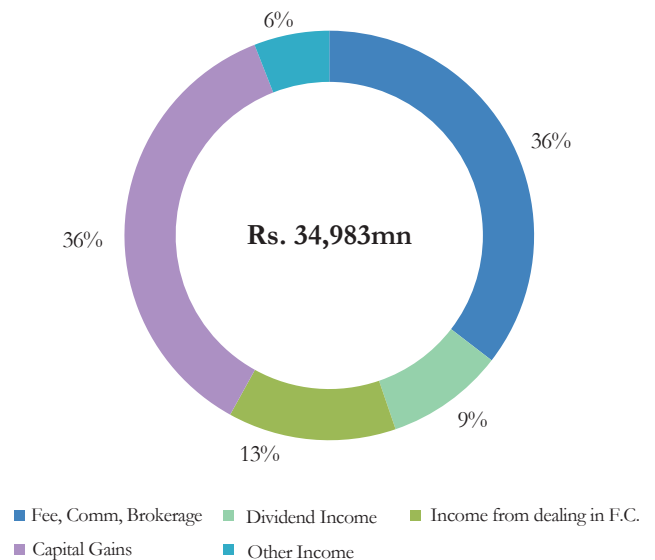
Net Assets represented by



Incomes & Expenses (Rs. in Bn)



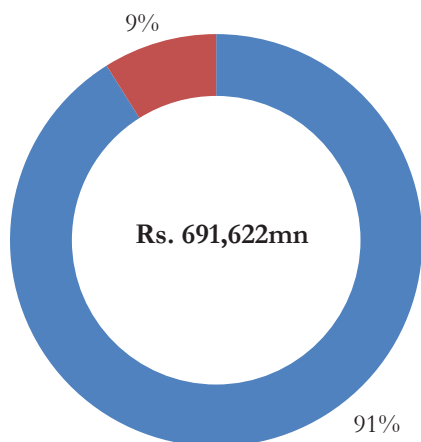
Non mark-up / interest income





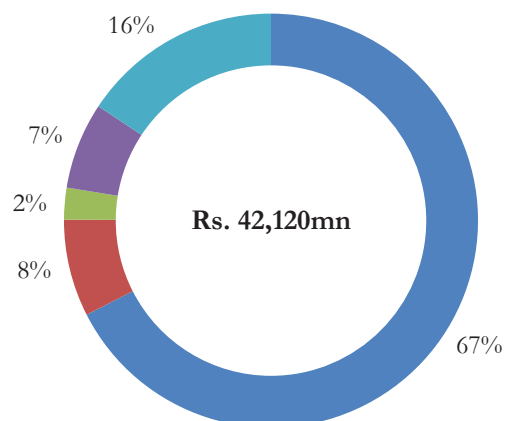
## Financial Position & Performance - Graphical View

### Advances: by region



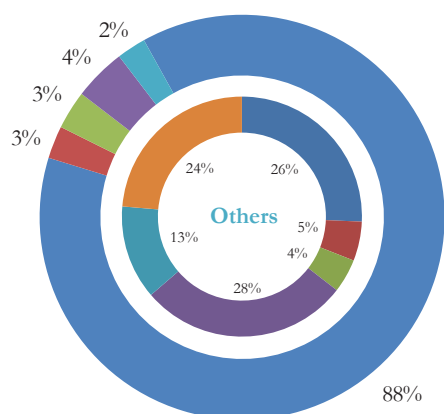
■ In Pakistan ■ Outside Pakistan

### Administrative expenses



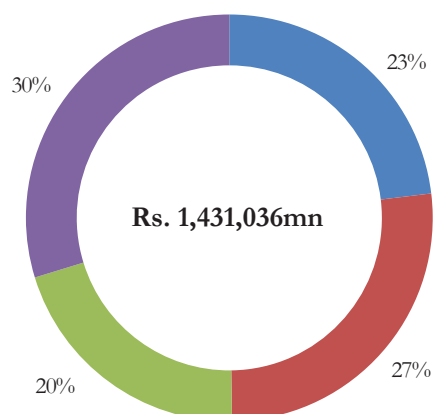
■ Staff costs ■ Rent, taxes & utilities  
■ Repairs & maintenance ■ Security & outsourced services  
■ Others

### Investments: by type



■ Federal Government Securities ■ Fully Paid up Ordinary Shares  
■ Foreign Government Securities ■ Debt Securities  
■ Others Represented by:  
■ Foreign Currency Debt Securities ■ Preference Shares  
■ Investments in Mutual Funds ■ Investments in Associates  
■ Investments in Joint Ventures ■ Investments in Subsidiaries

### Deposit: by type



■ Fixed deposits ■ Savings deposits  
■ Current - remunerative ■ Current - non remunerative



## FINANCIAL HIGHLIGHTS

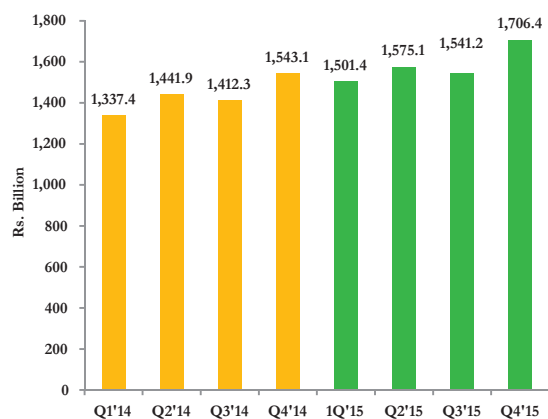
Rs. in million

	2015	2014	2013	2012	2011	2010
Total Assets	1,706,361	1,543,054	1,364,926	1,309,528	1,149,578	1,037,750
Deposits	1,431,036	1,233,525	1,101,139	1,036,739	927,421	832,152
Advances - net	577,892	626,704	615,420	654,690	525,046	477,507
Investments - net	826,302	561,764	397,959	343,538	319,531	301,324
Capital & Reserves	168,351	178,329	156,287	139,981	126,934	128,496
Capital Adequacy Ratio	17.59%	17.39%	15.24%	15.50%	16.10%	16.93%
Pre-Tax Profit	33,216	22,001	7,078	21,378	26,011	24,415
After-tax Profit	19,219	15,028	5,500	14,941	17,605	17,563
Earnings Per Share (Rs.)	9.03	7.06	2.59	7.02	8.27	8.25
Break up Value per Share (Rs.)	79	84	73	66	62	56
Number of Branches	1424	1377	1365	1306	1300	1289
Number of Employees	15,548	16,190	16,619	16,921	16,924	16,457

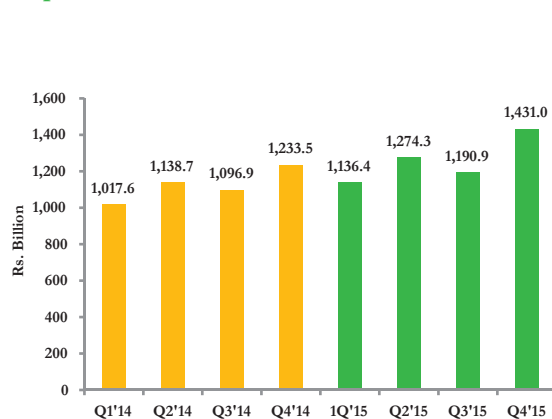


## A Glimpse of Quarterly Position & Performance 2014 - 2015

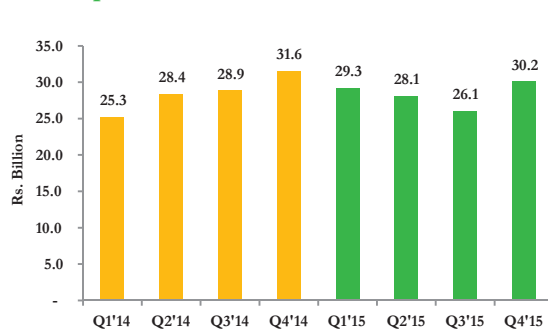
### Assets



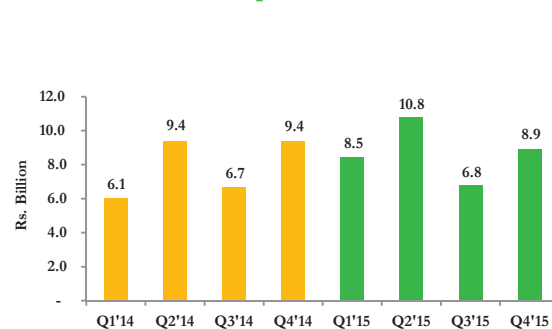
### Deposits



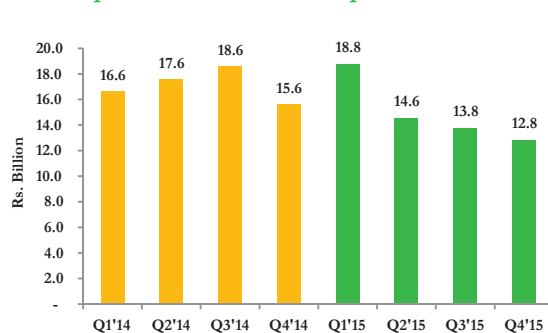
### Mark-up / return / interest earned



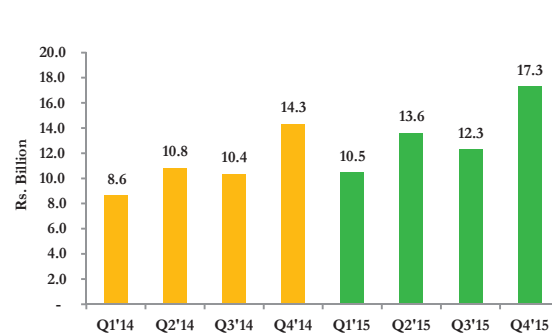
### Non interest / markup income



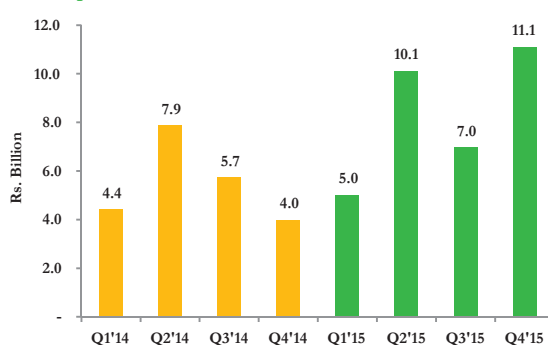
### Mark-up / return / interest expensed



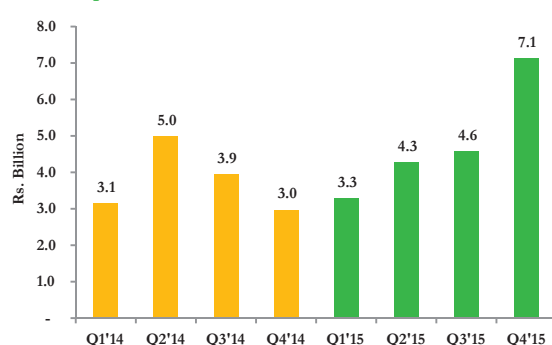
### Net interest revenue



### Pre-tax profit



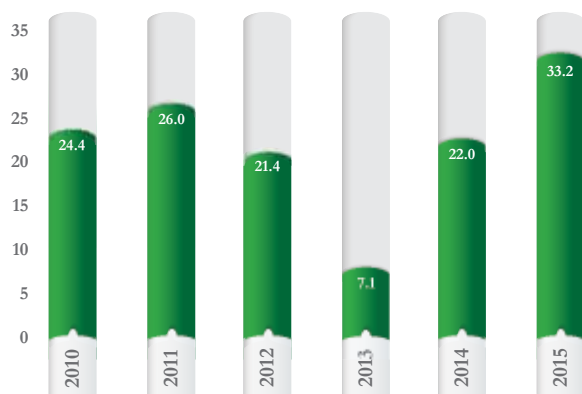
### After-tax profit



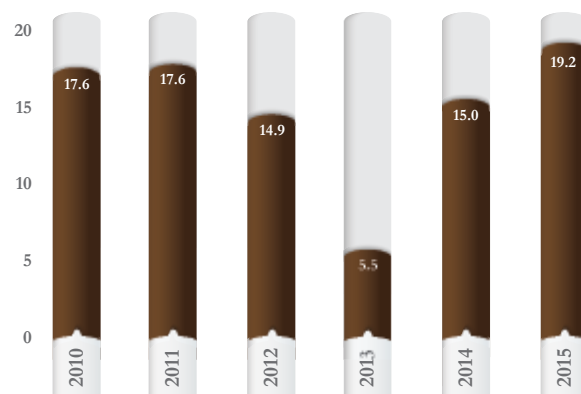


## 6 YEARS' FINANCIAL HIGHLIGHTS

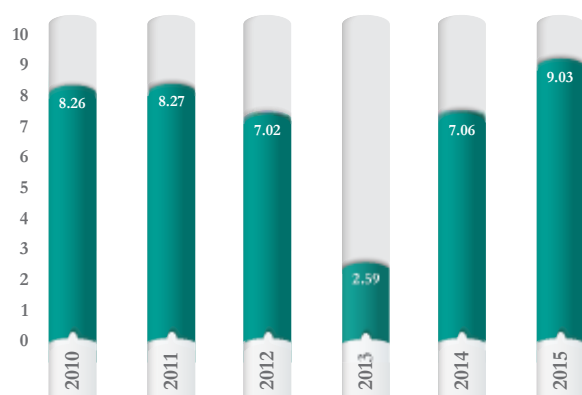
**Pre-tax Profit** (Rs in Billion)



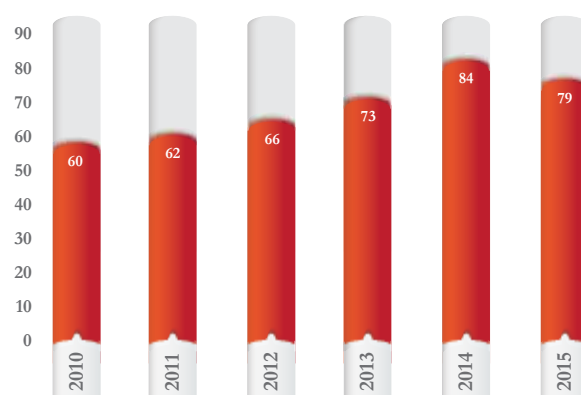
**After-tax Profit** (Rs in Billion)



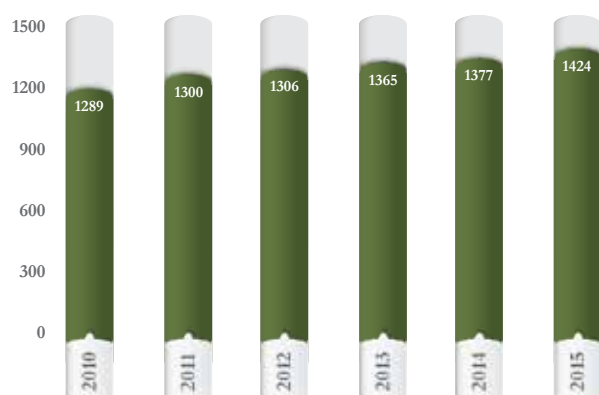
**Earnings per Share** (Rs.)



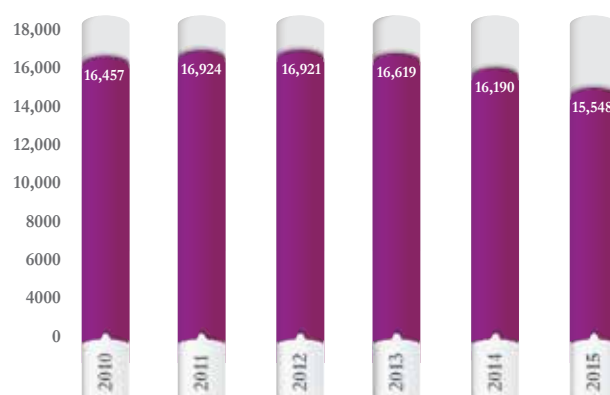
**Break-up value per Share** (Rs.)



**Number of Branches**



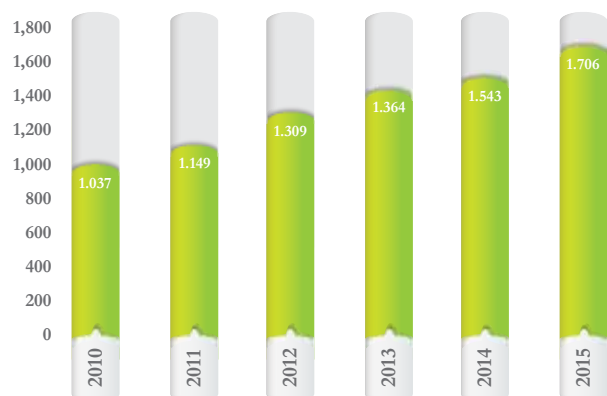
**Number of Employees**



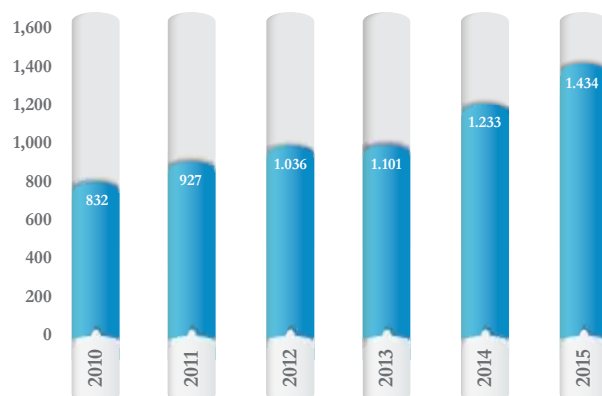


## 6 YEARS' FINANCIAL HIGHLIGHTS

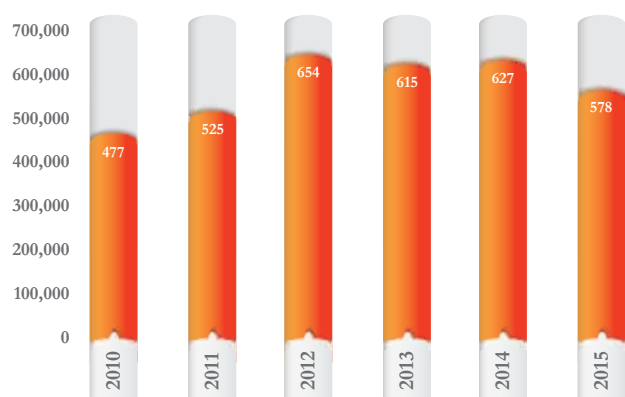
**Total Assets** (Rs in Billion)



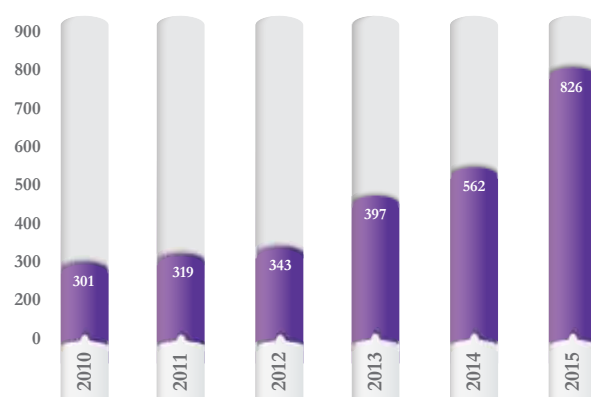
**Deposits** (Rs in Billion)



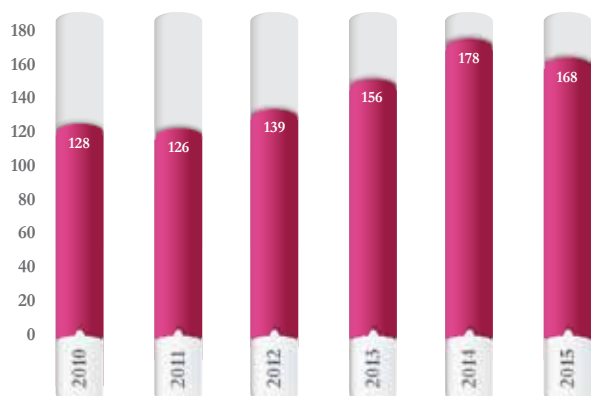
**Advances - net** (Rs in Billion)



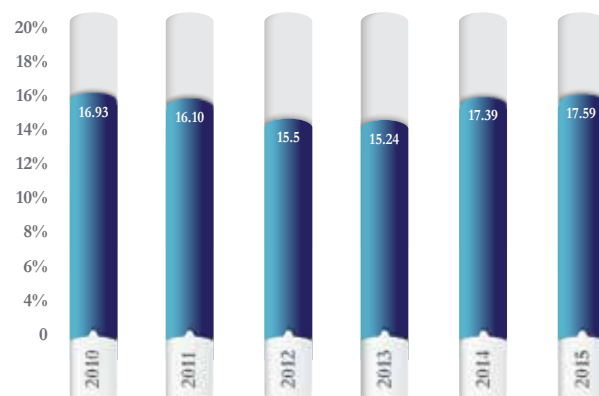
**Investments - net** (Rs in Billion)



**Capital & Reserves** (Rs in Billion)



**Capital Adequacy Ratio%**



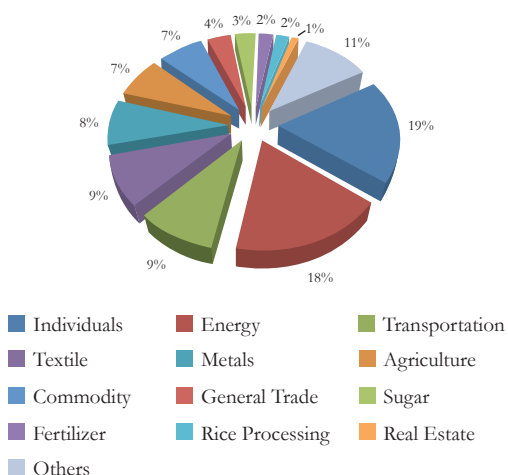


## Concentration of Advances, NPLs and Provisions

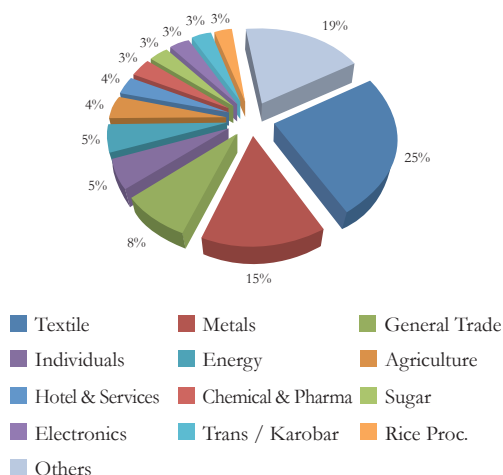
Advances (Rs in Million)			
Category	2015	2014	YoY Δ
Individuals	127,275	133,910	-5.0%
Energy	125,086	128,129	-2.4%
Transportation	63,581	78,866	-19.4%
Textile	62,004	67,855	-8.6%
Metals	55,645	52,503	6.0%
Agriculture	50,647	56,700	-10.7%
Commodity	48,315	57,602	-16.1%
General Trade	25,457	20,322	25.3%
Sugar	21,968	20,699	6.1%
Fertilizer	15,909	10,838	46.8%
Rice processing	13,818	16,463	-16.1%
Real Estate	8,491	8,965	-5.3%
Others	73,426	75,212	-2.4%
<b>Total</b>	<b>691,622</b>	<b>728,064</b>	<b>-5.0%</b>

NPL & Provision (Rs in Million)						
Category	NPL			Provisions		
	2015	2014	YoY Δ	2015	2014	YoY Δ
Textile	31,824	27,696	14.9%	30,783	26,381	16.7%
Metals	18,319	16,158	13.4%	14,694	9,122	61.1%
General Trade	10,420	12,770	-18.4%	10,347	12,080	-14.3%
Individuals	6,751	6,509	3.7%	3,900	3,787	3.0%
Energy	6,511	10,597	-38.6%	5,299	7,889	-32.8%
Agriculture	5,286	3,778	39.9%	2,286	2,036	12.3%
Hotel & Services	4,264	4,650	-8.3%	4,247	3,291	29.1%
Chemical & Pharma	4,175	2,519	65.7%	4,097	2,041	100.7%
Sugar	4,064	4,436	-8.4%	3,763	3,463	8.6%
Electronics	4,011	1,967	103.9%	3,783	1,875	101.8%
Trans / Karobar	3,986	2,724	46.3%	3,825	2,724	40.4%
Rice Proc.	3,510	3,089	13.6%	3,196	2,598	23.1%
Others	24,159	23,948	0.9%	20,546	20,872	-1.6%
<b>Total</b>	<b>127,280</b>	<b>120,841</b>	<b>5.3%</b>	<b>110,766</b>	<b>98,159</b>	<b>6.4%</b>

### Advances



### NPL



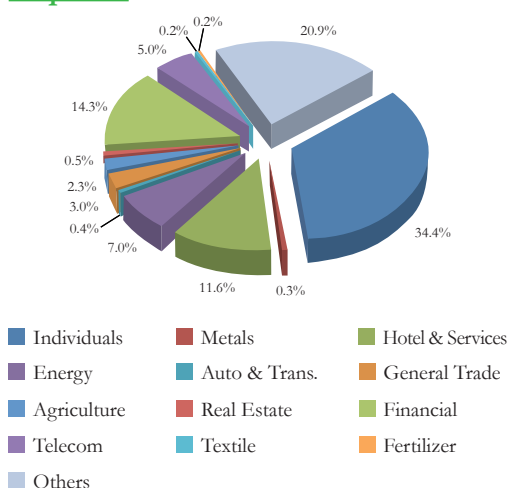


## Concentration of Deposits and Contingencies

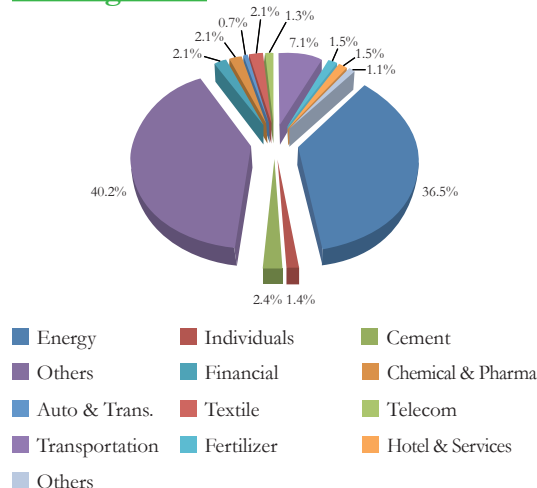
Deposits (Rs in Million)			
Category	2015	2014	YoY Δ
Individuals	491,575	447,232	9.9%
Metals	3,610	4,348	-17.0%
Hotel & Services	165,700	113,104	46.5%
Energy	100,788	86,431	16.6%
Auto & Trans.	5,135	1,298	295.5%
General Trader	42,357	38,316	10.5%
Agriculture	33,524	32,337	3.7%
Real Estate	6,600	7,023	-6.0%
Financial	204,617	168,213	21.6%
Telecom	71,610	62,089	15.3%
Textile	3,339	4,095	-18.5%
Fertilizer	2,666	3,683	-27.6%
Others	299,516	265,356	12.9%
<b>Total</b>	<b>1,431,037</b>	<b>1,233,525</b>	<b>16.0%</b>

Contingencies (Rs in Million)			
Category	2015	2014	YoY Δ
Energy	120,539	65,854	83.0%
Individuals	4,633	6,368	-27.2%
Cement	8,046	242	3226.3%
Others	132,928	113,875	16.7%
Financial	7,009	6,301	11.2%
Chem. & Pharma	6,822	7,833	-12.9%
Auto & Trans.	2,284	1,017	124.5%
Textile	7,061	8,384	-15.8%
Telecom	4,160	10,742	-61.3%
Transportation	23,622	12,746	85.3%
Fertilizer	4,951	4,166	18.8%
Hotel & Services	4,928	2,862	72.2%
Real Estate	3,694	4,237	-12.8%
<b>Total</b>	<b>330,677</b>	<b>244,627</b>	<b>35.2%</b>

### Deposits



### Contingencies

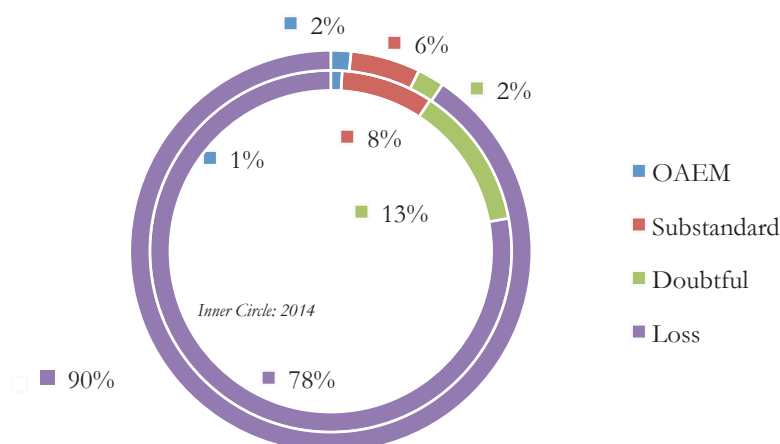




## Non-Performing Loans by Category

(Rs. in million)

Category	2015		2014		Variance	
	NPL	Provision	NPL	Provision	NPL	Provisions
OAEM	2,069	19	1,228	1	68.51%	1344.81%
Substandard	7,141	1,603	9,956	2,234	-28.28%	-28.26%
Doubtful	2,763	1,074	15,501	6,650	-82.18%	-83.85%
Loss	115,307	108,069	94,156	89,273	22.54%	21.05%
<b>Total</b>	<b>127,280</b>	<b>110,766</b>	<b>120,841</b>	<b>98,159</b>	<b>5.39%</b>	<b>12.84%</b>



## Summary of Investments by Segment

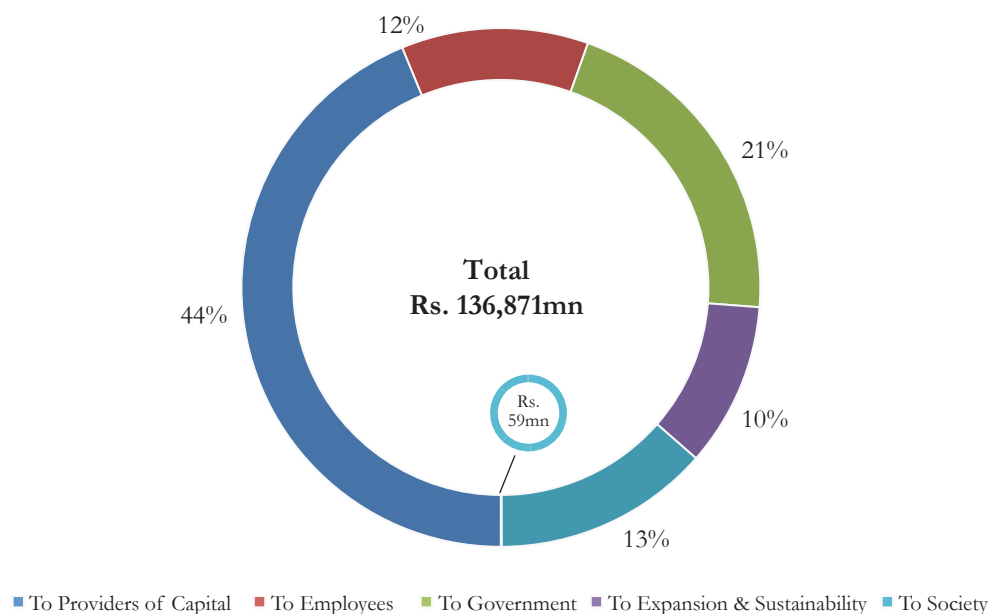
	2015	2014
	(Rs in Million)	
<b>Federal Government Securities</b>	702,438	438,495
<b>Foreign Government Securities</b>	20,864	8,959
<b>Fully Paid up Ordinary Shares</b>	24,629	26,471
<b>Debt Securities</b>	33,482	20,112
<b>Foreign Currency Debt Securities</b>	4,784	3,941
<b>Other Investments</b>		
Investments in mutual funds	986	2,512
Preference Shares	847	847
<b>Investments in associates</b>	5,252	13,770
<b>Investments in joint ventures</b>	2,362	2,362
<b>Investments in subsidiaries</b>	4,407	4,407
<b>Total investments at cost</b>	800,050	521,876
Provision for diminution in value of investments	(19,432)	(17,518)
<b>Investments (cost net of provisions)</b>	780,618	504,358
Unrealized gain / (loss) on revaluation	6	145
Surplus on revaluation of available-for-sale securities	45,678	57,261
<b>Total investments - at carrying value</b>	826,302	561,764



## Statement of Value Added

	2015	(Rs in Million)		2014
Mark-up / Interest Income	113,662			114,174
Non Mark-up / Interest Income	34,983			30,377
Operating Expenses (Exc. Staff cost, Depreciation, Amortisation)	(11,774)			(10,944)
<b>Total Value Added</b>	<b>136,871</b>			<b>133,607</b>
<b>Distribution of Value Added</b>	<b>2015</b>	<b>%</b>	<b>2014</b>	<b>%</b>
<b>To Depositors as profit</b>	59,941	43.8%	68,370	51.2%
<b>To Providers of Capital:</b> as dividend for the Year	15,956	11.7%	11,701	8.8%
<b>To Employees:</b> Remuneration	24,056	17.6%	23,378	17.5%
Defined benefit plans	4,367	3.2%	4,825	3.6%
	<b>28,423</b>	<b>20.8%</b>	<b>28,204</b>	<b>21.1%</b>
<b>To Society:</b> Donations & CSR	59	0.0%	84	0.1%
<b>To Government:</b> Income Tax	13,997	10.2%	6,973	5.2%
<b>To Expansion &amp; Sustainability:</b> Depreciation	1,301	1.0%	2,037	1.5%
Amortization	634	0.5%	434	0.3%
Value Retained	16,560	12.1%	15,804	11.8%
	<b>18,495</b>	<b>13.5%</b>	<b>18,275</b>	<b>13.7%</b>
	<b>136,871</b>	<b>56%</b>	<b>133,607</b>	<b>49%</b>

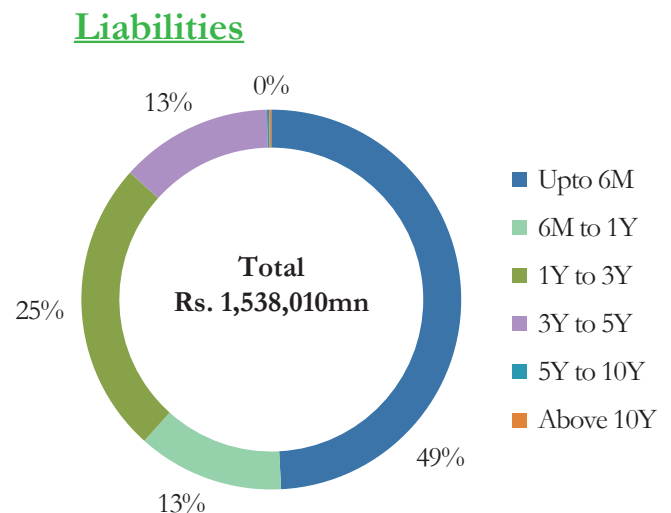
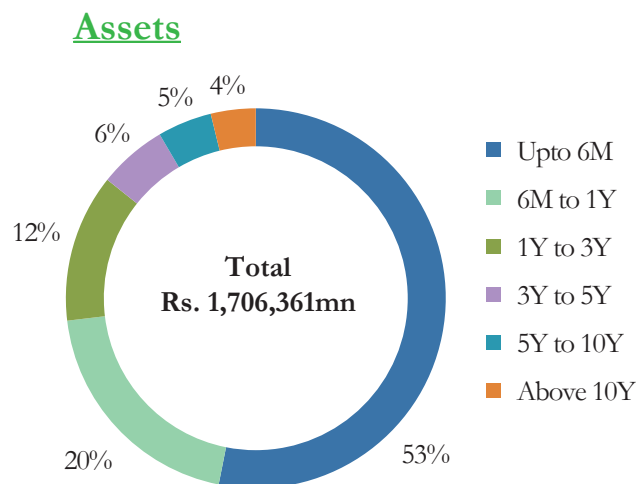
## Distribution of Value Generated





## Maturities of Assets & Liabilities\*

		(Rs. in million)					
	Total	Upto 6M	6M to 1Y	1Y to 3Y	3Y to 5Y	5Y to 10Y	Above 10Y
<b>Assets</b>							
Cash and balances with treasury banks	150,900	128,314	22,586	-	-	-	-
Balances with other banks	20,128	19,692	436	-	-	-	-
Lending to financial institutions - net	10,639	7,695	2,944	-	-	-	-
Investments - net	826,302	399,371	242,784	94,379	23,619	43,154	22,996
Advances - net	577,893	309,099	69,953	83,209	71,426	28,776	15,430
Operating fixed assets	31,936	-	947	3,243	1,033	-	26,712
Deferred tax assets - net	9,669	-	-	-	2,649	7,020	-
Other assets	78,895	42,476	1,278	34,242	899	-	-
<b>Total Assets</b>	<b>1,706,361</b>	<b>906,646</b>	<b>340,929</b>	<b>215,073</b>	<b>99,626</b>	<b>78,949</b>	<b>65,138</b>
<b>Liabilities</b>							
Bills payable	9,172	4,830	4,341	-	-	-	-
Borrowings	21,911	19,988	1,400	298	224	-	-
Deposits and other accounts	1,431,037	693,489	185,096	358,781	193,670	-	-
Liabilities against assets subject to Fin. Lease	36	5	5	26	-	-	-
Other liabilities	75,855	37,986	1,100	25,340	5,785	2,821	2,821
<b>Total Liabilities</b>	<b>1,538,010</b>	<b>756,299</b>	<b>191,942</b>	<b>384,446</b>	<b>199,680</b>	<b>2,821</b>	<b>2,821</b>
<b>Net Assets</b>	<b>168,351</b>	<b>150,347</b>	<b>148,987</b>	<b>(169,373)</b>	<b>(100,055)</b>	<b>76,128</b>	<b>62,317</b>

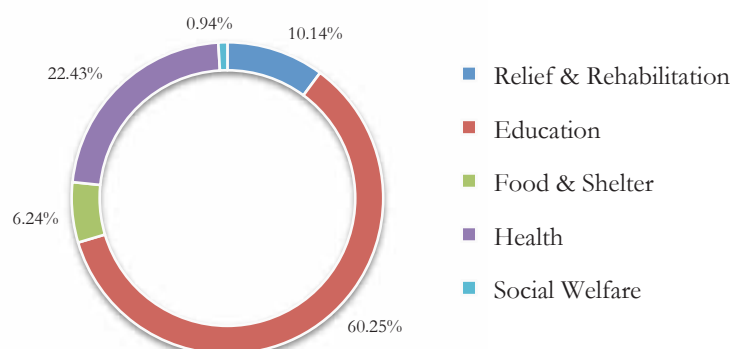


\* based on behavioural study.



## Value Addition to Society

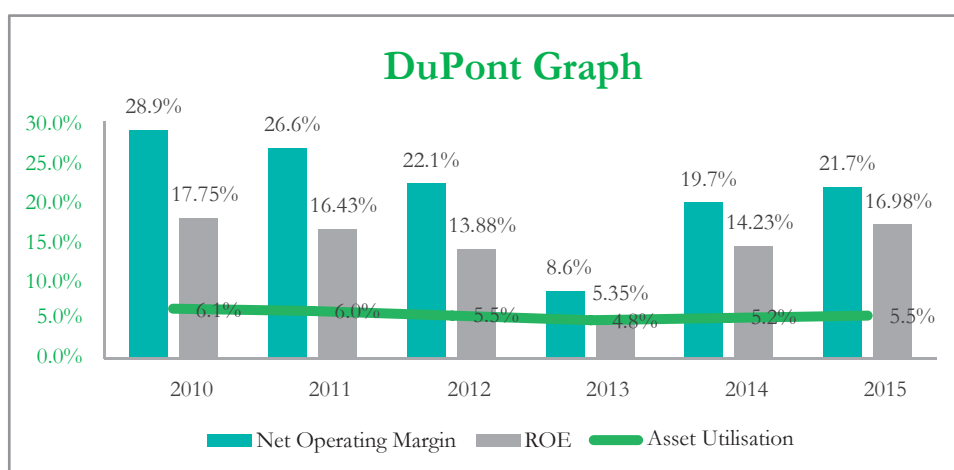
Charity & Donation	Rs 'Mn
Relief & Rehabilitation	5.96
Education	35.42
Food & Shelter	3.67
Health	13.18
Social Welfare	0.55
<b>Total</b>	<b>58.78</b>



## DuPont Analysis

Indicator	2010	2011	2012	2013	2014	2015
Net Operating Margin	28.9%	26.6%	22.1%	8.6%	19.7%	21.7%
Asset Utilisation	6.1%	6.0%	5.5%	4.8%	5.2%	5.5%
Return on Assets	1.8%	1.6%	1.2%	0.4%	1.0%	1.2%
ROE	17.7%	16.4%	13.9%	5.4%	14.2%	16.9%
Leverage Ratio / Equ Multiplier	10.0	10.2	11.4	13.0	13.8	14.3

- Net operating margins of the bank have improved from 8.6% in 2013 to 21.7% in 2015. Improvement in the net operating margin is mainly attributed to higher net spreads and lower cost to income ratio.
- Asset Use Efficiency that dropped to 4.8% in 2013 has improved by 14.58% by the end of year 2015. This was achieved through higher interest margins.
- Since the bank is growing its deposit base, the equity multiplier has recorded a simultaneous corresponding growth.





## 6 YEARS' SUMMARY OF FINANCIAL POSITION AND PERFORMANCE

(Rs. in million)

	2010	2011	2012	2013	2014	2015
<b>Financial Position</b>						
<b>Assets</b>						
Cash and balances with treasury banks	115,442	131,676	158,333	157,930	97,972	150,900
Balances with other banks	30,390	27,582	30,222	17,458	12,108	20,128
Lending to financial institutions	23,025	44,380	8,273	51,939	111,789	10,639
Investments - net	301,324	319,531	343,538	397,959	561,764	826,302
Advances - net	477,507	525,046	654,690	615,420	626,704	577,893
Operating Fixed assets	26,888	27,454	27,950	32,702	31,796	31,936
Deferred tax assets - net	6,953	7,935	9,848	10,955	9,878	9,669
Other assets	56,222	65,973	76,675	80,564	91,045	78,895
<b>Total Assets</b>	<b>1,037,750</b>	<b>1,149,578</b>	<b>1,309,528</b>	<b>1,364,926</b>	<b>1,543,054</b>	<b>1,706,361</b>
<b>Liabilities</b>						
Bills payable	8,007	9,105	14,368	13,895	11,012	9,172
Borrowings	20,104	26,372	51,297	22,239	37,541	21,911
Deposits and other accounts	832,152	927,421	1,036,739	1,101,139	1,233,525	1,431,037
Sub-ordinated loans	-	-	-	-	-	-
Liabilities against assets subject to Finance Lease	107	76	30	24	13	36
Deferred tax liabilities	-	-	-	-	-	-
Other liabilities	48,886	53,952	67,115	71,343	82,634	75,855
<b>Total Liabilities</b>	<b>909,254</b>	<b>1,016,926</b>	<b>1,169,548</b>	<b>1,208,639</b>	<b>1,364,725</b>	<b>1,538,010</b>
<b>Net Assets Represented By</b>						
Share capital	13,455	16,818	18,500	21,275	21,275	21,275
Reserves	24,450	25,343	28,819	31,539	32,074	45,581
Unappropriated profit	65,857	68,359	57,419	48,046	57,007	49,156
Equity	103,762	110,520	104,737	100,860	110,356	116,011
Surplus on revaluation of assets	24,734	22,131	35,243	55,427	67,973	52,340
<b>Total</b>	<b>128,496</b>	<b>132,651</b>	<b>139,981</b>	<b>156,287</b>	<b>178,329</b>	<b>168,351</b>
<b>Summary of Financial Performance</b>						
Mark-up / return / interest earned	88,472	95,325	100,092	99,028	114,174	113,662
Mark-up / return / interest expensed	45,250	48,516	56,418	60,823	68,370	59,941
<b>Net mark-up / interest income</b>	<b>43,222</b>	<b>46,810</b>	<b>43,674</b>	<b>38,205</b>	<b>45,804</b>	<b>53,721</b>
Fee, commission, brokerage and exchange income	11,843	12,720	14,410	15,394	15,687	17,043
Capital gain & dividend income	3,618	4,096	6,844	6,908	11,103	15,860
Other income	2,171	2,520	2,595	3,268	3,587	2,081
<b>Non interest income</b>	<b>17,632</b>	<b>19,337</b>	<b>23,849</b>	<b>25,570</b>	<b>30,377</b>	<b>34,983</b>
<b>Gross income</b>	<b>60,854</b>	<b>66,147</b>	<b>67,524</b>	<b>63,774</b>	<b>76,181</b>	<b>88,704</b>
Operating expenses	26,321	30,255	35,085	36,295	41,703	42,193
Profit before provisions	34,532	35,891	32,438	27,480	34,478	46,511
Provisions	10,118	9,880	11,060	20,401	12,478	13,296
<b>Pre-tax profit</b>	<b>24,415</b>	<b>26,011</b>	<b>21,378</b>	<b>7,078</b>	<b>22,001</b>	<b>33,216</b>
Taxation	6,852	8,406	6,437	1,578	6,973	13,997
<b>After-tax profit</b>	<b>17,563</b>	<b>17,605</b>	<b>14,941</b>	<b>5,500</b>	<b>15,028</b>	<b>19,219</b>
<b>Assets &amp; Liabilities (Qualitative View)</b>						
Advances Gross	538,609	592,366	730,141	708,015	728,064	691,623
Non-performing loans	86,642	88,161	92,038	115,617	120,841	127,350
Provision Against NPL	57,337	63,476	72,142	89,737	98,159	110,766
Provision -General	3,765	3,844	3,309	2,858	3,201	2,964
Total Provision	61,103	67,320	75,451	92,595	101,360	113,730
Net Non-performing loans	25,539	20,841	16,587	23,021	19,481	13,620
Earning Assets	947,688	1,048,215	1,195,055	1,240,705	1,410,336	1,585,861
Average Earning Assets	902,197	997,951	1,121,635	1,217,880	1,325,521	1,498,099
Interest Bearing Liabilities	852,362	953,870	1,088,065	1,123,402	1,271,080	1,452,984
Non-Interest Bearing Liabilities	56,892	63,057	81,482	85,237	93,646	85,026
Average Interest Bearing Liabilities	812,574	903,116	1,020,967	1,105,734	1,197,241	1,362,032
Fixed Deposits	218,559	257,376	235,122	290,646	289,070	330,347
Saving Deposits	266,343	232,868	313,013	313,804	348,099	382,224
Current Account-Remunerative	99,625	145,909	172,554	164,367	220,372	292,943
Current Account-Non-Remunerative	247,625	291,269	316,049	332,321	375,985	425,523
<b>Summary of Cashflow Statement</b>						
Cashflow from Operating Activities	93,196	41,345	59,441	34,852	87,023	348,949
Cashflow from Investing Activities	(83,960)	(17,630)	(17,626)	(34,606)	(139,725)	(285,273)
Cashflow from Financing Activities	(8,109)	(10,127)	(12,643)	(12,952)	(4,251)	(11,684)
Cash & Cash equivalent at the Beginning of the Year	144,169	145,295	158,883	188,055	175,349	118,395
<b>Cash &amp; Cash equivalent at the end of the Year</b>	<b>145,295</b>	<b>158,883</b>	<b>188,055</b>	<b>175,349</b>	<b>118,395</b>	<b>170,387</b>



(Rs in Million)

**Key Financial Ratios**

	2010	2011	2012	2013	2014	2015
Advance (Gross) to Deposits	64.7%	63.9%	70.4%	64.3%	59.0%	48.3%
Capital Impairment	24.6%	18.9%	15.8%	22.8%	17.7%	11.7%
Cost to Income	43.3%	45.7%	52.0%	56.9%	54.7%	47.6%
Earning Assets* to Total Assets	91.3%	91.2%	91.3%	90.9%	91.4%	92.9%
Investment to Deposits	36.2%	34.5%	33.1%	36.1%	45.5%	57.7%
Loans to Assets	46.0%	45.7%	50.0%	45.1%	40.6%	33.9%
Non Mark-up Income to Total Net Mark-up Income	19.9%	20.3%	23.8%	25.8%	26.6%	30.8%
Non Mark-up to Total Income (Pre-Prov)	29.0%	29.2%	35.3%	40.1%	39.9%	39.4%
Non-Earning Asset to Total Assets	8.7%	8.8%	8.7%	9.1%	8.6%	7.1%
Non-Interest Bearing Liabilities to Total Liabilities	6.3%	6.2%	7.0%	7.1%	6.9%	5.5%
NPL Coverage	70.5%	76.4%	82.0%	80.1%	83.9%	89.3%
Net Non-Performing Loans	6.1%	4.7%	3.0%	4.2%	3.6%	2.9%
Operating Expense to Gross Income Ratio	29.8%	31.7%	35.1%	36.7%	36.5%	37.1%
Pre-tax Profit to Gross Income	40.1%	39.3%	31.7%	11.1%	28.9%	37.4%
Provision For The Year To Interest Income	11.4%	10.4%	11.0%	20.6%	10.9%	11.7%
Total Provision to Advances -Gross	11.3%	11.4%	10.3%	13.1%	13.9%	16.4%
Return on Average Assets (ROA)	1.8%	1.6%	1.2%	0.4%	1.0%	1.2%
Pre-tax Return on Average Equity	24.7%	24.3%	19.9%	6.9%	20.8%	29.3%
After-tax Return on Average Equity (ROE)	17.7%	16.4%	13.9%	5.4%	14.3%	17.0%
Return on Capital Employed (ROCE)	16.9%	15.9%	14.3%	5.5%	13.6%	16.6%
Spread to Interest Income	48.9%	49.1%	43.6%	38.6%	40.1%	47.3%
Break Up Value Per Share	60.40	62.35	65.80	73.46	83.82	79.13

\* earning assets being cash and balances with treasury / other banks, lending to FIs and investments.

**6 YEARS' SUMMARY OF FINANCIAL POSITION AND PERFORMANCE (CONSOLIDATED)**

(Rs in Million)

**Financial Position**

	2010	2011	2012	2013	2014	2015
Cash and balances with treasury and other banks	115,657	131,843	158,757	158,230	98,247	151,191
Balances with other banks	30,743	28,070	30,895	18,389	12,544	20,639
Lending to financial institutions	23,051	44,361	8,281	51,942	111,794	10,639
Investments - net	301,078	319,527	342,965	396,412	561,768	826,247
Advances - net	478,887	527,109	658,654	620,217	630,230	580,094
Operating Fixed assets	27,621	28,127	29,714	34,569	33,354	33,301
Deferred tax assets - net	6,954	7,973	9,834	10,969	9,884	9,672
Other assets	54,027	66,470	77,250	80,991	91,839	80,092
<b>Total Assets</b>	<b>1,038,018</b>	<b>1,153,480</b>	<b>1,316,349</b>	<b>1,371,718</b>	<b>1,549,659</b>	<b>1,711,874</b>
Bills payable	8,007	9,105	14,368	13,895	11,012	9,172
Borrowings	19,657	26,372	52,158	23,014	38,208	22,385
Deposits and other accounts	832,134	927,415	1,037,049	1,101,845	1,234,405	1,431,535
Liabilities against assets subject to Finance Lease	123	93	38	57	2	91
Other liabilities	46,798	54,701	67,855	72,243	83,439	77,036
<b>Total Liabilities</b>	<b>906,720</b>	<b>1,017,686</b>	<b>1,171,468</b>	<b>1,211,054</b>	<b>1,367,066</b>	<b>1,540,219</b>
<b>Net Assets (Represented by as below)</b>	<b>131,299</b>	<b>135,794</b>	<b>144,881</b>	<b>160,664</b>	<b>182,593</b>	<b>171,655</b>
Paid Up Share Capital	13,455	16,818	18,500	21,275	21,275	21,275
Reserves	25,129	26,207	30,305	33,537	32,996	45,202
Unappropriated Profit	67,104	69,706	59,332	49,734	59,752	52,725
Non-controlling interest	498	495	791	821	717	722
<b>Equity</b>	<b>106,186</b>	<b>113,226</b>	<b>108,929</b>	<b>105,367</b>	<b>114,740</b>	<b>119,924</b>
Surplus on revaluation of assets	25,113	22,568	35,952	55,297	67,853	51,731
<b>Shareholder Equity</b>	<b>131,299</b>	<b>135,794</b>	<b>144,881</b>	<b>160,664</b>	<b>182,593</b>	<b>171,655</b>

**Financial Performance**

Mark-up / return / interest earned	88,681	95,690	101,126	100,192	115,252	114,386
Mark-up / return / interest expensed	45,170	48,517	56,552	60,894	68,462	59,999
<b>Net mark-up / Interest income</b>	<b>43,512</b>	<b>47,173</b>	<b>44,573</b>	<b>39,298</b>	<b>46,790</b>	<b>54,387</b>
Fee, Commission, Brokerage and Exchange income	12,151	13,145	14,941	16,273	16,572	18,254
Capital gain & Dividend income	3,580	3,985	5,300	6,548	10,737	14,990
Share of profit from joint venture - net of tax	(17)	32	95	438	302	560
Share of loss from associates - net of tax	67	84	1,856	(592)	(1,060)	(923)
Other income	2,371	2,502	2,613	3,284	3,754	2,117
<b>Non interest income</b>	<b>18,151</b>	<b>19,748</b>	<b>24,805</b>	<b>25,952</b>	<b>30,305</b>	<b>35,104</b>
Gross income	61,663	66,922	69,378	65,250	77,094	89,491
Operating Expenses (Non Mark-Up/Interest Expense)	26,851	30,899	36,082	37,701	43,255	43,794
Profit before provisions	34,812	36,023	33,296	27,548	33,839	45,591
Provisions	10,189	9,913	11,112	20,520	10,703	11,419
<b>Pre-tax profit</b>	<b>24,622</b>	<b>26,110</b>	<b>22,184</b>	<b>7,029</b>	<b>23,136</b>	<b>34,173</b>
Taxation	6,884	8,407	6,519	1,722	7,065	14,096
<b>After-tax profit</b>	<b>17,738</b>	<b>17,703</b>	<b>15,665</b>	<b>5,307</b>	<b>16,071</b>	<b>20,077</b>



## 6 YEARS' VERTICAL ANALYSIS

	2010		2011		2012		2013		2014		2015	
	Rs in million	%	Rs in million	%	Rs in million	%	Rs in million	%	Rs in million	%	Rs in million	%
<b>ASSETS</b>												
Cash and balances with treasury banks	115,442	11%	131,676	11%	158,333	10%	157,930	12%	97,972	6%	150,900	10%
Balances with other banks	30,390	3%	27,582	2%	30,222	2%	17,458	1%	12,108	1%	20,128	1%
Lending to financial institutions	23,025	2%	44,380	4%	8,273	3%	51,939	4%	111,789	7%	10,639	1%
Investments - net	301,324	29%	319,531	28%	343,538	24%	397,959	29%	561,764	36%	826,302	54%
Advances - net	477,507	46%	525,046	46%	654,690	40%	615,420	45%	626,704	41%	577,893	37%
Operating Fixed assets	26,888	3%	27,454	2%	27,950	2%	32,702	2%	31,796	2%	31,936	2%
Deferred tax assets - net	6,953	1%	7,935	1%	9,848	1%	10,955	1%	9,878	1%	9,669	1%
Other assets	56,222	5%	65,973	6%	76,675	5%	80,564	6%	91,045	6%	78,895	5%
<b>Total assets</b>	1,037,750	100%	1,149,578	100%	1,309,528	88%	1,364,926	100%	1,543,054	100%	1,706,361	100%
<b>LIABILITIES</b>												
Bills payable	8,007	1%	9,105	1%	14,368	1%	13,895	1%	11,012	1%	9,172	1%
Borrowings	20,104	2%	26,372	2%	51,297	2%	22,239	2%	37,541	2%	21,911	1%
Deposits and other accounts	832,152	80%	927,421	81%	1,036,739	71%	1,101,139	81%	1,233,525	80%	1,431,037	84%
Sub-ordinated loans	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Liabilities against assets subject to Finance Lease	107	0%	76	0%	30	0%	24	0%	13	0%	36	0%
Deferred tax liabilities	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Other liabilities	48,886	5%	53,952	5%	67,115	4%	71,343	5%	82,634	5%	75,855	4%
<b>Total Liabilities</b>	909,254	88%	1,016,926	88%	1,169,548	78%	1,208,639	89%	1,364,725	88%	1,538,010	90%
<b>NET ASSETS</b>	128,496	12%	132,651	12%	139,981	10%	156,287	11%	178,329	12%	168,351	10%
Share capital	13,455	1%	16,818	1%	18,500	1%	21,275	2%	21,275	1%	21,275	1%
Reserves	24,450	2%	25,343	2%	28,819	2%	31,539	2%	32,074	2%	45,581	3%
Unappropriated profit	65,857	6%	68,359	6%	57,419	5%	48,046	4%	57,007	4%	49,156	3%
Equity	103,762	10%	110,520	10%	104,737	8%	100,860	7%	110,356	7%	116,011	7%
Surplus on revaluation of assets	24,734	2%	22,131	2%	35,243	2%	55,427	4%	67,973	4%	52,340	3%
	128,496	12%	132,651	12%	139,981	10%	156,287	11%	178,329	12%	168,351	10%
<b>PROFITABILITY</b>												
Mark-up / Return / Interest earned	88,472	100%	95,325	100%	100,092	95%	99,028	100%	114,174	100%	113,662	100%
Mark-up / Return / Interest expensed	45,250	51%	48,516	51%	56,418	48%	60,823	61%	68,370	60%	59,941	53%
Net Mark-up / Interest income	43,222	49%	46,810	49%	43,674	47%	38,205	39%	45,804	40%	53,721	47%
Fee, commission, brokerage and exchange income	11,843	13%	12,720	13%	14,410	13%	15,394	16%	15,687	14%	17,043	15%
Capital gain & dividend income	3,618	4%	4,096	4%	6,844	4%	6,908	7%	11,103	10%	15,860	14%
Other income	2,171	2%	2,520	3%	2,595	3%	3,268	3%	3,587	3%	2,081	2%
Non interest income	17,632	20%	19,337	20%	23,849	19%	25,570	26%	30,377	27%	34,983	31%
Gross income	60,854	69%	66,147	69%	67,524	66%	63,774	64%	76,181	67%	88,704	78%
Operating expenses (Non mark-up / interest expense)	26,321	30%	30,255	32%	35,085	30%	36,295	37%	41,703	37%	42,193	37%
Profit before provisions	34,532	39%	35,891	38%	32,438	36%	27,480	28%	34,478	30%	46,511	41%
Provisions	10,118	11%	9,880	10%	11,060	10%	20,401	21%	12,478	11%	13,296	12%
Pre-tax profit	24,415	28%	26,011	27%	21,378	26%	7,078	7%	22,001	19%	33,216	29%
Taxation	6,852	8%	8,406	9%	6,437	8%	1,578	2%	6,973	6%	13,997	12%
After-tax profit	17,563	20%	17,605	18%	14,941	18%	5,500	6%	15,028	13%	19,219	17%



## 6 YEARS' HORIZONTAL ANALYSIS

	2010	10 Vs 09	2011	11 Vs 10	2012	12 Vs 11	2013	13 Vs 12	2014	14 Vs 13	2015	15 Vs 14
	Rs in million	%	Rs in million	%	Rs in million	%	Rs in million	%	Rs in million	%	Rs in million	%
<b>ASSETS</b>												
Cash and balances with treasury banks	115,442	0%	131,676	14%	158,333	20%	157,930	0%	97,972	-38%	150,900	54%
Balances with other banks	30,390	7%	27,582	-9%	30,222	10%	17,458	-42%	12,108	-31%	20,128	66%
Lending to financial institutions	23,025	18%	44,380	93%	8,273	-81%	51,939	528%	111,789	115%	10,639	-90%
Investments - net	301,324	38%	319,531	6%	343,538	8%	397,959	16%	561,764	41%	826,302	47%
Advances - net	477,507	0%	525,046	10%	654,690	25%	615,420	-6%	626,704	2%	577,893	-8%
Operating Fixed assets	26,888	7%	27,454	2%	27,950	2%	32,702	17%	31,796	-3%	31,936	0%
Deferred tax assets - net	6,953	127%	7,935	14%	9,848	24%	10,955	11%	9,878	-10%	9,669	-2%
Other assets	56,222	-6%	65,973	17%	76,675	16%	80,564	5%	91,045	13%	78,895	-13%
<b>Total assets</b>	<b>1,037,750</b>	<b>10%</b>	<b>1,149,578</b>	<b>11%</b>	<b>1,309,528</b>	<b>14%</b>	<b>1,364,926</b>	<b>4%</b>	<b>1,543,054</b>	<b>13%</b>	<b>1,706,361</b>	<b>11%</b>
<b>LIABILITIES</b>												
Bills payable	8,007	-25%	9,105	14%	14,368	58%	13,895	-3%	11,012	-21%	9,172	-17%
Borrowings	20,104	-56%	26,372	31%	51,297	95%	22,239	-57%	37,541	69%	21,911	-42%
Deposits and other accounts	832,152	14%	927,421	11%	1,036,739	12%	1,101,139	6%	1,233,525	12%	1,431,037	16%
Sub-ordinated loans	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Liabilities against assets subject to Finance Lease	107	150%	76	-28%	30	-61%	24	-19%	13	-47%	36	181%
Deferred tax liabilities	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Other liabilities	48,886	16%	53,952	10%	67,115	24%	71,343	6%	82,634	16%	75,855	-8%
<b>Total Liabilities</b>	<b>909,254</b>	<b>10%</b>	<b>1,016,926</b>	<b>12%</b>	<b>1,169,548</b>	<b>15%</b>	<b>1,208,639</b>	<b>3%</b>	<b>1,364,725</b>	<b>13%</b>	<b>1,538,010</b>	<b>13%</b>
<b>NET ASSETS</b>	<b>128,496</b>	<b>8%</b>	<b>132,651</b>	<b>3%</b>	<b>139,981</b>	<b>6%</b>	<b>156,287</b>	<b>12%</b>	<b>178,329</b>	<b>14%</b>	<b>168,351</b>	<b>-6%</b>
Share capital	13,455	25%	16,818	25%	18,500	10%	21,275	15%	21,275	0%	21,275	0%
Reserves	24,450	8%	25,343	4%	28,819	14%	31,539	9%	32,074	2%	45,581	42%
Unappropriated profit	65,857	9%	68,359	4%	57,419	-16%	48,046	-16%	57,007	19%	49,156	-14%
Equity	103,762	10%	110,520	7%	104,737	-5%	100,860	-4%	110,356	9%	116,011	5%
Surplus on revaluation of assets	24,734	0%	22,131	-11%	35,243	59%	55,427	57%	67,973	23%	52,340	-23%
	<b>128,496</b>	<b>8%</b>	<b>132,651</b>	<b>3%</b>	<b>139,981</b>	<b>6%</b>	<b>156,287</b>	<b>12%</b>	<b>178,329</b>	<b>14%</b>	<b>168,351</b>	<b>-6%</b>
<b>PROFITABILITY</b>												
Mark-up / Return / Interest earned	88,472	14%	95,325	8%	100,092	5%	99,028	-1%	114,174	15%	113,662	0%
Mark-up / Return / Interest expensed	45,250	12%	48,516	7%	56,418	16%	60,823	8%	68,370	12%	59,941	-12%
Net Mark-up / Interest income	43,222	15%	46,810	8%	43,674	-7%	38,205	-13%	45,804	20%	53,721	17%
Fee, commission, brokerage and exchange income	11,843	-1%	12,720	7%	14,410	13%	15,394	7%	15,687	2%	17,043	9%
Capital gain & dividend income	3,618	-44%	4,096	13%	6,844	67%	6,908	1%	11,103	61%	15,860	43%
Other income	2,171	292%	2,520	16%	2,595	3%	3,268	26%	3,587	10%	2,081	-42%
Non interest income	17,632	-7%	19,337	10%	23,849	23%	25,570	7%	30,377	19%	34,983	15%
Gross income	60,854	8%	66,147	9%	67,524	2%	63,774	-6%	76,181	19%	88,704	16%
Operating expenses (Non mark-up / interest expense)	26,321	15%	30,255	15%	33,085	16%	36,295	3%	41,703	15%	42,193	1%
Profit before provisions	34,532	3%	35,891	4%	32,438	-10%	27,480	-15%	34,478	25%	46,511	35%
Provisions	10,118	-18%	9,880	-2%	11,060	12%	20,401	84%	22,478	-39%	13,296	7%
Pre-tax profit	24,415	15%	26,011	7%	21,378	-18%	7,078	-67%	12,001	211%	33,216	51%
Taxation	6,852	83%	8,406	23%	6,437	-23%	1,578	-75%	6,973	342%	13,997	101%
After-tax profit	17,563	0%	17,605	0%	14,941	-15%	5,500	-63%	15,028	173%	19,219	28%



## Capital Adequacy

	2015	2014
	(Rs in Million)	
	Amount	Amount
<b>Tier-1 Capital</b>		
Paid-up Capital	21,275	21,275
General/ Statutory Reserves	25,433	23,511
Unappropriated profit	49,155	57,007
CET 1 before Regulatory Adjustments	<b>95,863</b>	<b>101,793</b>
Tier-2 capital recognized for capital adequacy	4,112	10,034
<b>Total Common Equity Tier-1</b>	<b>91,751</b>	<b>91,758</b>
<b>Tier 2 Capital</b>		
T2 before regulatory adjustments	54,728	47,381
Regulatory adjustment applied	1,861	3,399
Tier-2 capital after regulatory adjustments	<b>52,867</b>	<b>43,982</b>
Tier-2 capital recognized for capital adequacy	37,465	43,982
<b>Total Tier 2 capital admissible for capital adequacy</b>	<b>37,465</b>	<b>43,982</b>
<b>Total Capital</b>	<b>129,216</b>	<b>135,740</b>
<b>Risk Weighted Assets</b>		
Credit Risk: Of Which	<b>567,985</b>	<b>593,463</b>
On Balance Sheet	410,601	442,322
Off-Balance Sheet	55,448	65,198
Equity Exposure Risk	101,936	85,943
Market	<b>39,464</b>	<b>67,568</b>
Operational	<b>126,954</b>	<b>119,688</b>
<b>Total Risk Weighted Assets</b>	<b>734,403</b>	<b>780,719</b>
<b>Capital Ratios and Buffers</b>		
Common Equity Tier-1 to total RWA	12.49%	11.75%
Tier-1 capital to total RWA	12.49%	11.75%
Total capital to total RWA	17.59%	17.39%
<b>National MCR prescribed by SBP</b>		
CET-1 Minimum ratio	5.50%	5.50%
Tier-1 Minimum ratio	7.00%	7.00%
Total Minimum Capital Ratio	10.25%	10.00%



## CREDIT RATING, AWARDS AND ACHIEVEMENTS

Rated 'AAA' by both the Credit Rating Agencies in Pakistan

# AAA

Long Term

# A1+

Short Term

PACRA

# AAA

Long Term

# A1+

Short Term

JCR-VIS

### KEY AWARDS AND ACHIEVEMENTS

- Bank of the Year Award - 2015 by "The Banker" - a publication of Financial Times London
- Businessman of the Year Gold Medal - 2015 - (FPCCI 39th Export Awards)
- FPCCI Achievement Award Certificate and Gold Medal for the Year - 2015
- 1Link Certificate of Achievement - Top 3 Issuing Banks
- 2<sup>nd</sup> FPCCI Achievement Award - 2014
- 37<sup>th</sup> FPCCI Award - 2014
- Domestic Technology and Operations Bank - 2013 - The Asian Banking & Finance Magazine
- Domestic Retail Bank of the Year - 2013 - The Asian Banking & Finance Magazine
- Transaction of the Year Award - 2012 - CFA Association of Pakistan
- Middle East Renewable Deal of the Year Award - 2012 - Project Finance Magazine



# HAR SAHULAT, AUR BHI BAA-SAHULAT

Being the Nation's Bank, we aim to cater to the needs of our customers and promise to bring convenient and innovative banking services. Introducing NBP Advanced Services, a set of facilities that will provide you with hassle-free banking solutions, anytime, anywhere.

Through our vast network of more than 1360 branches across the country, you can now pay your taxes online, make transactions through SMS, pay utility bills via 1 Link and take out cash from conveniently placed ATM Points.

## E-Payments



## ATM Points

## Mobile Banking



## Utility Bill Payments



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UAN: 111-627-627 or  
log on to [www.nbp.com.pk](http://www.nbp.com.pk)



## NOTICE OF 67<sup>TH</sup> ANNUAL GENERAL MEETING

Notice is hereby given that the **67<sup>th</sup> Annual General Meeting (“AGM”)** of National Bank of Pakistan (the “**Bank**”) will be held on **Wednesday the 30<sup>th</sup> March, 2016 at 9:00 A.M. (PST), at Crystal Ball Room, Marriott Hotel, Karachi.**

The following business will be transacted in the meeting:

### Ordinary Business:

1. To confirm minutes of the Extraordinary General Meeting of Shareholders held on 18<sup>th</sup> December, 2015, at Karachi.
2. To receive, consider and adopt the Annual Audited Financial Statements of National Bank of Pakistan and Consolidated Accounts of National Bank of Pakistan and its Subsidiaries for the year ended 31<sup>st</sup> December, 2015, together with the Directors’ & Auditors’ Reports thereon.
3. To appoint auditors for the year ending 31<sup>st</sup> December, 2016 and fix their remuneration. The Board of Directors has recommended appointment of Messrs Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants and Messrs Grant Thornton Anjum Rehman, Chartered Accountants to be the auditors of the Bank for the year ending 31<sup>st</sup> December, 2016, in place of the retiring auditors namely Messrs Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants and Messrs KPMG Taseer Hadi & Company, Chartered Accountants at the same fee as paid to the retiring auditors.
4. To consider and approve cash dividend at Rs. 7.5 per share i.e. 75% as recommended by the Board of Directors for the year ended 31<sup>st</sup> December, 2015 (subject to Government of Pakistan’s approval).

### Special Business:

5. To consider and, if thought fit, approve the Scheme of Amalgamation recommended by the Board of Directors of the Bank for the amalgamation of NBP Leasing Limited, the wholly owned subsidiary of the Bank, with and into the Bank, in accordance with section 48 of the Banking Companies Ordinance, 1962, and pass the following resolutions, with or without modifications:
  - (a) **RESOLVED THAT** subject to obtaining all necessary regulatory approvals, including the approvals of the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan, NBP Leasing Limited be amalgamated with and into National Bank of Pakistan under section 48 of the Banking Companies Ordinance, 1962 in accordance with the Scheme of Amalgamation to be sanctioned by the State Bank of Pakistan (“Merger”).
  - (b) **FURTHER RESOLVED THAT** the Scheme of Amalgamation, as approved and recommended by the Board of Directors of National Bank of Pakistan and circulated to the shareholders of the Bank, be and is hereby approved in accordance with the provisions of section 48 of the Banking Companies Ordinance, 1962, subject to any modifications which may be carried out as per the requirements of the Securities and Exchange Commission of Pakistan or the State Bank of Pakistan and / or for the purposes of rectifying any error, clarification or elaboration.



## NOTICE OF 67<sup>TH</sup> ANNUAL GENERAL MEETING

- (c) **FURTHER RESOLVED THAT** Mr. Amir Sattar, the SEVP/CFO of the Bank and Mr. Khawaja Amin-ul- Azam, the EVP/Head Islamic Banking of the Bank, be and are hereby authorized to jointly take all steps necessary, ancillary and incidental for the purposes of the Merger including, but not limited to, (i) executing all necessary documents pertaining to the Merger including, but not limited to, the Scheme of Amalgamation, applications, affidavits and any other related documents; (ii) taking all steps and actions for obtaining the requisite consents from the relevant regulatory authorities, members / shareholders and any other persons (as applicable) with respect to the Merger and all ancillary matters; (iii) filing, pursuing and taking any and all necessary actions in respect of submitting applications to the relevant authorities, including representing the Bank, with respect to the Merger and obtaining the approvals of the same; (iv) making such alterations and changes in the Scheme of Amalgamation as may be expedient or necessary for satisfying the requirements or conditions imposed by either the State Bank of Pakistan and / or the Securities and Exchange Commission of Pakistan; (v) appointing consultants, attorneys, advocates, advisors and counsels for the purposes of the Merger; and (vi) generally doing all acts, deeds and things as may be required with respect to the aforementioned resolutions and implementing the Scheme of Amalgamation in terms thereof along with all incidental actions in respect of the same.
6. To transact any other business with the permission of the Chairman.

Karachi

Dated: March 09, 2016

By Order of the Board

Sd/=

**Secretary (Board)**



## NOTICE OF 67<sup>TH</sup> ANNUAL GENERAL MEETING

### Notes:

- i) The Share Transfer Books of the Bank shall remain closed from 23-03-2016 to 30-03-2016 (both days inclusive). Transfers received at Messrs Central Depository Company of Pakistan Limited, CDC House 99-B, Block “B”, SMCHS, Main Shahra-e-Faisal, Karachi – 74400, the Bank’s Registrar and Share Transfer Agent, at the close of the business on 22-03-2016 will be treated in time for purpose of attending the meeting and entitlement of any Cash Dividend.
- ii) A member eligible to attend and vote at the AGM is entitled to appoint another member as a proxy to attend and vote on his / her behalf. The Government of Pakistan, State Bank of Pakistan and any Corporation(s), being a member of the Bank, may nominate any person as its representative to attend the AGM under authority of a Power of Attorney or a Board of Directors’ Resolution. Proxies or nominations, in order to be effective and valid, must be received at the office of the Bank’s Registrar / Share Transfer Agent, Messrs Central Depository Company of Pakistan Limited, CDC House 99-B, Block “B”, SMCHS, Main Shahra-e-Faisal, Karachi – 74400, not later than 48 hours before the time of holding the AGM.
- iii) CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan:
  - a. For Attending the Meeting:
    - In case of Individuals, the account holder or sub-account holder shall authenticate his / her identity by showing his Original Computerized National Identity Card (“CNIC”) or original Passport at the time of attending the meeting,
    - In case of corporate entity, the Original or duly authenticated Board of Directors’ resolution/ power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.
  - b. For Appointing Proxies:
    - In case of individuals, the account holder or sub-account holder shall submit the proxy form as per the above requirement.
    - The Proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be furnished with the proxy form.
    - The proxy shall produce his /her original CNIC or original passport at the time of the Meeting.
    - In case of corporate entity, the Original or duly authenticated Board of Directors’ resolution/ power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) along with proxy form to Messrs Central Depository Company of Pakistan Limited.
- iv) CDC Account Holders and Sub-account Holders, whose Registration details are available in Share Book Detail Report shall have to produce respective Original Computerized National Identity Cards (CNICs) or Original Passports for the purpose



## NOTICE OF 67<sup>TH</sup> ANNUAL GENERAL MEETING

of identification to participate in the Annual General Meeting. Such Account Holders and Sub Account Holders should know the CNIC Numbers and CDC Account Number of the respective partner and should bring the same along with them. In case of Proxy, the person should positively attach the attested copy of the CNIC or Passport. In case of corporate member's representative, usual documents should be accompanied for the same purpose.

- v) Members are requested to immediately notify any change in their addresses to the Bank's Registrar and Share Transfer Agent, Messrs Central Depository Company of Pakistan Limited.

vi) **COMPUTERIZED NATIONAL IDENTITY CARD (CNIC)**

Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O. 779 (1)/2011 dated August 18, 2011 has directed all listed companies to ensure that Dividend Warrants should bear the Computerized National Identity Card (CNIC) Numbers of the registered members. Members who have not yet provided attested copies of their valid CNICs / NTN's (in case corporate entities) are requested to send the same directly to the Share Registrar at aforementioned address.

vii) **REVISION OF WITHHOLDING TAX ON DIVIDEND INCOME UNDER SECTION 150 OF THE FINANCE ACT 2014:**

Please note that under Section 150 of the Income Tax Ordinance, 2001 and pursuant to Finance Act 2014 withholding tax on dividend income will be deducted for 'Filer' and 'Non-Filer' shareholders @ 12.5% and 17.5% respectively. According to clarification received from Federal Board of Revenue (FBR) withholding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as Joint Holder(s) based on their shareholding proportions, in case of joint accounts

In this regard, all shareholders who hold shares jointly, are requested to provide shareholding proportions of Principal shareholder and Joint Holder(s) in respect of shares held by them to our Share Registrar, in writing as follows:

Folio / CDS Account #	Total Shares	Principal Shareholder		Joint Shareholder	
		Name and CNIC #	Shareholding Proportion (No. of Shares)	Name and CNIC #	Shareholding Proportion (No. of Shares)

The required information must be reached to our Share Registrar by 23-03-2016, otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint Holder(s).

Shareholders are therefore requested to please check and ensure Filer status from Active Taxpayers List (ATL) available at FBR website <http://www.fbr.gov.pk/> as well as ensure that their CNIC / Passport number has been recorded by the Participant / Investor Account Services or by Share Registrar (in case of physical shareholding). Corporate bodies (non-Individual shareholders) should ensure that their names and National Tax Numbers (NTN) are available in ATL at FBR website and recorded by respective Participant / Investor Account Services or in case of physical shareholding by Bank's Share Registrar.



## NOTICE OF 67<sup>TH</sup> ANNUAL GENERAL MEETING

### viii. DELIVERY OF THE UNCLAIMED / UNDELIVERED SHARES LYING WITH THE SHARE REGISTRAR:

As directed by SECP vide letter # SMD/CIW/Misc./14/2009 dated October 11, 2011, shareholders are requested to please contact / coordinate with Bank's Share Registrar for collection of unclaimed / Undelivered Bonus Share Certificates / Dividend Warrants.

### ix. TRANSMISSION OF ANNUAL FINANCIAL STATEMENTS THROUGH EMAIL:

In pursuance of the directions given by SECP vide SRO 787 (1)/2014 dated September 8, 2014, those shareholders who desire to receive Annual Financial Statements in future through email instead of receiving the same by Post are advised to give their formal consent along with their valid email address on a standard request form which is available at the Bank's website i.e. [www.nbp.com.pk](http://www.nbp.com.pk) and send the said form duly filled in and signed along with copy of his / her / its CNIC / Passport to the Bank's Share Registrar. Please note that giving email address for receiving of Annual Financial Statements instead of receiving the same by post is optional, in case you do not wish to avail this facility please ignore this notice and, in such case, Annual Financial Statements will be sent at your registered address, as per normal practice.

### x. DIVIDEND MANDATE (OPTIONAL):

A shareholder may, if he so desires, direct the Bank to pay dividend through his / her / its bank account. If you want to avail the facility of direct credit of dividend amount in your bank account, please provide the following information to Bank's Share Registrar and CDC Shareholders are requested to send their bank account details to their respective Participant / Investor Account Services. In pursuance of directions given by SECP, kindly authorize the bank for direct credit of cash dividend in your bank account. (Please note that giving bank mandate for dividend payments is optional, in case you do not wish to avail this facility please ignore this notice and, in such case, dividend will be paid through dividend warrant to your registered address, as per normal practice).

Dividend Mandate - Bank Account Details of Shareholder	
Title of Bank Account: Bank's name: Cell and Landline numbers:	Bank Account Number: Branch name with complete address:
Please provide full account number OR IBAN, please check with your concerned Branch.	
The above-mentioned information is correct and in case of any change therein, I / we will immediately intimate to my / our Participant / Investor Account Services OR our Share Registrar.	
Signature of Shareholder(s):	
Name of Shareholder(s):	
Folio Number / CDC ID & A/c Number:	
CNIC Number:	

Detailed information / formats are available at NBP's website [www.nbp.com.pk](http://www.nbp.com.pk)



## NOTICE OF 67<sup>TH</sup> ANNUAL GENERAL MEETING

### xi. CONSENT FOR VIDEO CONFERENCE FACILITY

In compliance of Circular No. 10 dated May 21, 2014 of the SECP, shareholders of the Bank are informed that they can also avail video conference facility. In this regard please fill the following and submit to registered address of the Bank 10 days before holding of general meeting. If the Bank receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to date of meeting, the Bank will arrange video conference facility in that city subject to availability of such facility in that city. The Bank will intimate members regarding venue of video conference facility at least 5 days before the date of general meeting along with complete information necessary to enable them to access such facility.

I/We, \_\_\_\_\_ of \_\_\_\_\_, being a member of National Bank of Pakistan, holding \_\_\_\_\_ Ordinary Share(s) as per Register Folio No./CDC Sub-Account No. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_.

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Signature of Member



## NOTICE OF 67<sup>TH</sup> ANNUAL GENERAL MEETING

### **“STATEMENT OF MATERIAL FACTS”:**

This statement sets out the material facts concerning the Special Business given in agenda item No.5, of the Notice, to be transacted at the AGM of National Bank of Pakistan’s shareholders.

#### **Item No. 5:**

### **TO APPROVE SCHEME OF AMALGAMATION OF NBP LEASING WITH AND INTO THE NBP.**

The NBP Shareholders in EOMG held on 18-12-2015 had, in principle, approved the amalgamation of NBP Leasing Limited (“NLL”), being the wholly owned subsidiary of the Bank, with and into the Bank under section 48 of the Banking Companies Ordinance, 1962 (“Proposed Merger”).

The Proposed Merger is intended to be implemented and effected through a Scheme of Amalgamation, the draft of which has been recommended by the Board of Directors of the Bank to the Shareholders, and has been made available to the members (the “Scheme”). Subject to obtaining all necessary corporate and regulatory approvals (including from the shareholders of the Bank and NLL, the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan), and the sanction of the Scheme by the State Bank of Pakistan in accordance with section 48 of the Banking Companies Ordinance, 1962, the entire undertaking of NLL (including all assets, properties, rights, liabilities, obligations etc.) will be amalgamated with and merged into the Bank, subsequent to which NLL shall be dissolved without winding up. Furthermore, it is intended that the undertaking of NLL intended to be amalgamated / merged with and into the Bank may subsequently be parked under the Islamic banking operations of the Bank through conversion of the lease / assets portfolio into Shariah compliant leases / assets.

The Scheme is also available for inspection to any person entitled to attend the Annual General Meeting at the office of the Secretary (Board) of the Bank, during normal office hours; copies of the same may also be obtained upon request by such persons from the office of the Secretary (Board) of the Bank free of cost during normal office hours till the date of the meeting.

The details of the Proposed Merger along with all ancillary matters thereto, as well as the benefits thereof are prescribed in the Scheme.

As required by section 48 of the Banking Companies Ordinance, 1984, the Scheme is required to be passed at the meeting of the shareholders of the Bank, by a majority representing two-thirds in value of the shareholders of the Bank, present either in person or by proxy at the meeting.

The directors of the Bank and NLL are interested in the Scheme to the extent of their respective shareholdings in the Bank and NLL (to the extent applicable). The effect of the Scheme on the interest of these directors does not differ from the respective interests of the shareholders / members of the Bank.

The directors of the Bank shall continue as the directors after the Proposed Merger (subject to their ceasing to be directors prior to the completion of the Proposed Merger). The directors of NLL shall cease to hold office as directors in the said company as result of the Proposed Merger. No compensation shall be payable to such directors on account of their relinquishment of the respective offices in NLL.



## NOTICE OF 67<sup>TH</sup> ANNUAL GENERAL MEETING

In view of the above, the Board of Directors of the Bank has recommended the amalgamation / merger of NLL with and into the Bank in terms of the Scheme.

The Shareholders are requested to consider and approve Scheme of Amalgamation of with and into the Bank, and pass the following resolution, with or without modifications.

**“RESOLVED THAT** subject to obtaining all necessary regulatory approvals, including the approvals of the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan, NBP Leasing Limited be amalgamated with and into National Bank of Pakistan under section 48 of the Banking Companies Ordinance, 1962 in accordance with the Scheme of Amalgamation to be sanctioned by the State Bank of Pakistan.”

**“FURTHER RESOLVED THAT** the Scheme of Amalgamation, approved and as recommended by the Board of Directors of National Bank of Pakistan and circulated to the shareholders of the Bank, be and is hereby approved in accordance with the provisions of section 48 of the Banking Companies Ordinance, 1962, subject to any modifications which may be carried out as per the requirements of the Securities and Exchange Commission of Pakistan or the State Bank of Pakistan and / or for the purposes of rectifying any error, clarification or elaboration.”

**“FURTHER RESOLVED THAT** Mr. Amir Sattar, the SEVP/CFO of the Bank and Mr. Khawaja Amin-ul-Azam, the EVP/Head Islamic Banking of the Bank, be and are hereby authorized to jointly take all steps necessary, ancillary and incidental for the purposes of the Merger including, but not limited to, (i) executing all necessary documents pertaining to the Merger including, but not limited to, the Scheme of Amalgamation, applications, affidavits and any other related documents; (ii) taking all steps and actions for obtaining the requisite consents from the relevant regulatory authorities, members / shareholders and any other persons (as applicable) with respect to the Merger and all ancillary matters; (iii) filing, pursuing and taking any and all necessary actions in respect of submitting applications to the relevant authorities, including representing the Bank, with respect to the Merger and obtaining the approvals of the same; (iv) making such alterations and changes in the Scheme of Amalgamation as may be expedient or necessary for satisfying the requirements or conditions imposed by either the State Bank of Pakistan and / or the Securities and Exchange Commission of Pakistan; (v) appointing consultants, attorneys, advocates, advisors and counsels for the purposes of the Merger; and (vi) generally doing all acts, deeds and things as may be required with respect to the aforementioned resolutions and implementing the Scheme of Amalgamation in terms thereof along with all incidental actions in respect of the same.”





## CHAIRMAN'S MESSAGE

I feel great pleasure in writing to you about your Bank's performance for the year 2015. Capitalising on opportunities created by the improving economic environment, we moved on towards successfully achieving our goals and targets for the year 2015. As maximising shareholders' value remains on top among our priorities, we achieved 28% growth in profitability. To make it a sustainable growth for the future, we have invested into further improving our technological infrastructure, corporate governance framework, risk management, customer base, geographical footprint in the country, our product universe and above all, our human talent capital. We have, and shall continue, to invest in automating all functions of the Bank.

It is evident from the numbers stated in the financial statements that your Bank is continuously striving to increase its leadership position on most fronts in the financial services industry in Pakistan. Not only have we improved our numbers in terms of profitability, liquidity, solvency, capital adequacy, deposits, financial inclusion, etc.; we are also improving our business operations as simpler, smoother and structured through automation.

We have continued with our commitment to extend the utmost support on all fronts in bringing industrial and economic rehabilitation in the country. We feel pleasure in the fact that NBP's contribution is keeping alive several public sector entities and large businesses in the country. However, we are equally concerned with the situation that large NPLs pertaining to the public sector entities continue to hinder our pace towards growth and profitability to the best of our true potential and capabilities.

We strive to fulfil our responsibilities as a corporate citizen, not only towards our shareholders, but also to the state and all members of society. We remain committed towards nation building and contributing to society by focusing on the areas of basic education, healthcare, skill development and financial inclusion of the unbanked masses in the country. Our branches' presence in the rural areas is the largest for any bank in the country. The Bank contributes towards its CSR commitments for betterment of under-privileged citizens, development of human talent in the country and enrichment of our culture.

While we achieved performance milestones during the year, we understand significant opportunities are still there to be unfolded and capitalised on. Also, we have to be mindful of the significant factors that continue to slash our pace of growth. To fully capitalise the opportunities in the market, we are determined to eradicate such factors by reshaping our business culture in general, and our customer service in

particular. Our Code of Conduct raises the bar for loyalty, transparency, integrity and fairness in all our decisions and the actions we take. As a motivated team, we move confidently to achieve our strategic goals for the year 2016.

I would like to take this opportunity to thank our Board for the immense contribution and insight provided during these challenging days in developing a sustainable environment for the Bank to continue with its pace towards mission accomplishment. We are indebted to appreciate our management for their efforts in driving the Bank back to its true potential. We are confident that efforts shall continue in the right direction to restore confidence of our stakeholders in the Bank.

I would also like to thank our shareholders, customers, business counterparts and regulators for their support and confidence during 2015; above all, our great people for their hard work, dedication and ongoing commitment to National Bank of Pakistan.

### Muneer Kamal

Chairman Board of Directors

Date: February 19, 2016



# DIRECTORS'

REPORT TO THE SHAREHOLDERS





## DIRECTORS' REPORT TO THE SHAREHOLDERS

I am pleased to present to you, on behalf of the Board of Directors of National Bank of Pakistan, Financial Statements of the Bank for the year ended December 31, 2015. You will be pleased to know that the true potential and capabilities of your Bank have further crystallised as our strategic plans keep on unlocking business potentials and translate into improved customer recognition & service, better earnings, integrated business systems, greater national and overseas network and a motivated team. The performance of your Bank during the year was however influenced by multifaceted external factors like the murky global economic environment and a compromised geo-political situation in the Middle East and other neighbouring economies.

### Macroeconomic Environment

The year 2015 remained fairly tough for global economic growth which remained around 2.9% compared to the initial forecast of 3.5%. Bigger economies like USA, China, India, Saudi Arabia, Germany and the UK all faced a slump in GDP growth. This dull output was mainly attributed to the unrelenting deceleration of economic activities as the oil prices continue a free fall. The emerging and developing economies gained from the situation and recorded modest economic growth despite a significant decline in their exports as demand from the developed economies remained limited. Since political uncertainty in the Middle East and pressures on the oil prices continue, experts now suggest that global economic growth will face yet another difficult year ahead.

Our economy maintained its pace of improvement & growth as the GDP growth rate rose to 4.2% in year 2014-15 as compared to 4.0% in year 2013-14. Economic activity in the country accelerated slightly on the back of lowering oil import bill, improving energy distribution management, persistent growth in foreign remittances, improving law & order situation, the Sino-Pak agreement of developing China-Pakistan Economic Corridor (CPEC). These have collectively geared the economy towards low inflation, improvement in Tax-GDP ratio, etc. Economic growth was witnessed in all key sectors of the economy i.e. large-scale manufacturing, services, agriculture, industry and trading.

Sharp falls in global POL and other commodity prices, stronger PKR making imports less costly and controlled food prices dashed headline CPI inflation down to record low level of 4.5% in FY15, lowest ever since 2003. During 1H FY16, CPI has averaged at 2.5%. Also, Pakistan's healthy remittance growth to USD 18.4 Billion in FY15 (USD 15.8 B – FY14), funds generation through sale of Government stake in business entities, helped insulate the economy from external vulnerabilities. Our external account position has also strengthened to record high FE reserves to approx. USD 21bn.

We had a tough year on the trade side as our trade deficit increased to USD 17.2 bn vs. USD 16.6 bn in FY14, due to lower textile exports and rising imports of power / construction machinery, steel & transport vehicles. Though lower crude oil prices would continue to support, we expect CA deficit to slightly increase to 1% of GDP, on account of development projects led higher imports. On the financial and capital account side, dollar inflows from IMF, World Bank, ADB and other financial intermediaries along with the start of funding by China on CPEC related projects would cover CA deficit and uplift reserves.

**Our economy is showing signs of recovery on the back of lowering fuel prices and foreign remittances.**

The trickle down impact of the easing economic and financial position was also witnessed in the monetary policy of the SBP. The discount rate was reduced during the year from 8% to 6% and the excess liquidity was created through conventional as well as Islamic Sukuk instruments on various occasions to keep the market functions on track. These translated into creating more credit and financing at reduced cost of borrowings.

Although improvement in the economic outlook was also endorsed as Moody's and Fitch upgraded rating of Pakistan, direct foreign investment remained low on account of multiple issues related to political, legal, infrastructural issues as well as geo-strategic environment surrounding the country. The situation has, however, improved radically over the last 6 months with the formal launch of CPEC further aided by the tremendous successes of the domestic anti-terror drive.

While the Government has taken steps to enhance the power supply by adding more units to the National Grid as well as through improved supply chain management, the energy crisis yet remains the single most critical challenge to the economy and continues to burden the economy.

Going forward, the macro environment for FY16 appears positive. However, the outlook for the external sector still remains tenuous as the Middle East remains significantly volatile. Should the pressures remain on oil prices, we may face a drop in home remittances. Any sudden increase in the oil prices, on the other hand, will broaden trade deficit, triggering inflation. The economy could however continue to benefit from a considerable cut in the policy rate, improvement in security situation, the CPEC and other political settlements in the surroundings.



## Your Bank

Maximising shareholders' value through profitability is a top priority among our strategic goals. This year too we achieved greater success in achieving our strategic goals and priorities. Last year we had identified and set certain interconnected and synergetic priorities for ourselves to achieve during the year 2015. We had set that during the year 2015:

- We will expand our business universe through adding new products and markets
- We will enhance our branch network for both conventional and Islamic segments
- We will automate the business processes
- We will bring reduction in the NPL through recoveries & rehabilitation of classified loans
- We will continue to invest in our people

During the year 2015, our employees showed undeterred resolve to achieve the above strategic priorities. As we believed, and rightly so, the above priorities and directions have proved to set a solid ground for your Bank in maintaining its leadership position in various business segments, while creating an opportunity to regain its position in certain others.

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### **We move forward to achieve our goals from a regained position of strengths.**

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I am pleased to report that during the year your Bank made significant infrastructural growth through technological advancements and by adding 49 new branches to its domestic network, taking the total to 1,403. This includes our Islamic banking network, which now stands increased to 79 branches compared to 22 branches in December 2014. Our ATM network that comprised of 376 ATMs in December 2014 now has increased to 1,000+ ATMs. Further 500 ATMs are planned to be installed during 2016. Also your Bank accomplished another milestone by converting 100% of our domestic branch network from earlier scattered IT systems to the uniform centralised Core Banking Application (CBA). The entire branch network is now online. This has not only significantly improved the Bank's operational efficiency but will also enable it to launch technology-based products.

The Bank is a pioneer in the lending program for small business entrepreneurs. Since the launch of Prime Minister's Youth Business Loan product (PMYBL), the Bank has made significant progress towards enabling youth to improve their earning capacity with a positive multiplier effect on the economy through financial inclusion of the youth. The Bank is expanding and investing in alternate delivery channels including alliances with telcos for greater outreach and improved customer service.

During the year we successfully launched new products and also repackaged our existing products to align the same with customers' requirements. This includes introduction of "Choice Current Account" for individuals & businesses, and "Asaan" account for small depositors. Further broadening our spectrum of products, we also launched "Bancassurance" product through 184 branches to diversify the product suite and increase non-funded income. Other products launched include agriculture products for horticulture, dairy & livestock farming and repackaging of "Cash & Gold" product. While the passport fee is now collected in branches over 15 cities, we are making arrangements for collection of government taxes / fees through ATMs and telcos for which our network now stands increased from 605 authorized branches to over 100,000+ agents of telcos.

Among the large ticket business, we made significant growth by adding quality portfolio to our corporate bank. We are among the key bankers providing advisory services to the Privatisation Commission.

Our international operations span over 19 countries with a total of 21 branches, 2 subsidiaries, 1 joint venture and 3 representative offices. We are the only Pakistani bank having three branches and two wholly owned subsidiaries in Central Asian countries. This vast global footprint caters to the banking needs of the locals as well of Pakistani nationals living abroad. Our overseas branches are exploring new avenues to ensure increase in the deposit base and trade business.

We have established remittances arrangement with 42 tie-ups across the globe, including some of the leading names in the Middle East. We are now routing above 200K transactions per month of inward remittance with major inflow from the Middle East. We are now offering products like "NBP Foree Cash", "NBP Foree Transfer" and "NBP Foree Remittances Account" for hassle-free banking. As soon as the funds are remitted to an account, the beneficiary gets an SMS alert and can withdraw cash from any ATM across Pakistan.

Likewise yesteryears, in 2015 also, we continued with our endeavours to maximise financial inclusion of the unbanked masses in the country. We equally value the underdeveloped areas and strive to bring prosperity to the public in such areas through offering tailored financial services and financing facilities.

Throughout the year we remained robust & steady towards reducing our NPL. Our strategies resulted in reversal of Rs. 4,897 million in the specific provisions against NPL achieved through recoveries and rehabilitation of infected portfolio. Our strategies are all set to translate into further recoveries & reversals during the forthcoming year. With a punchline of "We must improve Asset Quality to prevent NPL", our Credit Management Group is set to adopt the



multi-pronged strategies to achieve NBP's critical success factor for improving asset quality resulting in increased yield.

We made significant advancements in implementation of BPR and COSO framework. Effective implementation of BPR and COSO is going to streamline our operating model, improve regulatory compliance as well as improve the platform for customer service, product / service deployment, enhance MIS reporting & decision-making and improving TAT resulting from process and organizational efficiencies.

Our "Aitemaad" Islamic banking that now stand increased to 79 branches, has made commendable growth. With deposits grown from Rs. 2.5 billion to 12.8 billion, "Aitemaad" is offering services nationwide in 48 cities. To bring synergies and economies of scale to Islamic banking operations, we have decided to amalgamate NBP Leasing Limited into the Bank. Our strategic initiative for the forthcoming year includes setting up an Islamic bank as our wholly owned subsidiary in order to promote Islamic banking business strictly in conformity with the injunctions of Shariah.

We are adding talent to our human capital pool through inductions and trainings. Our newly established E-learning Division will facilitate employees in continuous development, without leaving the workplace. To keep our team motivated, numbers of officers and executives have just been promoted to senior grades for better performance and succession planning.

To improve our brand, a separate function of Service Quality was introduced in March, 2015 within CRBG with the sole aim to reinvigorate the sales & service culture and changeover from customer satisfaction to Customer Delight. Our strategy towards Customer Service Quality is driven through employee engagement, efficiencies in business processes, making our business place customer friendly with an amicable ambience.

Throughout the year, we remained committed in identifying and fulfilling our responsibilities to the society at large. We extended funds of Rs. 58 million for improving education, health, rehabilitation and our culture.

In order to cover the risk of potential credit losses on the portfolio, which is presently not impaired as per the applicable Prudential Regulations, an aggregate amount of Rs. 12 billion has been appropriated from the un-appropriated profits to a "General loan loss reserve" to protect the equity base of the Bank from future contingencies in respect of the credit portfolio.

## Proposed Dividend

Transferring the value generated to the shareholders, the Board of Directors has proposed a cash dividend of Rs. 7.50 per share (75%). This shall be presented for approval by the shareholders of the Bank in the 67th Annual General Meeting. This translates into 92.3% dividend payout of the Bank's distributable profit for the year 2015 (after statutory reserve allocation). This high payout reflects the Bank's strong capital position and our commitment to enhance shareholders' value.

## Financial Performance - 2015

The commitment and resolve demonstrated by our people has efficiently materialised the opportunities arising out of the improving economic condition for maximising our shareholders' value and fulfilling our social responsibilities as a corporate entity. We effectively continued our efforts for enhancing profitability while keeping our risks well balanced.

### • Profitability

We achieved an exponential 51% growth in profit before tax for the year as it increased by Rs. 11.2 billion from Rs. 22.0 billion for the year 2014 to Rs. 33.2 billion for the year 2015. This is a complete turnaround from year 2013; and is higher by 368%. The increase in profit before tax is mainly derived through 20.7% growth in core net interest/mark-up income, and 18.1% growth in non interest/mark-up income. To mitigate the impact of the policy rate cut, we managed our earning assets portfolio mix in an optimum manner. Non-performing loans secured through the GoP guarantee continue to remain a big drag on our profitability, and have adversely impacted our interest income to a significant extent. We are making unrelenting efforts by raising the issue at appropriate platform and approaching the concerned authorities for recovery of overdue amounts.

We managed to reduce the mark-up expense by 12.3% despite 16.0% increase in deposits. While reduction in profit rates was the key driver, this was complemented through generating non-remunerative as well as low cost deposits. By improving cost of funds, we managed to increase our net interest / mark-up income. Net provisions against non-performing loans reduced marginally by 3.2% from Rs. 11.0 billion for the year 2014 to Rs. 10.6 billion for the year 2015. This year too, we were able to realize sizeable reversals of Rs. 4.9 billion in specific provisions against certain non-performing loans through recoveries and declassifications. However, some large accretions to non-performing loans, mainly pertaining to the public sector,



and downgrading of some large advances significantly diluted the impact of reversals in provisioning.

With 45.5% contribution towards the Bank's total income, non interest / mark-up income reflected 15.2% YoY growth as it increased by Rs. 4.6 billion to Rs. 35.0 billion, compared to Rs. 30.4 billion for the year 2014. Continuing with our impressive trend of achievements set in year 2014, this year too we recorded substantial gains through money and capital market transactions by booking capital gain of Rs. 12.6 billion on sale & redemption of securities.

This is 43.6% higher against Rs. 8.8 billion for the year 2014. Fee & commission income amounting to Rs. 12.4 billion constitutes 34.4% of the non-interest / mark-up income. It is worth noticing that the adverse impact of the decline in POL prices on the trade business income was offset through a volumetric growth achieved in the trade business. The other significant contributor to this income band was income from dealing in foreign currencies followed by dividend income with respective contribution of Rs. 4.7 billion (30.9% up) and Rs. 3.3 billion (49.2% up). Other income reduced from Rs. 3.6 billion in year 2014 to Rs. 2.1 billion in the year 2015. The decline was mainly due to reduction in compensation on tax refunds to 6M Kibor+0.5% from the earlier 15% as announced in the last year's Federal Budget.

**Our numbers in 2015 truly reflect delivery of our strategic priorities through strengthening our business for sustainable benefits of our stakeholders.**

Non interest / mark-up expense marginally increased by 1.3% to Rs. 43.7 billion against Rs. 43.1 billion for the year 2014. During the year 2015, we achieved considerable improvements in execution of business activities, thus substantially reducing certain undesired costs. Administrative expenses amount of Rs. 42.1 billion increased only by 5.4% against the previous year's Rs. 40.0 billion. Among these, salaries and allowances constitute 57.1% as the same increased by 2.9% from Rs. 23.4 billion in 2014 to Rs. 24.1 billion for the year 2015. As we increase our branch network, improve workplace conditions and enhance the brand image, rent & utilities, repairs & maintenance and advertisement expenses increased respectively by 23.1%, 21.2% and 106.0% over the year 2014. Increase in all other costs remained in line with the inflation. In totality, our cost to income ratio stands improved from the previous year's 54.7% in 2014 to 47.6% for the year 2015.

This year our value addition to the national exchequer through

the current year income tax was Rs. 14 billion compared to Rs. 6.9 billion in the previous year. After adjustment for taxes, your Bank's profit after tax increased by 27.9% to Rs. 19.2 billion compared to Rs. 15.0 billion for the year ending December 31, 2014. Due to budgetary changes, the Bank recorded prior year's tax charge of Rs. 2.3 billion, thus diluting the reflection of growth in pre-tax profit into after-tax profit.

Our teamwork has cumulatively translated into 27.9% higher basic and diluted earnings per share of Rs. 9.03 compared to Rs. 7.06 for year 2014. Pre-tax and after-tax return on equity stand at 29.4% and 17.0% respectively, whereas pre-tax and after-tax return on assets stand at 2.0% and 1.2% respectively.

## Financial Position - 2015

### • Assets

Total assets of your Bank grew evenly throughout the year and stand substantially increasing by 10.6% at Rs. 1,706.4 billion, compared to Rs. 1,543.0 billion as of December 31, 2014. Our investments increased to Rs. 826.3 billion. Approximately 92.7% (2014:88.7%) of our investment is placed in risk free government securities.

Net advances recorded a marginal fall of 7.8% and stand at Rs. 577.9 billion. The reduction in net advances is mostly attributed to conversion of certain loans into Term Finance Certificates, some large repayments, lower commodity prices and a provision charge of Rs. 10.6 billion for the year 2015. With a balance of Rs. 549 billion, net advances payable within Pak Rupee constitute 95% of the net advances. While the net NPL ratio improved from 3.6% at December 31, 2014 to 2.9% as at December 31, 2015, the provision coverage improved to 87.0% as on December 31, 2015 from 81.2% of last year.

### • Liabilities

The liability side was also well managed during the year. Our borrowings reduced by 41.6% from Rs. 37.5 billion as of December 31, 2014 to Rs. 21.9 billion as of December 31, 2015. This was mostly on account of reduction in SBP financed lending. Total deposits grew 16.0% from Rs. 1,233.5 billion as of December 31, 2014 to Rs. 1,431.0 billion as of December 31, 2015. Our deposit growth is higher than the banking sector's growth. Deposits in the local currency weigh 83.8% of the total deposits. We achieved a growth in low cost current and savings deposits. Savings deposits amount to Rs. 382.2 billion, 9.8% higher from Rs. 348.1 billion as of December 31, 2014; while current deposits increased by 13.8% to Rs. 608.8 billion. As we endeavour to improve our cost of funds, we achieved a 13.2% growth in non-remunerative deposits during the year that increased to Rs. 425.5 billion. Non-remunerative current deposits now contribute 29.8% to the total deposits.



## • Capital Strength & Adequacy

Your Bank maintains a strong & adequate capital structure, well above the minimum Capital Adequacy requirements of SBP and the Basel framework. As of December 31, 2015, capital adequacy ratios and buffers (in percentage of risk weighted assets 'RWA') are as follows:

Capital Adequacy Ratios	Current Year		Prior Year	
	Required	Actual	Required	Actual
CET-1 to total RWA	5.50%	12.49%	5.50%	11.75%
Tier-1 capital to total RWA	7.00%	12.49%	7.00%	11.75%
Total capital to total RWA	10.25%	17.59%	10.00%	17.39%

## Awards & Recognitions

During the year 2015, your Bank achieved several awards and recognition on various platforms on account of its performance in various sectors. Prominent awards & achievements include:

- Bank of the Year in Pakistan Award - 2015 - The Banker Magazine - Financial Times UK
- Businessman of the Year Gold Medal - 2015 - (FPCCI 39th Export Awards)
- FPCCI Achievement Award Certificate and Gold Medal for the year - 2015

## Credit Rating

The Bank is rated 'AAA' by both the credit rating agencies in Pakistan. In June 2015, M/s JCR-VIS Credit Rating Company re-affirmed the Bank's standalone rating of "AAA", one of the highest by the Company for any bank in Pakistan. PACRA has assigned a long-term entity rating of 'AAA' (Triple AAA) and short-term rating of 'A1+' (A-One Plus).

## Profit & Loss Appropriation

The profit for the year 2015 after carry-over of accumulated profit of 2014 is proposed to be appropriated as follows:

(Rs. 'Mn.)

Profit Before Tax	33,216
Taxation	
- Current	14,577
- Prior year's	2,298
- Deferred	(2,878)
After-tax Profit	19,219
Un-appropriated profit brought forward	57,007
Other comprehensive income - net of tax	(1,567)
Transfer from surplus on revaluation of fixed assets	120
Profit available for appropriations	74,779
Transfer to Statutory Reserve (10% of after-tax profit)	(1,922)
Transfer to Loan Loss Reserve	(12,000)
Cash dividend paid	(11,701)
Un-appropriated profit carried forward	49,156

## Statement under the Code of Corporate Governance (the Code):

The Board of Directors is aware of its responsibilities under the Code of Corporate Governance; and I am pleased to report that:

- The financial statements prepared by the management of the Bank present fairly the state of affairs, the results of its operations, cash flows and changes in equity;
- Proper books of account of the Bank have been maintained;
- Appropriate accounting policies have consistently been applied in preparation of the financial statements. Accounting estimates are based on reasonable and prudent judgment;
- Approved accounting standards, as applicable to Banks in Pakistan, have been followed in preparation of financial statements;
- The system of internal control is showing signs of improvement as compared to previous years. However, such a system is designed to manage rather than eliminate the risk of failure to achieve objectives, and provide reasonable but not absolute assurance against material misstatements or loss;
- There are no doubts about the Bank continuing as a going concern;
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations;
- Summarised key operating and financial data of the last six years is tabulated on the initial pages of this Annual Report;
- The value of investments of provident and pension funds are Rs. 13,392 million and Rs. 38,384 million respectively;
- The number of Board Meetings held during the year 2015 were 12, and were attended by the Directors as follows:

Name of Directors	Designation	Total Meetings Attended
Mr. Muneer Kamal	Chairman	12
Mr. Tariq Kirmani	Director	12
Mr. Shahid Aziz Siddiqi	Director	1
Mr. Muhammad Naeem	Director	12
Mr. Farrakh Qayyum	Director	12
Rana Assad Amin	Director	3
Mr. Iftikhar A. Allawala	Director	11
Syed Ahmed Iqbal Ashraf	President	12
Mir Balakh Sher Marri	Director	11
Mr. A. Akbar Sharifzada	Director	2



## Future Outlook

Year 2016 will be a year of new opportunities and challenges for NBP as well as the banking industry. Our goals for the year include maintaining leadership position, market penetration for greater financial inclusion, strengthening compliance and controls, partnering economic development in the country, investment in our people, adopting the best practices and modern-day banking, focusing on improving asset quality, maximising value for shareholders, improving delivery channels & customer services.

NBP corporate lending for next year is to tap in on the increasing LSM growth. It will also follow a growth strategy with increased lending in prospective sectors, with growth potential, offering enhancement to existing good borrowers and booking fresh relationships. NBP is all set to capitalize on the CPEC opportunities, and is setting up a China and Far East Trade Desk on a fast-track basis.

To tap in on the growing home remittance business and to promote increase in CASA deposits, NBP plans to launch new remittance products such as the Current account version of “NBP Foree Remittance” and “Easy Remittance Account”. Strengthening customer loyalty through joint marketing plans with Western Union (WU) and renegotiation of contract with WU so as to incorporate “Credit to Account” facility. In order to compensate the reduction in commission allowed by the counterparts, the Bank will target growth in remittance volume business. NBP, during 2015, has introduced specialized products for various agriculture sub-segments; including dairy, horticulture, tunnel farming, mechanization, irrigation development, etc. Besides, the Bank plans to introduce value chain contract farmer financing and micro / small agri-farmers loans, financing to rural agri-based businesses. NBP will leverage its largest rural network to capitalize on these initiatives, tapping the prospective growth in agriculture.

Cognizant of the growth in Islamic Banking, NBP is continuously expanding its Islamic Banking Branch network and plans to be among the top Islamic banking windows of conventional banks with respect to branches and deposits by the end of 2016. We are also working on a plan to establish a subsidiary Islamic bank in Pakistan.

The Bank has undertaken a number of plans in the areas of information technology upgradation, with major projects like expansion of the ATM network (further 500 machines are planned to be installed during 2016), and branchless banking. We intend to open new ATM facilitation centres for pensioners and utility bills’ collection through biometric verification. Trade finance and home remittance business will be increased through targeting new customers and products. NBP will continue to invest in enriching its human capital

capacity-building by acquiring talent and continued training. Efforts will be also made to improve ‘expense management’ and achieve greater operational efficiency. Greater emphasis is being placed on improving internal controls and regulatory compliance.

## Earnings Per Share

The basic and diluted after tax earnings per share for the year 2015 is Rs. 9.03.

## Events after the Balance Sheet Date

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

## Change in the Board of Directors

We are pleased to welcome Mir Balakh Sher Marri and Mr. A. Akbar Sharifzada on the Board of National Bank of Pakistan and are confident that the Bank will benefit immensely from their rich experience and enlightened leadership. We also would like to express our sincere gratitude to Mr. Shahid Aziz Siddiqui and Mr. Rana Asad Amin, the outgoing directors of the Bank. Their contribution and support towards the Bank’s progress is duly recognized.

## Appointment of Auditors

The Board of Directors, on the recommendation of the Board Audit Committee, has recommended M/s Grant Thornton Anjum Rahman & Co. Chartered Accountants and M/s Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants to be the external auditors of the Bank for the year ending December 31, 2016, in place of retiring auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants and M/s Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants at the fee being paid to the retiring auditors, subject to approval by the shareholders at the Annual General Meeting. Both the firms are eligible and have offered themselves for appointment.

## Statement of Internal Control

The Board is pleased to endorse the Statement made by the management relating to internal controls, including the management’s evaluation of ICFR. The Management’s Statement on Internal Control is included in the Annual Report - 2015.



## Annexure to the Annual Report

The following are annexed to the Annual Report - 2015 and form an integral part thereof:

- Overview of the Board of Directors' Committees;
- Groups' Performance Review;
- Risk Overview;
- Statement of Internal Control;
- Statement of Compliance with Code of Corporate Governance;
- Corporate & Social Responsibility Report;
- Pattern of Shareholding.

## Conclusion & Acknowledgement

The Board appreciates and acknowledges contribution of the Bank's management and employees towards the success and achievements for the year. They would also like to express their gratitude and appreciation to the customers, shareholders and other stakeholders for their support and trust in NBP.

For and on behalf of the Board of Directors,






















**Syed Ahmed Iqbal Ashraf**  
President & CEO  
Karachi

Dated: February 19, 2016



## OVERVIEW OF THE BOARD OF DIRECTORS' COMMITTEES

The Board of Directors has constituted the following committees to help in discharging its regulatory responsibilities in an effective manner. Below is the summary of the committees' structure and membership.

Director	Board Audit Committee	Board Risk Committee	Board HR Committee	Board IT Committee
Farrakh Qayyum				
Syed Ahmed Iqbal Ashraf				
Tariq Kirmani				
Muhammad Naeem				
Iftikhar A. Allawala				
A. Akbar Sharifzada				
Mir Balakh Sher Marri				
No. of Meetings Held	07	04	10	08

 = Chairman       = Member

A brief of the functioning of each of the Board Committee is summarised below.

### Board Audit Committee (BAC)

The Board Audit Committee is an advisory and assurance committee which assists the Board in fulfilling its oversight responsibilities. In performing its duties, the Board Audit Committee has maintained an effective working relationship with the Board, the Bank's management and the internal and external auditors. The Committee discussed, monitored and reviewed the matters for improvement in internal audit, financial reporting, corporate governance, internal controls, risk management, compliance with laws and regulations and code of conduct and external audit. The Committee also reviewed the Statement of Internal Control and the Bank's financial results prior to submission and approval by the Board. The Committee recommended the appointment of the external auditors of the Bank to the Board and also considered any questions regarding their audit fees taking into account the applicable regulatory requirements.

The Board Audit Committee ensured that a permanent, dedicated and independent internal audit function exists in the Bank which has adequate resources and staffing, and is appropriately placed within the Bank with related skills and up-to-date knowledge of auditing techniques and banking activities. The Committee also ensured effective coordination between internal and external auditors.

### Board Risk Committee (BRC)

BRC is a Board sub-committee that facilitates the BoD in ensuring that the Bank follows risk management guidelines of the State Bank of Pakistan; and in implementing risk management guidelines & regulations. BRC played a vital role in improving the risk environment in NBP through active reviews of credit & investment portfolio, NPL recovery strategy, risk management frameworks / policies and other risk management models / tools / MIS, etc.

BRC is primarily focusing on the creation of sound risk culture across the Bank. BRC continuously updates itself through orientation / training sessions on emerging risks. The Committee met 04 times during the year 2015, and has ensured



## OVERVIEW OF THE BOARD OF DIRECTORS' COMMITTEES

implementation of overall risk management policy, review & endorsement of risk management frameworks, i.e. market risk framework, ALM framework, risk management models / rating tools, development / approval of risk tolerance / concentration policy, monitoring of progress of BPR & COSO project and implementation of remediation plans of the Basel project.

### Board Human Resource Committee (BHRC)

The Committee is primarily responsible for human resource (HR) related issues in the Bank. Ten (10) meetings of the Board HR Committee were held during 2015. Various HR decisions were taken by the Committee for improvements in the areas of HR planning, compensation, pension, institutional discipline, overseas and other HR areas.

The Committee recommended amendments in various policies relating to HR affairs for the Board's approval. The Committee conducted interviews for promotion and approved & recommended rates for annual performance appraisal.

### Board Information Technology Committee (ITBC)

ITBC comprises of three members of NBP's Board of Directors, NBP's CEO/President and the CIO, being Secretary of the Committee. ITBC is responsible for taking IT-related strategic decisions and overseeing their execution in the Bank's interest. The focus is to develop better priority setting, improved alignment with business objectives and bringing benefits to the Bank like business focus, priority, transparency and accountability.

ITBC is the governance body for reviewing, monitoring and prioritizing major IT projects from a cross-functional perspective for the Bank. The top three activities of ITBC are IT project prioritization, overseeing project implementation, execution of projects and recommending the projects for approval to the BoD.

The Committee achieved the following during the year:

#### - Oversight for CBA Implementation

The Committee oversaw the successful completion of CBA implementation in 1400+ branches that was achieved in November, 2015.

#### - Name Filtering Solution and AML

Name Filtering Solution (SafeWatch) project was implemented and made live in October, 2015. ITBC also regularly reviews the project progress of Anti Money Laundering which was initiated in August 2015 and is on track. The project is expected to be live by April 2016, as per the set timeline.

#### - ATM Network and 500+ ATMs More to be Installed

ITBC regularly monitored the progress of the project with reference to all target dates. Installation of another 500 biometric-enabled ATMs is also in progress which is being regularly monitored by the ITBC.

Furthermore, the Committee regularly reviewed the growth of Call Centre operations, and recommended valuable enhancements for improved Call Centre functions. The focus of the Committee is always towards achieving enhanced service quality measures for customer facilitation. Implementation of a Centralized Complaint Management Solution for the Bank is one of the initiatives to ensure a prompt and seamless complaint management process. As a result, a dedicated complaint management system is deployed and complaints from all channels are now being registered with a complete follow-up process.



## GROUPS' PERFORMANCE REVIEW

### Commercial & Retail Banking



Commercial Retail Banking Group (CRBG) manages the two sides of the balance sheet, i.e. deposits and commercial, SME consumer and agricultural advances. The Group primarily covers three broad business areas: distribution, product development & management and transaction banking.

The lifeline of any bank is the generation and retention of deposits, which within NBP is led by the Group through various products. On the assets side, the group offers various products which include commercial financing, SME financing, agriculture financing, consumer financing & commodity financing. In consumer financing, the Bank offers “NBP Advance Salary” (personal loan product), “NBP Saibaan” (mortgage finance facility) and “Cash & Gold” (personal financing against gold and liquid securities).

Despite challenging economic conditions, led by lacklustre private sector credit off-take and continuous reduction in the policy rate during 2015, the Group was able to achieve major milestones. Some key highlights include growth in deposits, reduction in the cost of funds and improvement in the deposit mix.

During the year 2015, a major restructuring exercise within the Group was undertaken and implemented to ensure better customer focus and performance optimization. Key highlights of this are:

- As regards to branch and ATM network expansion, 49 new branches were opened while 60 branches were converted to Islamic banking and 500 plus ATMs were also installed.
- On the product side, the Group successfully launched and repackaged (existing) products during the year. This includes “Choice Current Account” for individuals & businesses, and introduction of the new

“Asaan” account for small depositors for financial inclusion.

- The Group also launched “Bancassurance” product through 184 branches to diversify the product suite and increase non-funded income. Other products launched include agriculture products for horticulture, tunnel and dairy / livestock farming and repackaging of “Cash & Gold” product.

Additionally, various initiatives have also been implemented to increase market penetration and improve cross-selling within the Bank. Such initiatives include reinvigorating of the “PMYBL” scheme through a countrywide media campaign and graduation from the passive walk-in to active personal selling model, introduction of SMS alert facility for account holders, development and launch of cash management business (launched for passports) and passport fee collection through all branches in 15 major cities across the country.

The Group renewed its focus on capitalising the opportunities available in the digital banking space. Major projects implemented by our branchless banking / alternate delivery channels team include:

- Roll-out of 1000 ATM Projects (500 plus ATMs installed).
- Limited roll-out of mobile banking facilities in collaboration with UBank.
- E-statements and payment of utility bills through ATM.
- Undertook cash disbursement business for the Government for flood affectees in both 2014 and 2015.
- Successfully implemented “Kisan Package” by utilizing branchless banking channel.



## Corporate & Investment Banking

The Corporate Investment Banking Group (CIBG) handles one of the largest corporate portfolio among the banks in Pakistan. With its regional centres in Karachi, Islamabad, Lahore, Faisalabad and Multan, CIBG is focused on catering to the banking needs of big-ticket local corporate customers including multinationals and government entities through its various tailored financial solutions. During the year, CIBG recorded successes in all its regional centres, in achieving its goals of adding quality assets to its portfolio. Commendable improvement was also achieved on the liabilities side through generation of deposits. Despite the challenging market conditions, the Group managed to capture greater market share in trade business and advisory services. The Group was successful in achieving turnaround of various ailing borrowers resulting into cash recovery and declassification.

During this period, the Group also went through effective implementation of Credit Administration at its Karachi

Centre. This further strengthens our credit risk management functions. The Group also liaised in devising policies & procedures related to credit concentration, credit pricing, obligor risk assessment, etc.

Investment Banking wing of the Group remained on the front foot through its lead role in various capital finance transactions, and advisory services to the Privatisation Commission. During the year, new relationships with large business potential in the energy sector were added by the Group.

As part of the strategy, the Group will further improve the asset quality through booking of quality loans, establishing new relationships and increasing its customer base by targeted sales and will focus on fee-based business with a focus on trade finance and advisory business.





## Treasury Management

Role of the Treasury Management Group is to optimally manage the foreign exchange, money market and capital market portfolios of the Bank along with optimally managing the Bank's liquidity, ensuring that adequate funding is available to other business units.

The Group made a sizeable contribution to the Bank's bottom line by posting capital gains of above Rs. 12 billion through transacting in government securities and shares. It continued to be the market maker in the FX market and once again posted substantial FX gains in 2015.

Success of the Group was due to its proactive judgment of market information resulting in optimal adjustments in the investment portfolio. The fact that we have been persistently rated amongst the top primary dealers in the country by the State Bank of Pakistan bears testament to our expertise in managing and trading government securities and the confidence of our diverse clientele. The Group, while focusing on its strengths and products, continues to target collaboration with other business units by developing a mutually beneficial relationship with valued corporate and retail clients. It has embarked on putting in place the infrastructure and technical platform to enable smooth operations and efficient executions.

## International Banking

International operations of the Bank span over 19 countries with 21 branches, 2 subsidiaries, 1 joint venture and 3 representative offices spread over North America, Europe, Far East, South Asia, Middle East and Central Asia. We are the only Pakistani bank having three branches and two wholly owned subsidiaries in Central Asian countries. We also have our representative offices in Beijing, Toronto and Tashkent. This vast global footprint caters to the banking needs of the locals as well of Pakistani nationals living abroad.

Our international branches are exploring new avenues to ensure increase in deposit base and trade business to reflect improvement in funded and non-funded income. We have strengthened our IT system at international branches to ensure efficiency and improvement through establishing effective compliance controls. In coming years, NBP will further enhance its footprint by entering potential new markets.

## Home Remittances

Home remittances are a main support to the balance of payments for developing economies like ours, which has remained remarkably resilient despite slower global economic growth. Since the inception of the Global Home

Remittances Management Group in 2009, NBP has shown tremendous growth in the area of home remittances. Within 5 ½ years time, NBP has been able to establish remittances arrangement with 40+ tie-ups across the globe, including some of the leading names in the Middle East.

NBP has created awareness among overseas Pakistanis to use legal channels through marketing campaigns in Pakistan as well as overseas, considering it a national cause and a support to boost the foreign exchange reserves of the country. With the widest domestic branch network of 1403 online branches, covering all corners of Pakistan, NBP provides high quality services at the branch level. NBP is the bank of choice for expat Pakistanis to send remittances to their loved ones in Pakistan. To facilitate beneficiaries in receiving payments in Pakistan, the Bank offers various products like "NBP Foree Cash" and "NBP Foree Transfer"; and has now introduced "NBP Foree Remittances Account" for hassle-free banking. When remittance is sent into beneficiaries' account, they will get an SMS alert and can withdraw cash from any ATM across Pakistan.

In the year 2016, we are aiming to migrate all our existing remittance agencies on web-based, which will increase the remittances volume and provide more effective and fast customer services to beneficiaries in Pakistan. Further, we are in negotiation with prospective banks and exchange houses to bring them on the NBP platform.

## Assets Recovery

Mission of the Assets Recovery Group (ARG) is to achieve expeditious reduction in non-performing assets of the Bank through cash collections and declassification by way of rehabilitation, restructuring, negotiated settlements and legal recourse within the framework of the Bank's policies / SBP guidelines. The Bank, having a provision coverage ratio of 89%, appreciates that recoveries shall make a significant positive financial impact on the Bank's profitability.

This year, the Group made visible contributions towards achievements of the Bank through sizeable reversal / write back in provisions and reduction in non-performing loans. The Group introduced Management Controls to motivate its team for recovery drive; also considerable progress was made in enhancing the role of IT and MIS to improve efficiency of Group operations. For next year, the Group will expedite its efforts to achieve cash recovery and declassifications. The Group will also remove structural anomalies within its various sub-units to enhance coordination with the field functionaries.



## Islamic Banking

Year 2015 remained a milestone year for our Islamic Banking Group (IBG) during which the “Aitemaad” branch network has surged from 22 in December, 2014 to 79 branches in December, 2015; and is targeting 150 branches by December, 2016. Keeping the unique value of NBP as the Nation’s Bank, “Aitemaad” is offering its banking services across Pakistan with presence in 48 cities. Concurrently, we have finalized some new products, achieved important milestones in developing IT infrastructure, and ensuring provision of ATM & online facilities to the customers. We have also been able to install 20 ATMs at Islamic banking branches. For ensuring effective control and monitoring of increasing branch network, regional set-ups have been introduced and established.

We are set to amalgamate NBP Leasing Limited into the Bank. The amalgamation has been approved by shareholders of both the companies through respective EOGMs held in December, 2015. As a result of this, assets of NBP Leasing Ltd. will be added in “Aitemaad’s” balance sheet, bringing value addition through economies of scale and synergies.

Our strategic initiatives for the forthcoming year include setting up an Islamic bank as our subsidiary in order to promote Islamic banking business strictly in conformity with the injunctions of Shariah.





## Operations

In order to achieve greater customer facilitation and an increase in fee-based income, the Bank is pursuing the goal of automating Government receipts & payments process. This initiative has not only significantly reduced the turn-around-time (TAT) but has also enhanced efficiencies besides costs savings associated with Government receipts & payments. The Bank has initiated the process of computerizing Government pension payments after introduction of GPPS (Government Pension Payment System) which has automated all the tasks performed, including calculating amount of pension due (with all adjustments applicable such as incremental increase, new allowances, etc.), generation of computerized payment voucher (bill), preparation of scroll/MIS and updating pensioners' records. The Bank is also facilitating salaried employees and pensioners of its account holders with account-based pension payments, use of biometric for verification and for evidence of life (in lieu of life certificate).

As part of product innovation, NBP is the first bank to introduce ATM points where multiple ATMs have been provided under one roof; with all possible comfort for visiting customers, who can now carry out ATM transactions round-the-clock without any hassle or waiting in long queues.

At present, six ATM points are operational at Bahawalpur, Gujranwala, Karachi, Kharian, Multan and Sialkot. Focus has also been made on increasing the production and distribution of NBP Cash (ATM) Card after enhancing our capacity to process ATM card applications and issuance of ATM cards. The Bank, towards facilitation of its customers, has introduced Interactive Voice Response (IVR) facility for cards' activation.

The Bank successfully launched a Short Message Service (SMS) for its account holders under the brand name "PEGHAAM", which promises issuance of alerts as and when any financial transaction is made in the service subscriber's bank account.

The FBR e-Payment facility, earlier available for large taxpayers, has now been made available for other taxpayers who are NBP account holders for making their tax payments electronically.

The Bank has also made special arrangements for collection of utility bills at its branches so that utility bills' payments at the Bank are instantly shared with the utility company concerned, for instant required updation in their billing data. The Bank has also undertaken measures to facilitate collection of utility bills and execution of funds transfers through ATMs.





## Information Technology

The Bank is investing in its IT infrastructure and is moving towards technological advancements in terms of connectivity, innovation, automation and intelligent decision-making, serving as an ‘enabling resource’ for developing a more flexible structure and responding timely to the dynamics of a fast-shifting banking industry. The ultimate aim is to bring NBP technologically at par with its peer banks and to be among the top technologically-advanced banks in Pakistan.

Our IT team is progressively moving from a back-office support function to a front force for strategic banking initiatives, enhancing the value and transforming the perception of the Bank from branch-centric (product-focused) to multi-channel (client-centric) and ultimately to self-directed services (digital-centric). IT has taken measures such as strengthening and standardizing the Bank’s infrastructure in respect of security, communication and networking, achieving inter-branch connectivity by completing Core Banking implementation in NBP’s domestic branch network, automation of existing services, introduction of value-added services, strengthening deliverables of multiple ADCs by enhancements in call centre operations, and expanding the ATM network and its functionalities.

During 2015, NBP completed the milestone of deployment of the Core Banking Application in 1400+ branches (entire domestic branch network) in November, 2015 within 11 months, and the target was achieved ahead of the completion date of December 31, 2015. All Islamic banking branches were migrated to CBA Islamic as well. We have also planned to achieve the CBA implementation in Paris and Bangladesh branches, and system automation in Turkmenistan and Hong Kong branches.

The Bank’s ATM network in 2014 comprised of 376 ATMs which now stands increased to 1,000+ ATMs. An additional 500 biometric ATMs are planned to be installed in 2016, that will take

the Bank’s ATM network to 1500+. Furthermore, ATM and ATM Cards’ value-added services were introduced such as ATM/Debit cards for Islamic banking customers and Pakistan-Army supplementary ATM cards to cater to the needs of Islamic banking customers and Pak-Army personnel; and the facility of Inter Branch Transfers (IBT) through ATM for conventional and Islamic banking customers.

The facility of utility bills payment services was launched for customers through ATMs and over-the-counter. The same will be further enhanced and provided also through internet banking in 2016.

Improvements in call centre operations were made like integrating Islamic banking customers’ data with the call centre for extending customer services to NBP’s Islamic banking customers, and SMS notification service through call centres for customers’ complaint registration, closure, ATM card activation and deactivation, etc. reducing the overall volume of customers’ complaints.

Furthermore, customer-centric services that were successfully implemented include E-statement registration/sign-up service for customers, enabling them to receive an electronic version of the account statement at their registered email addresses, Sindh Revenue Board (SRB) tax collection over-the-counter and through ATM, and balance enquiry through SMS for NBP customers that has resulted in reduced balance enquiry requests at call centre and branches on peak days.

For strengthening internal operational and compliance processes of the Bank, major projects were achieved, like “Committee Decision Item Tracking System” for better tracking for the management, successful implementation of “Name Filtering Solution (SafeWatch)”, initiation of the project of “Anti Money Laundering (AML)/KYC Solution.”





## Credit Management

Credit Management Group (CMG) performs a wide range of functions at the Bank that include assessing and approving loan applications jointly with the business groups, credit monitoring, policy development and ensuring implementation of credit policies and procedures through provision of appropriate guidance and tools, etc.

The critical success factor that sets direction of all activities and strategies of the CMG in forthcoming years is agreed as “We must improve Asset Quality to prevent NPL.” With the active support of business and support groups, the Group is set to adopt the multi-pronged strategy to achieve NBP’s critical success factor for improving asset quality, resulting in increased yield. During the year, the Group made significant contributions towards our achievements through policy formulations, portfolio quality through setting minimum obligor risk band for fresh lending and identifying the riskier business segments and industries where the Bank should avoid taking further exposure.

## Risk Management

The goal of Risk Management is to be proactive in efficiently identifying, assessing, measuring, monitoring and controlling risks to the Bank’s strategic advantage. NBP is moving towards a disciplined risk management culture where risk management is a responsibility shared by all of the Bank’s employees, management and BoD

members. Risk Management Group, separate from approvals, reports directly to the President with dotted line reporting to the Board Risk Committee (BRC). The Group structure is constituted in a way so as to have a focused approach on the enterprise-wide risk management, with clear segregation of responsibilities pertaining to the area of credit risk, market & liquidity risk, operational risk, data management and reporting. We are also in process of implementing a Bank-wide BPR & COSO project.

Several initiatives were undertaken and achieved; some major ones are as follows:

- Development of overseas risk management framework for overseas operations of NBP
- Development of interest rate risk management policy
- Monitoring of operational risk tolerance limit and conducting variance analysis

BPR & COSO implementation project is underway. The project aims to effectively implement BPR & COSO to streamline the operating model, improving regulatory compliance as well as improving the platform for customer service, product/service deployment, enhance MIS reporting & decision-making and improving TATs resulting from process and organizational efficiencies.





## Human Resource Management

Training and career development are very vital in an organization that aims for fast progressing. It is the process of inculcating the essential skills required for performing jobs efficiently. Our HR made investments in developing human capital by organizing training workshops for the Bank staff. These programs not only sharpened their abilities but also helped them acquire new skills. In order to keep pace with modern trends, we have established an e-learning division that will facilitate employees in continuous development, without leaving the workplace, i.e. at their desktops. The HRM Group was reorganized in the wake of the changing business environment to ensure greater focus on various HR-integrated activities and efficient delivery.

For the year 2016, the HR is planning to revamp the Bank's HR framework. To achieve this, an external consultant will be engaged to comprehensively review and recommend improvements through organizational restructuring and realignment.

Appraisal systems exist to improve organizational efficiency by ensuring that individuals perform to the best of their ability and earn appropriate rewards. This in turn leads to improved organizational performance. As a top priority, we shall strive to inculcate a performance culture in the Bank and the employees shall be rewarded accordingly.

The HR has taken important steps for achieving a formal succession planning to fill important vacant positions by internally identifying potential successors and developing them for the purpose. The HR plan for the forthcoming year also includes one-window operations for retirement and post-retirement benefits to facilitate the retired employees.

## Compliance

Compliance is an independent function that identifies, assesses, advises, monitors and reports on the Bank's compliance risk, i.e., the risk of legal or regulatory sanctions, financial loss or loss to the reputation which the Bank may suffer as a result of its failure to comply with applicable laws, regulations, codes of conduct and standards of best practices. The Bank accelerated its efforts to strengthen the compliance culture in the organization. Special emphasis has been placed on following the regulations on Anti Money Laundering (AML) and Know-Your-Customer (KYC). The Compliance Group is in pursuit of developing the skills of the staff working in the Bank with a sound objective to minimize the chances of non-compliance. The Group also issues a monthly Compliance Bulletin to advise regulatory changes made by the State Bank of Pakistan during the respective month.

In November 2015, our compliance team completed the implementation of sanction compliance / safe watch, which ensures real-time SWIFT sanction compliance for domestic operations in addition to overseas operations of Afghanistan and Bangladesh regions through SafeWatch.

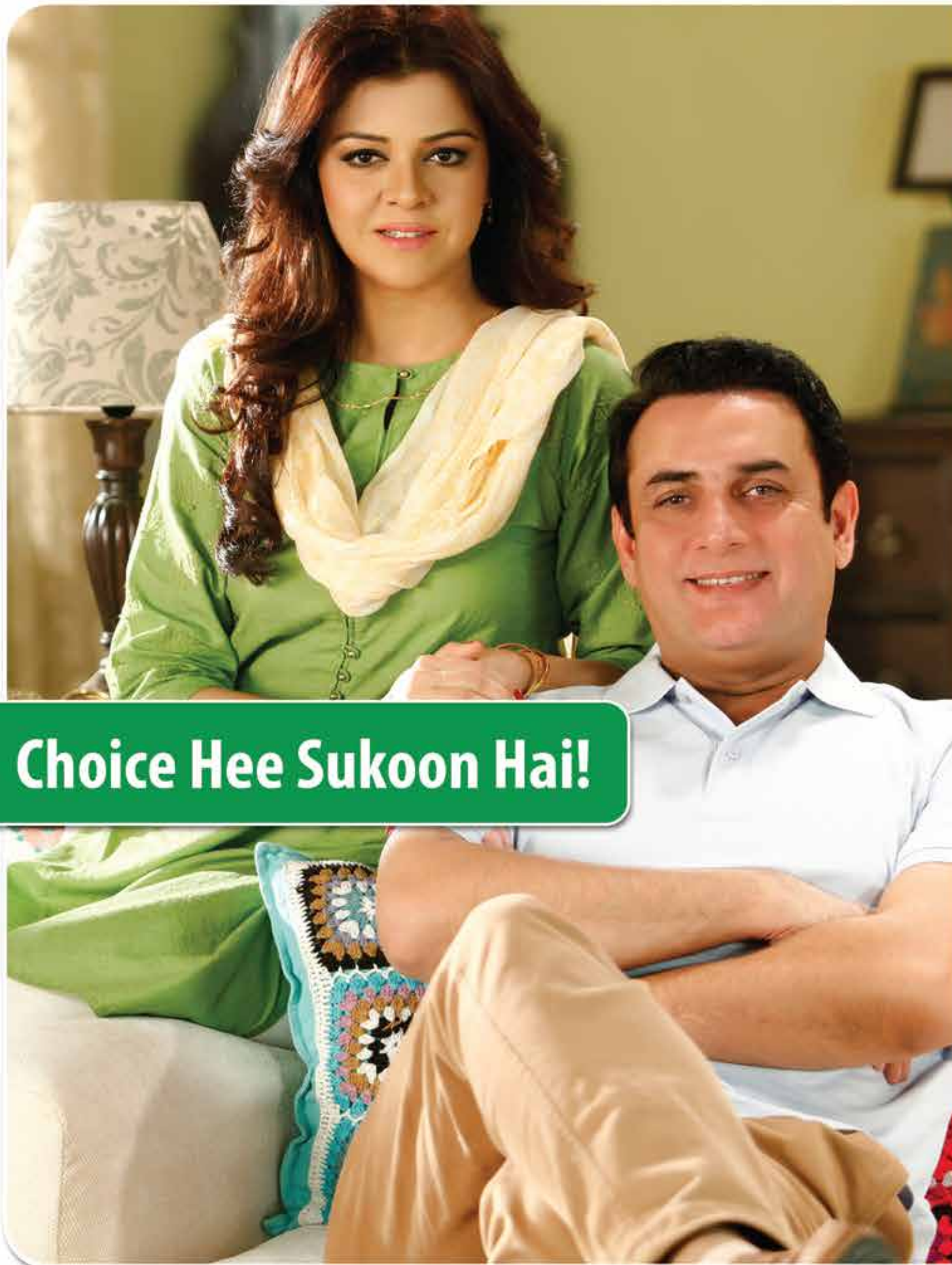
A new system has been acquired for better compliance management. This is currently in the implementation stage and will cover the following:

- Transaction Monitoring & Detection
- Know-Your-Customer (KYC)
- Enterprise Case Management
- Oracle Financial Services Regulatory Reporting
- Custom Compliance Reports

The Compliance also arranged for the implementation of FATCA by meeting all the given deadlines so far, both for local and global operations, and also for the Bank's subsidiaries.







**Choice Hee Sukoon Hai!**



# NBP CHOICE

CURRENT ACCOUNT

In a preoccupied life of today, only calmness can bring happiness. This is why NBP Choice gives its customers their serenity.

## NBP Choice Current Business & Individual Account

### Free Services \*

- |   |   |  |
|---|---|--|
|  Cheque Books |  Online Transfers |  ATM Cards           |
|  SMS Alerts  |  Pay Orders      |  Account Statements |

For further information, contact NBP's concerned branch or our call center at:

**0800 11627 or 021 111 627 627**

[www.nbp.com.pk](http://www.nbp.com.pk)

\* Terms & Conditions apply



## RISK OVERVIEW

The very nature of our business transactions has associated to it, to varying extent, one or more type of risks. Our responsibility is to proactively identify, measure, evaluate such risks and to devise the policies for the tolerance of each risk category, or combination of risks, at each level of business activity. Our mission of maximising stakeholders' value through sustainable growth is achieved through informed risk decision-making and superior risk & capital management supported by a consistent risk-focused culture across the Group.

### Our Approach to Risk Management

We follow a prudent path to risk management through effective tools to keep the Bank safe, achieve corporate sustainability and minimise losses within the defined risk tolerance levels. Strategic goals, embedded into our approach to risk management, are to maintain a robust framework, identify and escalate risks and support sustainable business growth through optimum risk reward decisions. Our approach to risk management evolves around the following:

Risk Appetite / Tolerance Limits	We have developed and implemented risk appetite / tolerance limits / levels for credit, market & operational risk areas. These are regularly analysed and reported to the Board and senior management.
Knowledge, Responsibility and Reward	Individuals who take or manage risks clearly understand them in order to protect the Bank from avoidable risks. Individuals related to risk activity are responsible to ensure compliance with the risk management framework.
Goal Congruence	Risk-taking decisions are in line with the corporate mission goals, and the Bank-wide strategy set by the Board allowing the Bank to undertake more productive risk-taking activities or to restrict high risk/low return activities.
Risk Return Trade-Off	Business decisions optimize, as far as possible, the risk-return trade-off.
Capital Adequacy	Sufficient capital is always available as a buffer to absorb risks.
Value Addition	Risk avoidance does not impair our goal of increasing shareholders' value.

### Our Risk Management Framework

The Board of Directors is responsible for ensuring active oversight over implementation of policies and frameworks so as to prevent any significant financial loss or reductions in shareholder value. Therefore, it is the responsibility of the Board to ensure that comprehensive risk management policies and frameworks are in place to recognise all significant/ material risks to which the Bank may be exposed to. The Board, through the Board Risk Committee, reviews effective implementation of the risk management framework.

As we pursue our plans to continue expanding and diversifying our business amidst increasing competitiveness and challenges, we have in place a disciplined risk management mechanism steered through an effective risk management strategy and a policy framework. It ensures that our risk profile remains aligned with our risk tolerance policy that defines the maximum tolerance level and permissible / restricted activities for the Bank in achieving strategic goals.



Our following teams play multi-level roles in developing and implementing the risk management framework.

Board Risk Committee (BRC)	BRC is essentially a Board level oversight committee to perform the risk management activities on behalf of the Board and is the highest risk related policymaking and supervising body for all types of risks faced by the Bank, notably credit, market, liquidity and operational risks. It comprises of the President and four non-executive directors with the Chairman being a non-executive director. The Group Chief - RMG serves as the Secretary of the Committee. Concerned Group Chiefs / Divisional Heads/Wing Heads may be invited, if required.
Risk Management Group (RMG)	Risk Management Group exists as an independent group, i.e. separate from approvals, reporting directly to the President with a dotted line reporting to the Board Risk Committee (BRC). The Group is responsible to perform the functions pertaining to development and oversight of the risk framework, methodology and other functions assigned from time to time for ensuring compliance with the local regulations.
Executive Risk Management Committee (ERMC)	ERMC is a senior management body mainly covering risks from an overall perspective of strategy, policy/framework development, assessment/measurement tools, MIS framework and Basel framework implementation, whereas routine aspects in relation to such risks shall be managed by the RMG. ERMC has representation from various business and support groups.
Board Audit Committee (BAC)	BAC is responsible for overseeing all aspects of internal control, including compliance activities, the appropriateness of accounting policies and the adequacy of financial reporting.

## Risk Management Policies

Based on our approach to the Risk Management, the Board has approved policy documents that set the parameters to achieve effective risk management in the following key areas:

- Credit Risk
- Operational Risk
- Whistle Blow Policy
- Country Risk
- Market & Liquidity Risk
- Credit Policy Manual

## Risk Framework Implementation

We implement risk management framework through a 'Three Lines of Defence' model which defines clear responsibilities and accountabilities and ensures effective independent oversight and assurance that activities take place in accordance with the risk framework.

- **The First Line of Defence:** Business Groups with the Credit Management Group have a primary responsibility for identifying, measuring, monitoring and controlling risks within their areas of accountability. They are required to establish effective governance, and control frameworks for their business compliance with the respective policy requirements, to maintain appropriate risk management skills, mechanisms and toolkits, and to act within defined parameters set and approved by the Board.
- **The Second Line of Defence:** Board Risk Committees, Risk Management Group and Compliance Group perform integrated function of providing oversight and independent challenges to the effectiveness of risk decisions taken by business groups, setting of risk framework, tools, systems and reporting on the risk profile of the Bank.
- **Third Line of Defence:** Audit & Inspection Group provides independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. A&IG helps the Bank accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

**Our Whistle Blow Policy** is also an effective tool for identifying any weaknesses in the risk management and governance process.



## Risk and Opportunity Report

While risk is a burden, it is also an opportunity. Key uncertainties that trigger risks in our business broadly include volatility of financial and money market, geo-political events, regulatory changes, infrastructure break-down and hostile human activities. The most significant and critical risks that arise out of our transactions and may materially impact on delivering against our strategic priorities in a sustainable manner broadly relate to Capital, Liquidity, Credit, Market and Operations.

### Our approach to 'Risk-Opportunity Materiality'

We consider a risk and an earning opportunity to be material if the same is expected to affect the financial position or financial performance of the Bank.

### Risk Relevance & Mitigating Approach

With our mission to capitalise on every possible opportunity to maximise stakeholders' value, our responsibility is to proactively identify, measure and evaluate such principal risks, and to devise the policies for key mitigating actions for each risk category without losing an earning opportunity. Our principal risks, together with their mitigating factors, are outlined below. A detailed disclosure of risk mitigating strategy is given in note-41 of the financial statements.

#### Capital Adequacy: Materiality & Relevance: High

- We keep our Capital Structure strong enough by maintaining capital adequacy ratios far above the minimum national requirements set by the SBP and as required under the Basel framework.
- We carry out capital adequacy assessments on a quarterly basis to make sure that a strong capital structure is always maintained. Our capital adequacy is certified by our external auditors.
- As of December 31, 2015, our Capital to RWA ratio was 17.6% against the minimum requirement of 10.25% for 2015.
- We retain adequate profits with the Bank to keep the Capital Structure strong enough to support the management's decisions of taking further exposure into risk bearing assets.

#### Liquidity & Market Risk: Materiality & Relevance: High

- We enjoy a strong and diversified customer base with reliable stream of deposits. This, coupled with our strategies to maintain a sound capital structure and the risk bearing asset-mix, keeps our Bank highly liquid.
- Our balance sheet is diversified across a wide range of geographical regions, customer segments and products that serve to mitigate both liquidity and market risk.
- 81% of our investments are highly liquid and readily realisable. While 48% of the investments mature within 6 months, 78% mature within a year.
- Our loan portfolio remains predominantly short-termed, with 53% of net advances maturing in less than 6 months, and 66% maturing in less than one year.
- We remain a net provider of liquidity to the interbank market.



## STATEMENT OF INTERNAL CONTROL

### Reporting of Internal Control System

Bank's management has established and is managing an adequate and effective system of Internal Control which encompasses the policies, procedures processes and tasks as approved by the Board of Directors that facilitate effective and efficient operations. The management and the employees at all levels within the bank are required to perform as per these approved Internal Control System components. The Internal Control System ensures quality of external and internal reporting, maintenance of proper records and processes, compliance with applicable laws and regulations, and internal policies with respect to conduct of business.

The management ensures that an efficient and effective Internal Control System is in place by identifying control objectives, reviewing existing procedures and policies and ensuring that control procedures and policies are amended from time to time wherever required.

However, the bank's internal control system has been designed to manage rather than eliminate risk of failure to achieve objectives and can only provide to the bank's management and Board of Directors with reasonable but not absolute assurance against material misstatement or loss. Since establishing and bringing improvement in controls are ongoing process that includes identification, evaluation and management of significant risk faced by the bank, the management of the bank has adopted COSO Internal Controls - Integrated Framework in order to comply with the SBP Internal Control Guidelines.

The Bank has engaged external consultants to assist them in implementation of BPR & COSO Project. BPR is essentially a business process improvement/ transformation project undertaken with the core objectives of transforming the organization's key operating strategies, structure/ governance, processes, systems and MIS by benchmarking them to international best practices and ensure effectiveness and efficiency of business operations to enable the organization in meeting its overall business objectives. One of the core focus area is to ensure alignment of policies & SOPs with CBA, allied systems and other automation initiatives to optimize technology investments. Since ICFR is one of the components of COSO, the management intends to align its current ICFR with BPR / COSO project, which has achieved various milestones including Process Inventory - Business Process Review and scoping study, documentation of Process Objectives, As Is process documentation, Benchmarking with best local & international practices, Remediation Planning Development of Risk Control Matrices (COSO Specific) and Development of Management Testing Plans & Frameworks (COSO Specific).

SBP vide its BSD circular no. 7 dated 27 May 2004 has issued guidelines on the internal control for all Banks/DFIs (SBP Internal Control Guidelines) and in order to ensure consistency in the process of compliance with in the internal control guidelines, SBP vide BSD Circular No. 5 dated 24 February 2009 has provided a roadmap (the SBP roadmap) identifying various activities / stages involved in the internal control program.

The bank has completed various stages set out in the SBP road map but there are various activities which are dependent on the completion of BPR and COSO project referred to above. These stages / processes would need to be redone

### Evaluation of Internal Control.

The Bank has an independent Internal Audit & Inspection function in the name of Audit & Inspection Group with three Regional Audit & Inspection Offices that conduct audit of branches, Regions, Subsidiaries, Staff Colleges and Groups at Head Office on an on-going basis to evaluate the efficiency and effectiveness of Internal Control System. In addition to that Compliance set up is also in place with 145 independent branch compliance officers in category-III Branches and 21 Regional Compliance officers with supporting staff to take care of Compliance related issues to strengthen the control environment.

For the year 2015 the Bank has made its best efforts to ensure that an effective internal control system continues to perform in letter and spirit. The observations made by the external / internal auditors and regulators in their respective audits / inspections are promptly reviewed and measures are taken by the Board, Board Audit Committee and management for rectification of such observations to safeguard the Bank's interest.

We assess that the internal control environment is showing signs of improvement as compared to previous years. Based upon the results through ongoing testing of financial reporting controls and internal audits carried out during the year, the management considers that the Bank's existing Internal controls system is adequate and has been effectively implemented and monitored. However, the management would continuously be evaluating to enhance and further strengthen the internal control system of the Bank.

Based on the above, the Board of Directors has duly endorsed the management's evaluation of internal controls including ICFR in the attached Director's report.

**Aamir Sattar**  
Chief Financial Officer

**Asif Hassan**  
Chief of Audit & Inspection Group

**Kausar Iqbal Malik**  
Chief of Compliance Group

Date: February 19, 2016



## STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

For the year ended December 31, 2015

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the Regulation No. 5.19 of listing Regulations of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practice of Corporate Governance.

The Bank has complied with the principles contained in the Code in the following manner.

1. The Board of Directors of the Bank is appointed as per the provisions of the Bank's (Nationalization) Act, 1974. All the Directors (Except President /CEO) are non-executive Directors, including one independent Director representing minority shareholders as required by the Code. As at the year ended December 31, 2015 the Board includes : -

Name		Category
Mr. Muneer Kamal	<b>Chairman</b>	Appointed by Federal Government under section 11(3)(a) of The Banks (Nationalization) Act, 1974.
Mr. Farrakh Qayyum	Director	
Mr. Muhammad Naeem	Independent Director	
Mr. Iftikhar A. Allawala	Director	
Mir Balakh Sher Marri	Director	
Mr. A. Akbar Sharifzada	Director	
Mr. Tariq Kirmani	Independent Director	Director representing Private Shareholders and Minority Interest Elected in terms of 11(b) of The Banks (Nationalization) Act, 1974.
Syed Ahmed Iqbal Ashraf		President

2. The Federal Government appointed Mir Balakh Sher Marri in place of Mr. Shahid Aziz Siddiqi on 17-12-2014 as Director on the Board of National Bank of Pakistan vide GOP, Finance Division, Notification No. F-10(31) Bkg-III-2010- 2023 dated 17-12-2014 subject to State Bank of Pakistan clearance. After completing the required formalities contained in SBP Clearance letter dated 13-3-2015, Mir Balakh Sher Marri is Director on NBP Board from 10-4-2015.
3. During the year Rana Assad Amin has resigned from the Board of National Bank of Pakistan. The resignation was accepted by the Federal Government vide GOP, Finance Division, Notification No. F-10(31) Bkg-III-2010- 1108 dated 31-7-2015.
4. The Federal Government appointed Mr. A. Akbar Sharifzada on 17-11-2015 as Director on the Board of National Bank of Pakistan vide GOP, Finance Division, Notification No. F-1(11) Bkg-III-2015-1814 dated 17-11-2015.



## STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

### For the year ended December 31, 2015

5. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Bank (excluding the listed subsidiaries)
6. All directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI, or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
7. The Bank has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
8. The Directors have confirmed that neither they nor their spouses are engaged in the Business of Stock Brokerage.
9. The Bank has prepared "Statement of Ethics and Business Practice" which is already approved by the Board of Directors.
10. The Board has approved the Vision, Mission, Core Values, Objectives and NBP Strategic Plan.
11. The Bank has comprehensive framework of written policies and procedures on all major areas of Operations such as Credit, Treasury Operations, Finance, Risk, Internal Audit and Compliance etc. Many of these policies have been approved by the Board and are being constantly reviewed.
12. There exists in the Bank a framework for determining the limit of the authority of various Management levels. All the powers were exercised by the relevant authorities within the materiality thresholds.
13. All the Powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board.
14. The meetings of the Board of Directors were presided over by the Chairman. The Board met 12 times during the year. Written notices including agenda of the Board meetings were sent 7 days before the meeting except for emergent meetings.
15. The CFO and the Company Secretary attended all meetings of the Board of Directors.
16. The appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment are duly approved by the Board. The Head of Internal Audit is a seasoned banker and has been allowed to continue as Head of Internal Audit by State Bank of Pakistan. An exemption from the Securities and Exchange Commission of Pakistan has been sought from the requirements of relevant experience in audit or finance or compliance functions and the relevant qualification for the Head of Internal Audit.



## **STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE**

For the year ended December 31, 2015

17. The Director's Report for the year has been prepared in compliance with the Code of Corporate Governance and fully describes the salient matters required to be disclosed.
18. The Financial Statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.
19. Majority of the board members have the prescribed education and experience required for exemption from training programs of Directors pursuant to Clause-xi of CCG and one of its director attended one day Certification on Board Evaluation Techniques from The Institute of Chartered Accountants of Pakistan and the other director attended four day Corporate Governance Leadership Skills from Pakistan Institute of Corporate Governance. The Directors, CEO and Executives do not hold any interest in the shares of the bank other than that disclosed in the pattern of shareholding.
20. The Bank has complied with all the Corporate and Financial Reporting requirements of the Code. In accordance with the requirement of 5.19.6 (b) of the listing regulations, all related party transactions have been reviewed and approved by the Board of Directors.
21. The 'closed period' prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material /price sensitive information has been disseminated among all market participants at once through stock exchanges(s).
23. The board has formed an Audit Committee. It comprises of 6 members including two independent directors.
24. An effective Internal Audit & Inspection Group is in place to ensure independence of the Group from the Bank operations. The Head of Internal Audit reports functionally to the Board Audit Committee and administratively to the President.
25. The Board Audit Committee held seven (07) meetings as well as held meetings prior to the approval of Interim and Final Results as required by the Code. The minutes of each meeting were confirmed in the next meeting prior to circulation of the same to all members, directors, Head of Internal Audit and the CFO. The Charter of the Board Audit Committee has been duly approved by the Board of Directors and has been advised to the Committee for compliance.
26. The Board has setup an effective Internal Audit Function. All the Internal Audit Reports are accessible to the Board Audit Committee and important points arising out of audit are reviewed by the Board Audit Committee and important points requiring Board's attention are brought into their notice.



**STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE****For the year ended December 31, 2015**

27. The Board has also constituted a Board HR Committee comprising of four Non-Executive Directors and one Executive Director (President / CEO). The Chairman of the committee is a Non-Executive Director. The Board HR Committee met ten (10) times during the year.
28. The Statutory Auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review Program (QCRP) of the Institute of Chartered Accountants of Pakistan, that they or any partners of the firms, their spouses and minor children do not hold shares of the Bank and that the firms and all of their partners are in compliance with International Federation of Accountants (IFAC) Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
29. 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 observed IFAC guidelines in this regard.
30. We confirm that all other material principles contained in the code have been complied.

For and on the behalf of the Board of Directors

**Syed Ahmed Iqbal Ashraf**

President

Karachi

Dated: February 19, 2016



# CORPORATE

## SOCIAL RESPONSIBILITY





## REPORT ON CSR INITIATIVES - 2015

**Corporate Social Responsibility (CSR)** is an integral part of NBP's corporate policy. As a leading financial institution in the country, NBP has taken various initiatives that clearly demonstrate its commitment towards CSR. The Bank is running a full-fledged CSR Program to bring positive changes in society and to improve the quality of life of underprivileged members of Pakistani society. The prime areas which NBP focuses on in its CSR initiatives are Education, Health, Special Persons, Women & Child, Culture and Relief for those affected by natural disasters.





## REPORT ON CSR INITIATIVES - 2015

### Education

NBP believes that education plays a vital role in economic development as well as poverty alleviation in a society. Pakistan faces an urgent need for outstanding academic facilities, through which we can develop and prepare young people to acquire skills and educational growth & advancement. This will help them achieve their highest potential. National Bank of Pakistan is financially supporting the following educational institutions on a yearly basis so that they can carry on imparting education and other skills to those students who cannot afford it themselves:

#### Scholarships & adoption carried out by NBP in 2015

- Scholarships for 20 students through Professional Education Foundation
- Scholarships for 10 students, Sargodhian Spirit Trust
- Scholarships for 15 students, IBA Sukkur
- Scholarships for 03 students, WISE College, Lahore
- Scholarships for 05 students, Namal College, Mianwali
- Scholarships for 20 students, Sindh Madressatul Islam University, Karachi
- NBP adopted 15 informal schools (Child Care Foundation) Lahore
- NBP adopted a school in Killa Saifullah, Muslim Bagh, Balochistan by Taleem Foundation
- 25 underprivileged childrens' education in South Punjab

#### Donations for upgradation, equipment & educational events

- Research & Development at Habib University Foundation
- 'Motivational Volunteer Empowerment Program' - Quetta, Faisalabad and Sukkur by Family Educational Service Foundation
- Established the 'College for Disabled Persons' in Rawalpindi
- 15 computers to Cadet College, Larkana
- 15 computers to International Grammar School, Karachi
- Infrastructure development at Government Girls School Gizri Campus, through Ravian Educational Trust
- Provided uniforms & books to poor students in Balochistan schools
- Provided 10 computers & desks, 1 dispenser and 8 fans to Al-Qadir Model School in Lyari, Karachi
- Sponsored the 'International CSR Summit Awards & Gallery' held in Karachi & Islamabad
- Sponsored the 'IBA Youth Entrepreneurship Conference 2015' held in Karachi



## REPORT ON CSR INITIATIVES - 2015

### Education

- School uniforms for needy students, Ujala Welfare Society, KPK
- Sponsoring the 'All Pakistan Declamation Contest (APDC)' at St. Patrick's School
- Upgrading Mujahida Montessori AMF PAC, Kamra
- The Citizens Foundation Golf Tournament in Karachi
- Upgradation of classrooms & laboratory at DEWA Trust
- House for 88 orphan students at Roshni Homes Trust in Lahore
- Sponsored annual function on 'Kashmir Solidarity Day' at the Government G.D. Islamia School in Narowal
- Sponsored 'FROLYMPICS', Froebel's International School in Islamabad
- Sponsored 'All Karachi Sports Fiesta' at NED University
- Upgradation of computer lab and library at Government Degree College in Mehmoodabad, Karachi



Move Program



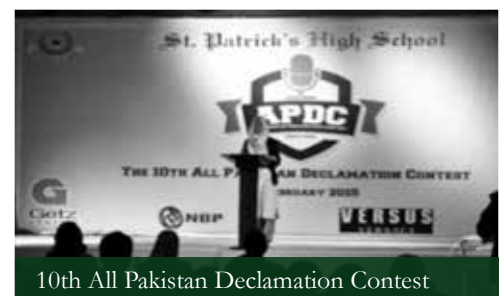
IBA Super League - 2015



Ravian School Trust Gizri - 2015



4th CSR Summit, The Professional Network, Karachi



10th All Pakistan Declamation Contest



IBA IYEC Entrepreneurship Conference



## REPORT ON CSR INITIATIVES - 2015

### Health

NBP, in partnership with various NGOs & institutions, arranged various medical, eye and fistula camps in remote areas across Pakistan. It is also helping in upgrading infrastructure by providing financial support, along with equipment, to several hospitals and entrepreneurial organizations. These include the following:

- Infrastructure support to the Aga Khan University Hospital
- Infrastructure support to Begum Noor Memorial Hospital, Chakwal
- ECG machine for Model Welfare Medical Center, Malir
- Syringe pump for National Institute of Cardiovascular Diseases (NICVD), Karachi
- Courtyard modification at Gulab Devi Charity Hospital, Lahore
- Fatimid Foundation Kidney Centre, Quetta
- Adaptation of a female ward at MALC in Karachi, labelled as NBP Women Ward
- Treatment of a child with Thalassemia at Help International Welfare
- Treatment of poor patients at Pakistan Kidney Institute, Islamabad
- Shaukat Khanum Memorial Cancer Hospital, Peshawar
- Eye Camps at Haroonabad City, Bahawalpur, Mandi Sadiq Gunj Bahawalnagar, Serai Naurang Distt., Lakki Marwat
- Medical Camp in upper, lower and central Kurram Agency - FATA, Shigar & Skardu (Gilgit), and many other places
- Fistula Surgery Camps at Koochi Goth Hospital Thatta, Kandiaro & Tharimirwah Sanghar and in KPK



NBP Eye Camp



## REPORT ON CSR INITIATIVES - 2015

### Special Persons

Through our CSR initiatives, we provide opportunities for independence, confidence and fitness to people with disabilities, to encourage them to realize their potential and contribute to society.

#### Infrastructure & equipment support

- Infrastructure support to SOS Childrens' Village in Islamabad
- Equipment to Nargis Khatoon Hearing Impairment School in Skardu
- Al-Umeed Rehabilitation Association in Karachi
- Hyderabad Welfare Association of the Blind
- Karwan-e-Hayat Fundraising Event at Indus Valley School of Art & Architecture in Karachi

#### Wheelchairs, tricycles and white canes

Donated 250+ wheelchairs and 400+ white canes to special persons in various cities, i.e. Multan, Karachi, Skardu, Sibi, D.G. Khan, Khairpur, etc.

#### Sports activities for special persons

- 6th NBP Wheelchair Users' Cricket Tournament - 2015, Islamabad
- NBP T-20 Blind Cricket Trophy - 2015, Bahawalpur
- Wheelchair Race held at Sports Complex, Islamabad



## REPORT ON CSR INITIATIVES - 2015

### Sports activities for special persons



Independent Living Centre - 2015



NBP T20 Blind Cricket Trophy 2015



Wheelchair Race - 2015 Islamabad



Wheelchair Distribution - 28th May, 2015



6th NBP All Pakistan Wheelchair Users' Cricket Tournament



First Ever Indoor Games for the Blind held in D.G. Khan



## REPORT ON CSR INITIATIVES - 2015

### Women & Children

To give women and children an honourable and moral uplift, NBP has undertaken various initiatives like vocational training, women sports events and equipment support to ensure that women are given opportunities for self-development.

#### Vocational Programs

Vocational training programs were arranged for women in various cities, i.e. Taxila, Gilgit, Abbottabad, Hyderabad, UC Kaloji, Bolhari, Tharparker, Rawalpindi, Jhang etc.

#### Sports Events

Sponsored the following sports events:

- Kashmir Sports Youth Festival in Azad Kashmir
- 9 Hole Golf Tournament organized by First Women Bank Limited
- NBP Women Football League Tournament held in Karachi
- NBP PGF Women Football Championship - 2015

#### Sponsorships

- Supporting 05 orphanage students' education expenses at Roshni Homes
- Supporting SOS Children's Village in Quetta
- Lighting a Million Lives (LaML) Village Project in Balochistan
- British Women's Association Charity Bazaar



Vocational Training Skardu - 2015



National Bank Gift Scheme - 2015



## REPORT ON CSR INITIATIVES - 2015

### Culture

NBP plays a vital role in establishing and promoting national and regional cultural norms in the country and has supported the following events:

- Aalmi Mushairah, Karachi
- Urdu and other linguistic conferences
- Cultural programs and sports
- International Media Conference - 2015, Karachi
- Charity Concert at Christ the King Church, Karachi
- Culture Shows at Mirpurkhas, organized by the DC Mirpurkhas
- Lyari Peace Photo Exhibition by Mehrdar Art & Production
- 9th International Conference of Women Leadership - 2015, Karachi



### Earthquake

As the nation's bank, NBP is aware of its social obligations towards the welfare of Pakistani communities. It has integrated its social welfare and community development initiatives to achieve sustainable growth in social sector of Pakistan.

A major earthquake hit the northern parts of Pakistan in October, 2015. In this regard, NBP took the initiative of distributing food items in the affected areas.





## REPORT ON CSR INITIATIVES - 2015

### Sports

#### NBP's sports teams' achievements

##### Hockey

- Hockey Junior Team - Winners of the National Hockey Championship
- Hockey Senior Team - Winners of the Chief of Army Staff Hockey Tournament
- Hockey Senior Team - Winners of the Quaid-e-Azam Gold Cup

##### Snooker

- Hamza Akber won the Asian Snooker Championship in 2015
- M. Asif won the NBP Ranking Snooker Championship in 2015
- M. Asif won the Jubilee Insurance Ranking Snooker Championship in 2015

##### Badminton

- Palwasha Bashir (Triple Crown Title) won the Singles, Doubles & Mixed Doubles National Badminton Championship in 2015
- Palwasha Bashir & Sara Muhmand won the (Doubles Champion) National Badminton Championship
- NBP Ladies Team were Event Runners-Up at the National Badminton Championship - 2015
- Rizwan Azam & Kashif Sulahri won the (Doubles Champion) National Badminton Championship - 2015
- Rizwan Azam won the Singles Runners-Up National Badminton Championship - 2015



PFF Cup - 2015

#### Sponsorship of Sports

Province	Events
Punjab	15
Sindh	26
Balochistan	20
Khyber Pakhtunkhwa	8
Azad Kashmir & Gilgit Baltistan	2
<b>Total</b>	<b>71</b>



NBP Ranking Snooker Championship - 2015



## REPORT ON CSR INITIATIVES - 2015

### Sports Activities



Chief of Army Staff Hockey Tournament



Quaid-e-Azam Gold Cup Hockey Tournament



NBP Traffic Rules Awareness Walk



Arm Wrestling Championship - 2015



NBP Ranking Snooker Championship - 2015



Quaid-e-Azam Gold Cup Hockey Tournament



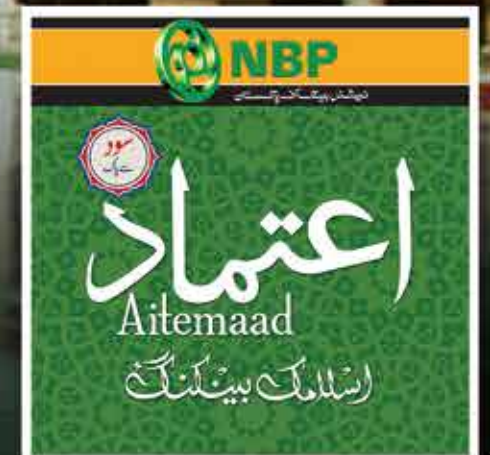
Dinner Reception for Bangladesh and Pakistan Women Cricket Teams



# Fully Dedicated Islamic Banking Branches



Bahawalpur | Batkhela | Bhakkar | Bhimber A.K | D.I.Khan | Dir  
| D.G.Khan | Faizabad | Gujranwala | Gujrat | Hafizabad | Haripur  
| Hasilpur | Hyderabad | Islamabad | Jamrud | Jaranwala | Jhang  
| Jhelum Karachi | Kasur | Khanewal | Lahore | Layyah |  
Malakand | Manshera | Mardan | Mianwali | Mingora | Mirpur A.K  
| Mirpur Khas | Multan | Muzaffarabad A.K | Nowshera | Okara |  
Pakpattan | Peshawar | Purdilabad | Quetta | Rawalpindi |  
Sahiwal | Sargodha | Sheikhupura | Sialkot | Sukkur | Swabi |  
Taxila | Timergara, Lower Dir | Tulamba





## SHARIAH BOARD PROFILE

**Mufti Ehsan Waquar Ahmad** is the Chairman Shariah Board at NBP-Aitemaad, and is among the few scholars who possess a unique combination of religious and contemporary education. He graduated as a Mufti, achieving Masters in Traditional Islamic Studies and specializing in Islamic Jurisprudence from Pakistan's renowned Islamic School, Jamiat-ur-Rasheed. Later he accomplished Masters in Economics from KU and Masters in Business Administration with majors in Finance from IoBM. This unique blend of educational combination gives him an edge to understand, correlate and align modern day banking practices with Shariah principles.

Besides this, he is also Chairman Shariah Board at Allied Bank Limited and Soneri Bank Limited. He is also serving as Shariah Advisor/Member Shariah Board at NAFA, AGICO, KSE and KPCCI Peshawar. Prior to this, he has served Islamic Financial Industry with institutions like ESSAC, Emirates Global Islamic Bank now Albaraka Bank Pakistan, UBL and Yasaar Ltd, UAE & UK.

Mufti Ehsan is also a member of the Technical Committee for Developing Accounting & Auditing Standard for Islamic Financial Institution at Institute of Chartered Accountants of Pakistan (ICAP). He has actively worked with SBP and was nominated to several sub-committees formed by the SBP Shariah Board for Islamic Banking matters in Pakistan.

Mufti Ehsan conducts courses of Classical Jurisprudence, Islamic Finance and Risk Management at traditional Islamic universities (Jamia-tur-Rasheed) as well at IoBM. He frequently contributes in different international and local periodicals and appears as an industry expert on local TV channels.

**Dr. Mufti Khalil Aazami** is the Shariah Board Member at NBP-Aitemaad. Dr. Aazami graduated from Jamia Darul Uloom, Karachi. He obtained Shahadat-ul-Aalamia (Masters in Arabic and Islamic Studies) and Al-T'akhassus fi al-Iftaa' (Specialisation in Islamic Jurisprudence and Fatwa) from Jamia Darul Uloom, Karachi and holds a Doctorate degree in 'Islamic Jurisprudence' from Karachi University.

He has also served as an Advisor/Shari'ah Board Member in different financial institutions including Bank-Alfalah, Takaful Pakistan Limited (2005-2014) and Alfalah GHP Islamic Fund (2007-2014)

Dr. Aazami has 18 years of research experience related to Islamic Finance and other Shari'ah related subjects. He is an author of numerous publications. He is also an experienced lecturer and trainer in the field of Islamic Finance, Economics, Fiqh, Islamic Financial Laws and General Islamic Science. He is involved as Faculty member, – Jamia Darul Uloom, Karachi since 1999 and has been associated with the Centre For Islamic Economics, Karachi, National Institute of Banking and Finance – SBP and Sheikh Zaid Islamic Research Centre – University of Karachi.



## SHARIAH BOARD'S REPORT NBP AITEMAAD

For the year ended December 31, 2015

بسم الله الرحمن الرحيم

الحمد لله رب العالمين والصلاة والسلام على سيد الانبياء والمرسلين وعلى آله وصحبه اجمعين اما بعد

The Board of Directors of NBP have entrusted the Shariah Board with the task to assess the overall Shariah compliance level and environment within the NBP Islamic Banking.

The objective of the report is to present a view about the overall Shariah compliance level and environment within the Bank. In the Capacity of Shariah Board, we have reviewed the overall Shariah compliance level and environment within the Bank as of December 31, 2015.

### Shariah Board Opinion

While the Board of Directors and Executive Management are solely responsible to ensure that the operations of NBP - Aitemaad are conducted in a manner that comply with Shari'ah principles at all times, we are required to submit a report on the overall Shari'ah compliance environment of NBP - Aitemaad.

To form our opinion as expressed in this report, the Shari'ah Compliance Department of the bank carried out reviews, on test check basis, of each class of transactions, the relevant documentation and process flows. Further, we have also reviewed the reports of the internal Shari'ah audit and external Shari'ah audit. Based on above, we are of the view that:

#### 1. Compliance with Shariah Rules and Principles in the light of Fatawa and Guidelines issued by Shariah Board and SBP.

Based on the Compliance Review conducted by the Shariah Compliance Department, the Shariah Board found no instance of non-compliance of various guidelines issued through IOMs during the year 2015.

#### 2. Shariah Compliance Mechanism

With the Grace of Allah, the management of NBP has approved the Shariah Compliance Manual developed by the Shariah Compliance Department. The Shariah Compliance Manual covers all aspects of the Islamic Banking Operations and includes a Mystery Shopping Mechanism especially designed to ensure Shariah compliance by the branch staff at all levels and situations. The results of such mystery shopping would help us analyze and identify weak areas and to suggest relevant controls. This will also help to assess the staff training needs.

#### 3. Mechanism ensuring prohibited Income to Charity Account

NBP-Aitemaad has a well-defined Charity policy approved by NBP Shariah Board and the Board of Directors. Our Shariah Compliance team conduct review of executed process flows to ensure their compliance in lines with the Shariah approved processes and guidelines. In addition, all other income generating sources including investments and treasury transactions are screened by the Shariah Compliance Department.

During the year; Alhamdulillah no income was generated from sources prohibited by Shariah rules and principles.

#### 4. Profit and Loss Distribution and Pool management

The Shariah Compliance Department has reviewed Pool Management & Profit Distribution Manual during the year 2015. In compliance of the same, the Shariah Compliance Department reviews / monitors the pool management and profit distribution on a monthly basis.



The pool management and profit distribution mechanism, the allocation of funds, weightages, profit sharing ratios, profits and charging of losses related to PLS accounts conform to the Shariah rules and principles.

## **5. Staff understanding of Islamic Banking and Finance**

Alhamdulillah, prior conversion and at the time new staff induction, NBP-Aitemaad imparts a 5 days basic Islamic Banking & Finance training to abreast them with Islamic Banking basic concepts. NBP had availed the services of NIBAF to conduct this basic five-day training programs. Moreover, the Shariah Compliance Team and the Shariah Board encourages all staff of Islamic Banking Group to float their queries via Ask-Shariah portal. This provides a platform for on the job training for them and supports day-to-day processes and customer management.

## **6. Provision of adequate resources to Shariah Board**

The Executive Management is working to finalize the hiring of adequate staff for Shariah compliance department. We expect that the formalities are completed soon that shall enable to discharge the duties effectively.

## **7. No significant Shariah related issues are outstanding**

### **Other Developments**

#### **1. Approval of Branch Conversions**

With the Grace of Allah, NBP-Aitemaad has converted 57 branches during the year 2015. The Shariah Board has reviewed the conversion process and found the same in adherence with the approved process and guidelines.

#### **2. SB Guidelines**

The Shariah Board issued time to time multiple guidelines and instructions to the Executive Management to ensure that Islamic Banking operations are in adherence with the principles of Shariah.

#### **3. Shariah Compliance Review of Islamic Banking Branches**

The Shariah Compliance teams has conducted the Shariah review of the Aitemaad Branches as required in SBP's Shariah Governance Framework. Consequently, the Shariah compliance team during their branch visit provide guidance to the branch staff to ensure implementation of Shariah Board instruction and guidelines.

Further, as a compliance review function, the Shariah compliance team visited branches for Shariah review with focus on the following:

- a) Staff understanding of Islamic Banking and Finance
- b) Display of required information in the branch
- c) Profit distribution among depositors
- d) Islamic mode of financing
- e) Adherence to the guidelines issued by the Shariah Board from time to time
- f) General environment

#### **4. Product Development**

Alhamdulillah, the Board of Directors has approved after the review of all existing Financing and Liability Products and its Policies carried out by Shariah Compliance Department. In addition, the BOD approved multiple deposit products and Diminishing Musharakah financing product that aimed to cater the need of public and are in process of prerequisites completion prior launching.



## 5. Shariah Audit

With the grace of Allah, NBP has established its Internal Shariah Audit Wing (ISAW) as instructed in the Shariah Governance Framework. This arrangement shall help developing better control and identifying gaps within the system as Aitemaad Branch Network is aimed to expand further.

والله سبحانه وتعالى اعلم

ربنا لا تؤاخذنا ان نسينا او اخطانا ربنا ولا تحمل علينا اصرنا كما حملته على الذين من قبلنا ربنا ولا تحملنا ما لا طاقة لنا به ع واف عاف غفرنا وقفه وارحمنا وقفه انت مولنا فانصرنا على القوم الكافرين

We pray to almighty ALLAH to provide us guidance to adhere to the Shari'ah principles in day-to-day operations, to absolve our mistakes and for the success of Islamic banking in Pakistan.

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**Dr. Mufti Khalil Ahmad Aazami**

Shariah Board Member  
NBP – Aitemaad

Date: February 19, 2016

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**Mufti Ehsan Waqar Ahmad**

Chairman, Shariah Board  
NBP – Aitemaad



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

**Ernst & Young Ford Rhodes Sidat Hyder**  
Chartered Accountants  
Progressive Plaza,  
Beaumont Road  
Karachi 75530, Pakistan

**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi 75530, Pakistan

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of National Bank of Pakistan (“the Bank”) for the year ended December 31, 2015 to comply with the requirements of Listing Regulations of Pakistan Stock Exchange Limited where the Bank is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Bank. 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 Bank’s compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Bank personnel and review of various documents prepared by the Bank to comply with the Code.

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

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

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

Further, we highlight the following:

- Paragraph 16 which states that the bank has sought an exemption from Securities and Exchange Commission of Pakistan relating to relevant experience and qualification requirements for the Head of Internal Audit.

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**Ernst & Young Ford Rhodes Sidat Hyder**  
Chartered Accountants

**Engagement Partner:**  
Arslan Khalid

Karachi

Date: February 19, 2016

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**KPMG Taseer Hadi & Co.**  
Chartered Accountants

**Engagement Partner:**  
Syed Iftikhar Anjum



## AUDITORS' REPORT TO THE MEMBERS

### **Ernst & Young Ford Rhodes Sidat Hyder**

Chartered Accountants  
Progressive Plaza,  
Beaumont Road  
Karachi 75530, Pakistan

### **KPMG Taseer Hadi & Co.**

Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi 75530, Pakistan

We have audited the annexed unconsolidated statement of financial position of National Bank of Pakistan ("the Bank") as at December 31, 2015 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year ended December 31, 2015, in which are incorporated the unaudited certified returns from the branches except for 80 branches which have been audited by us and 19 branches audited by the auditor abroad 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 Bank's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, which in case of loans and advances covered more than 60% of the total loans and advances of the Bank, we report that:

- a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:
  - i) the statement of financial position and the related profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied except for the change in accounting policies as stated in note 3.3 to the accompanying financial statements, with which we concur;
  - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated 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 Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2015 and its true balance of profit, its cash flows and its changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source, under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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### **Ernst & Young Ford Rhodes Sidat Hyder**

Chartered Accountants

#### **Engagement Partner:**

Arslan Khalid

Karachi

Date: February 19, 2016

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### **KPMG Taseer Hadi & Co.**

Chartered Accountants

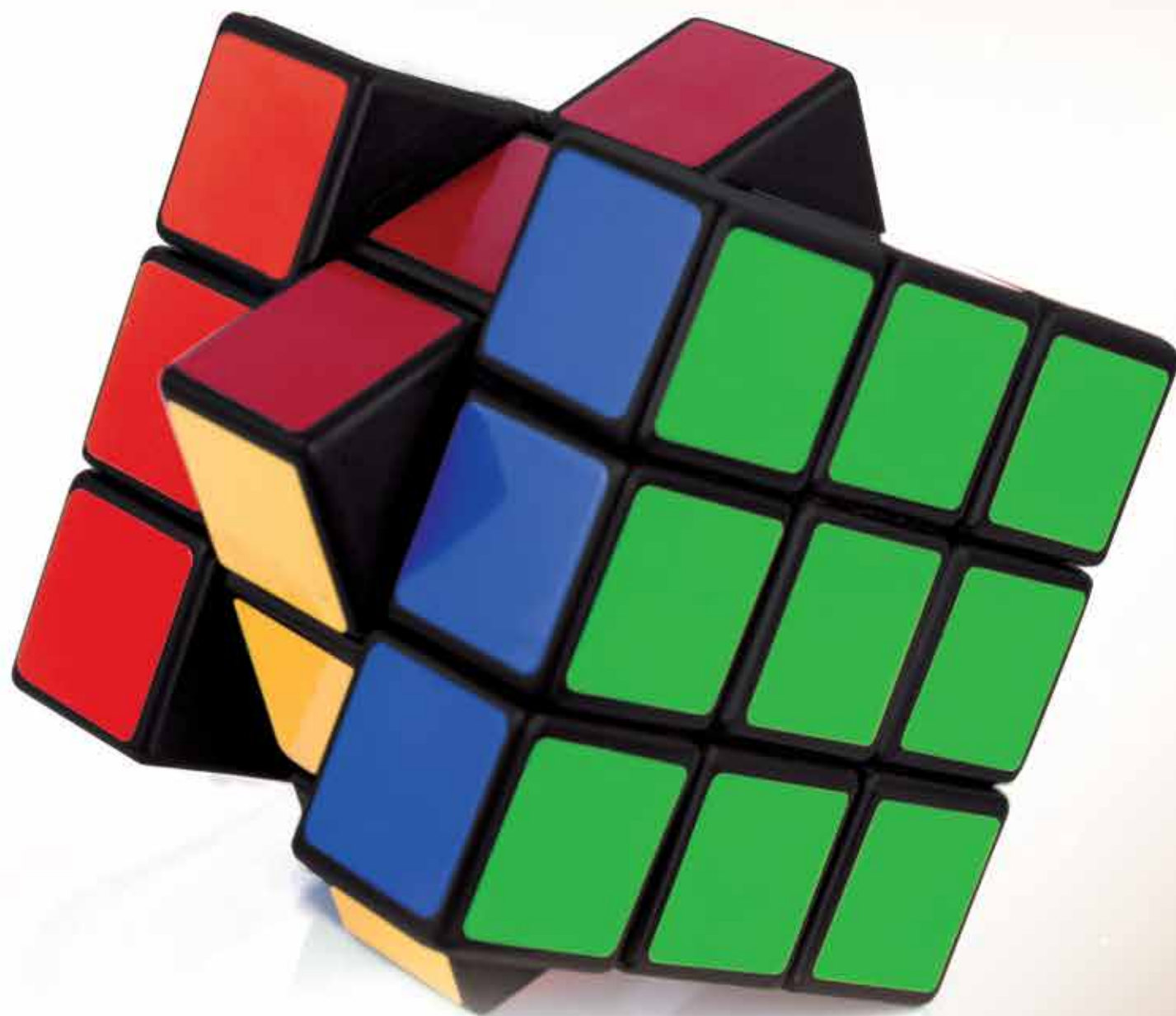
#### **Engagement Partner:**

Syed Iftikhar Anjum



# UNCONSOLIDATED

FINANCIAL STATEMENTS 2015



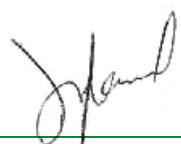


# UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

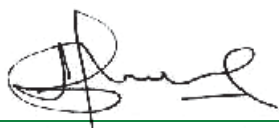
As at December 31, 2015

2014	2015		Note	2015	2014
US Dollars in '000				Rupees in '000	
<b>ASSETS</b>					
934,205	1,438,902	Cash and balances with treasury banks	6	150,899,778	97,971,501
115,456	191,933	Balances with other banks	7	20,128,273	12,108,025
1,065,958	101,443	Lendings to financial institutions	8	10,638,524	111,788,608
5,356,690	7,879,184	Investments	9	826,301,890	561,764,137
5,975,924	5,510,483	Advances	10	577,892,610	626,704,083
303,186	304,523	Operating fixed assets	11	31,935,787	31,795,539
94,187	92,202	Deferred tax assets	12	9,669,359	9,877,509
868,157	752,303	Other assets	13	78,895,162	91,044,915
14,713,763	16,270,973			1,706,361,383	1,543,054,317
<b>LIABILITIES</b>					
105,003	87,456	Bills payable	14	9,171,616	11,011,827
357,976	208,933	Borrowings	15	21,911,190	37,541,497
11,762,257	13,645,620	Deposits and other accounts	16	1,431,036,598	1,233,525,490
-	-	Sub-ordinated loans		-	-
123	341	Liabilities against assets subject to finance lease	17	35,800	12,738
-	-	Deferred tax liabilities		-	-
787,953	723,311	Other liabilities	18	75,854,704	82,633,864
13,013,312	14,665,661			1,538,009,908	1,364,725,416
1,700,451	1,605,312	<b>NET ASSETS</b>		168,351,475	178,328,901
<b>REPRESENTED BY</b>					
202,869	202,869	Share capital	19	21,275,131	21,275,131
305,837	434,634	Reserves	19	45,580,712	32,073,606
543,587	468,722	Unappropriated profit		49,155,590	57,006,813
1,052,293	1,106,225			116,011,433	110,355,550
648,158	499,087	Surplus on revaluation of assets - net	20	52,340,042	67,973,351
1,700,451	1,605,312			168,351,475	178,328,901
<b>CONTINGENCIES AND COMMITMENTS</b>					
			21		

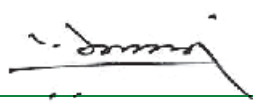
The annexed notes 1 to 45 and Annexure I to IV form an integral part of these unconsolidated financial statements.



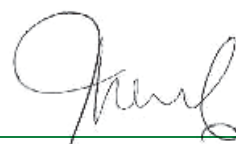
**Muneer Kamal**  
Chairman



**Syed Ahmed Iqbal Ashraf**  
President



**Muhammad Naeem**  
Director



**Iftikhar A. Allawala**  
Director



# UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2015

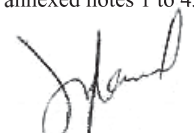
2014	2015		Note	2015	2014
US Dollars in '000				Rupees in '000	
1,088,699	1,083,820	Mark-up / return / interest earned	23	113,661,831	114,173,519
651,935	571,565	Mark-up / return / interest expensed	24	59,940,895	68,369,504
436,764	512,255	Net mark-up / interest income		53,720,936	45,804,015
104,642	101,315	Provision against non-performing advances - net	10.3	10,625,053	10,973,968
4,218	12,577	Provision for diminution in the value of investments - net	9.9	1,319,016	442,347
-	-	Bad debts written off directly		-	-
(3,235)	(1,170)	Reversal of provision against off balance sheet obligations	18.1	(122,686)	(339,200)
105,625	112,722			11,821,383	11,077,115
331,139	399,533	Net mark-up / interest income after provisions		41,899,553	34,726,900
<b>NON MARK-UP / INTEREST INCOME</b>					
115,717	118,190	Fee, commission and brokerage income		12,394,723	12,135,445
20,831	31,083	Dividend income		3,259,736	2,184,557
33,866	44,319	Income from dealing in foreign currencies	25	4,647,844	3,551,573
83,654	120,094	Gain on sale and redemption of securities - net	26	12,594,424	8,772,891
1,387	56	Unrealized gain on revaluation of investments classified as held-for-trading	9.10	5,924	145,454
34,207	19,841	Other income	27	2,080,776	3,587,373
289,662	333,583	Total non mark-up / interest income		34,983,427	30,377,293
620,801	733,116			76,882,980	65,104,193
<b>NON MARK-UP / INTEREST EXPENSES</b>					
381,105	401,639	Administrative expenses	28	42,120,439	39,967,101
13,354	14,060	Other provisions / write offs	13.5 / 18.2	1,474,478	1,400,434
16,553	691	Other charges	29	72,455	1,735,915
411,012	416,390	Total non mark-up / interest expenses		43,667,372	43,103,450
209,789	316,726			33,215,608	22,000,743
-	-	Extra ordinary / unusual items		-	-
209,789	316,726			33,215,608	22,000,743
<b>PROFIT BEFORE TAXATION</b>					
90,402	138,997	Taxation - Current		14,576,847	9,480,641
-	21,917	- Prior year(s)		2,298,465	-
(23,917)	(27,449)	- Deferred		(2,878,568)	(2,508,127)
66,485	133,465		30	13,996,744	6,972,514
143,304	183,261	<b>PROFIT AFTER TAXATION</b>		19,218,864	15,028,229

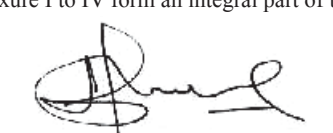
----- US Dollar -----

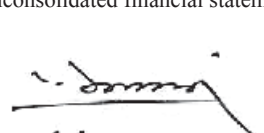
----- Rupees -----

0.07	0.09	Basic and diluted earnings per share	31	9.03	7.06
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The annexed notes 1 to 45 and Annexure I to IV form an integral part of these unconsolidated financial statements.

  
Muneer Kamal  
Chairman

  
Syed Ahmed Iqbal Ashraf  
President

  
Muhammad Naeem  
Director

  
Iftikhar A. Allawala  
Director

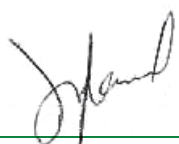


## UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

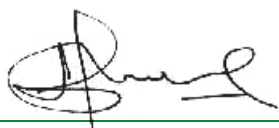
For the year ended December 31, 2015

2014 US Dollars in '000	2015		Note	2015 Rupees in '000	2014
143,304	183,261	Profit after taxation		19,218,864	15,028,229
		<b>Other comprehensive income:</b>			
		<i>Items to be reclassified to profit and loss in subsequent periods:</i>			
(9,230)	(3,955)	Exchange (loss) on translation of net assets of foreign branches		(414,780)	(967,912)
		<i>Items not to be reclassified to profit and loss in subsequent periods:</i>			
(6,392)	(22,985)	Actuarial (loss) on remeasurements of defined benefit (liability) / asset	34.1	(2,410,482)	(670,374)
2,237	8,045	Related tax impact	12.1	843,669	234,631
(4,156)	(14,940)			(1,566,813)	(435,743)
(13,386)	(18,895)	<b>Other comprehensive income - net of tax</b>		(1,981,593)	(1,403,655)
129,918	164,366	<b>Comprehensive income transferred to equity</b>		17,237,271	13,624,574
		<b>Components of comprehensive income not reflected in equity:</b>			
		<i>Items to be reclassified to profit and loss in subsequent periods:</i>			
154,451	(110,449)	Surplus on revaluation of available-for-sale securities		(11,582,989)	16,197,485
(36,324)	(37,478)	Related tax impact		(3,930,386)	(3,809,319)
118,127	(147,927)			(15,513,375)	12,388,166

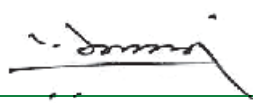
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**Muneer Kamal**  
Chairman



**Syed Ahmed Iqbal Ashraf**  
President



**Muhammad Naeem**  
Director



**Iftikhar A. Allawala**  
Director



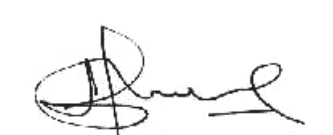
# UNCONSOLIDATED CASH FLOW STATEMENT


For the year ended December 31, 2015

2014	2015		Note	2015	2014
US Dollars in '000				Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
209,789	316,727	Profit before taxation		33,215,608	22,000,743
(20,831)	(31,083)	Less: Dividend income		(3,259,736)	(2,184,557)
188,958	285,644			29,955,872	19,816,186
Adjustments:					
19,419	12,408	Depreciation	11.2	1,301,250	2,036,530
4,136	6,044	Amortization	11.3	633,831	433,791
104,642	101,315	Provision against non-performing advances - net	10.3	10,625,053	10,973,968
4,218	12,577	Provision for diminution in the value of investments - net	9.9	1,319,016	442,347
(3,234)	(1,170)	(Reversal) / provision against off balance sheet obligations	18.1	(122,686)	(339,200)
(1,387)	(56)	Unrealized (gain) / loss on revaluation of investments classified as held-for-trading	9.10	(5,924)	(145,454)
(283)	(88)	Gain on sale of operating fixed assets	27	(9,224)	(29,643)
66	21	Financial charges on leased assets		2,234	6,909
13,353	14,060	Other provisions / write offs		1,474,478	1,400,434
140,930	145,111			15,218,028	14,779,682
329,888	430,755			45,173,900	34,595,868
(Increase) / decrease in operating assets					
(478,204)	876,788	Lendings to financial institutions - gross		91,950,084	(50,149,919)
(72,841)	79,367	Net investment in trading securities		8,323,325	(7,638,960)
(212,242)	364,126	Advances - net		38,186,420	(22,258,177)
(118,414)	83,026	Other assets (excluding advance tax)		8,707,072	(12,418,144)
(881,701)	1,403,307			147,166,901	(92,465,200)
Increase in operating liabilities					
(27,489)	(17,547)	Bills payable		(1,840,211)	(2,882,840)
133,079	(146,722)	Borrowings		(15,386,971)	13,956,143
1,262,373	1,883,363	Deposits and other accounts		197,511,108	132,386,916
88,865	(92,193)	Other liabilities (excluding current taxation)		(9,668,386)	9,319,367
1,456,828	1,626,901			170,615,540	152,779,586
(75,146)	(133,548)	Income tax paid		(14,005,367)	(7,880,584)
(66)	(21)	Financial charges paid		(2,234)	(6,909)
(75,212)	(133,569)			(14,007,601)	(7,887,493)
829,803	3,327,394	Net cash generated from operating activities		348,948,740	87,022,761
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
(479,243)	(2,632,884)	Net investment in available-for-sale securities		(276,114,512)	(50,258,949)
(865,472)	(174,502)	Net investment in held-to-maturity securities		(18,300,279)	(90,763,386)
20,831	31,083	Dividend income received		3,259,736	2,184,557
(8,471)	(21,411)	Investment in operating fixed assets (including intangible)		(2,245,372)	(888,316)
(9,230)	(3,955)	Effects of exchange differences on translation of net assets of foreign branches		(414,780)	(967,912)
8,601	81,224	Investment in associates		8,518,102	902,024
633	229	Sale proceeds of operating fixed assets disposed off		24,007	66,499
(1,332,351)	(2,720,216)	Net cash used in investing activities		(285,273,098)	(139,725,483)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
(108)	(164)	Payments of lease obligations		(17,188)	(11,296)
(40,432)	(111,247)	Dividend paid		(11,666,593)	(4,240,173)
(40,540)	(111,411)	Net cash used in financing activities		(11,683,781)	(4,251,469)
(543,088)	495,767	<b>Increase / (Decrease) in cash and cash equivalents</b>		51,991,861	(56,954,191)
1,672,037	1,128,949	Cash and cash equivalents at beginning of the year		118,394,883	175,349,074
1,128,949	1,624,716	<b>Cash and cash equivalents at end of the year</b>	32	170,386,744	118,394,883

The annexed notes 1 to 45 and Annexure I to IV form an integral part of these unconsolidated financial statements.

  
**Muneer Kamal**  
*Chairman*

  
**Syed Ahmed Iqbal Ashraf**  
*President*

  
**Muhammad Naeem**  
*Director*

  
**Iftikhar A. Allawala**  
*Director*

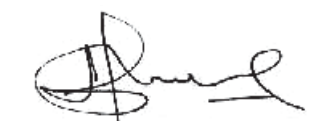
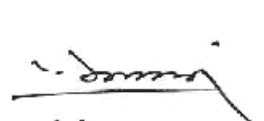


## UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2015

	Share capital	Reserves (refer note 19.4)				Unappropriated Profit	Total
		Capital		Revenue			
		Exchange Translation	Statutory	General Loan Loss Reserve	General		
Rupees in '000							
Balance as at December 31, 2013	21,275,131	9,530,777	21,486,580	-	521,338	48,045,930	100,859,756
Total comprehensive income for the year							
Profit after tax for the year ended December 31, 2014	-	-	-	-	-	15,028,229	15,028,229
Other comprehensive income - net of tax	-	(967,912)	-	-	-	(435,743)	(1,403,655)
	-	(967,912)	-	-	-	14,592,486	13,624,574
Transferred from surplus on revaluation of operating fixed assets	-	-	-	-	-	126,246	126,246
Transfer to statutory reserve	-	-	1,502,823	-	-	(1,502,823)	-
Transactions with owners, recorded directly in equity							
Cash dividend paid for the year ended December 31, 2013 (Rs. 2 per share)	-	-	-	-	-	(4,255,026)	(4,255,026)
Balance as at December 31, 2014	21,275,131	8,562,865	22,989,403	-	521,338	57,006,813	110,355,550
Total comprehensive income for the year							
Profit after tax for the year ended December 31, 2015	-	-	-	-	-	19,218,864	19,218,864
Other comprehensive income - net of tax	-	(414,780)	-	-	-	(1,566,813)	(1,981,593)
	-	(414,780)	-	-	-	17,652,051	17,237,271
Transferred from surplus on revaluation of operating fixed assets	-	-	-	-	-	119,934	119,934
Transfer to statutory reserve	-	-	1,921,886	-	-	(1,921,886)	-
Transfer to general loan loss reserve	-	-	-	12,000,000	-	(12,000,000)	-
Transactions with owners, recorded directly in equity							
Cash dividend paid for the year ended December 31, 2014 (Rs. 5.5 per share)	-	-	-	-	-	(11,701,322)	(11,701,322)
Balance as at December 31, 2015	21,275,131	8,148,085	24,911,289	12,000,000	521,338	49,155,590	116,011,433

The annexed notes 1 to 45 and Annexure I to IV form an integral part of these unconsolidated financial statements.

  
**Muneer Kamal**  
*Chairman*
  
**Syed Ahmed Iqbal Ashraf**  
*President*
  
**Muhammad Naeem**  
*Director*
  
**Iftikhar A. Allawala**  
*Director*



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

## 1. STATUS AND NATURE OF BUSINESS

National Bank of Pakistan (the Bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on Pakistan Stock Exchange Limited. Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The Bank is engaged in providing commercial banking and related services in Pakistan and overseas. The Bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The Bank operates 1,403 (2014: 1,354) branches in Pakistan and 21 (2014: 23) overseas branches (including the Export Processing Zone branch, Karachi). The Bank also provides services as trustee to Long-Term Credit Fund (LTCF) and Endowment Fund for student loans scheme.

## 2. BASIS OF PRESENTATION

- 2.1 In accordance with the directives of the Federal Government of Pakistan regarding shifting of banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible form of trade related mode of financing includes purchase of goods by the Bank from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

Key financial figures of the Islamic banking branches of the Bank have been disclosed in note 42 of these financial statements.

- 2.2 These are separate financial statements of the Bank in which the investments in subsidiaries, associates and joint ventures are stated at cost and have not been accounted for on the basis of reported results and net assets of the investees which is done in the consolidated financial statements.
- 2.3 The US Dollar amounts shown on the statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement are stated as additional information solely for the convenience of readers. For the purpose of conversion to US Dollars, the rate of Rs. 104.8715 to 1 US Dollar has been used for 2014 and 2015 as it was the prevalent rate as on December 31, 2015.

## 3. STATEMENT OF COMPLIANCE

- 3.1 These unconsolidated 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 and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan 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 directives issued by the State Bank of Pakistan (SBP) and Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by SBP or SECP differ with the requirements of IFRSs or IFASs, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives shall prevail.

- 3.2 SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

### 3.3 Application of new and revised International Financial Reporting Standards (IFRSs)

Following new standards became effective during the year:

IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IFRS 13 'Fair Value Measurements'. These standards became applicable from January 1, 2015, as per the adoption status of IFRS in Pakistan.

- IFRS 10 replaces the current guidance on consolidation in IAS 27 Consolidated and Separate Financial Statements. It introduces a single model of assessing control whereby an investor controls an investee when it has the power, exposure to variable returns and the ability to use its power to influence the returns of the investee. IFRS 10 also includes specific guidance on de facto control, protective rights and the determination of whether a decision maker is acting as principal or agent, all of which influence the assessment of control. The application of IFRS 10 did not result in any investee being in control of the Bank except for certain mutual funds in



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

previous year. However, SECP vide its notification dated January 28, 2016 has stated that the requirements of consolidation under section 237 of Companies Ordinance 1984 and IFRS 10 is not applicable in case investment by companies in mutual fund established under trust structure. Accordingly, the Bank has not consolidated the said funds in its financial statements.

- IFRS 11 replaces IAS 31 Interests in Joint Ventures. It requires all joint ventures to be equity accounted thereby removing the option in IAS 31 for proportionate consolidation. It also removes the IAS 31 concept of jointly controlled assets. The application of IFRS 11 did not result in identification of any associate as a joint venture.
- IFRS 12 prescribes additional disclosures around significant judgements and assumptions made in determining whether an entity controls another entity and has joint control or significant influence over another entity. The standard also requires disclosures on the nature and risks associated with interests in unconsolidated structured entities.
- IFRS 13 Fair Value Measurement, consolidates the guidance on how to measure fair value, which was spread across various IFRS, into one comprehensive standard. It introduces the use of an exit price, as well as extensive disclosure requirements, particularly the inclusion of non-financial instruments into the fair value hierarchy. The application of IFRS 13 does not have an impact on the financial statements of the Bank except for certain new disclosures as presented in note 36.

IAS 19 'Employee Benefits' requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. IAS 19 requires such contributions that are linked to service to be attributed to periods of service as a negative benefit. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendment became applicable for annual periods starting on or after July 1, 2014. The application of this amendment did not have any impact on these financial statements.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2013 that became effective during the year. These improvements to the standards did not have any material impact on the these financial statements.

## 3.4 New and revised approved accounting standards not yet effective

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

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Bank's financial statements.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – 'Consolidated Financial Statements' and IAS 28 – 'Investments in Associates and Joint Ventures') [effective for annual periods beginning on or after 1 January 2016] clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Bank's financial statements.
- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Bank's financial statements.
- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Currently, SBP circulars for accounting for investments in subsidiaries, joint ventures and associate, require these investments to be accounted for at cost.



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Bank's financial statements.
- The amendments to IAS 1 Presentation of Financial Statements clarify the materiality requirements in IAS 1 and the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit and loss and OCI.
- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:
  - IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
  - IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
  - IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The above amendments are not likely to have an impact on Bank's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or interpretation	IASB Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers	January 01, 2018
IFRS 16 – Leases	January 01, 2019

## 4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for revaluation of land and buildings which are stated at revalued amount and certain investments and derivative financial instruments that are carried at fair value.

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unconsolidated financial statements are consistent with those of the previous financial year, except for the changes in disclosure due to standards that became effective during the year as described in note 3.3.

### 5.1 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks and balances with other banks in current and deposit accounts and call money lendings, less call money borrowings and overdrawn nostro accounts.



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

### 5.2 Investments

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

All regular way purchases / sales of investments are recognised on the trade date, i.e., the date the Bank commits to purchase / sell the investments. Regular way purchases or sales of investments require delivery of securities within the time frame generally established by regulation or convention in the market place.

The Bank has classified its investment portfolio, except for investments in subsidiaries, associates and joint ventures, into 'held-for-trading', 'held-to-maturity' and 'available-for-sale' as follows:

- Held-for-trading – These are securities which are acquired with the intention to trade by taking advantage of short-term market / interest rate movements and are to be sold within 90 days. These are carried at market value, with the related unrealized gain / (loss) on revaluation being taken to profit and loss account.
- Held-to-maturity – These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortised cost.
- Available-for-sale – These are investments that do not fall under the held-for-trading or held-to-maturity categories. These are carried at market value except in case of unquoted securities where market value is not available, which are carried at cost less provision for diminution in value, if any. Surplus / (deficit) on revaluation is taken to 'surplus / (deficit) on revaluation of assets' account shown below equity. Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to book value of the same. On derecognition or impairment in quoted available-for-sale investments, the cumulative gain or loss previously reported as 'surplus / (deficit) on revaluation of assets' below equity is included in the profit and loss account for the period.
- Provision for diminution in value of investments in unquoted debt securities is calculated as per the SBP's Prudential Regulations.

Held-for-trading and quoted available-for-sale securities are marked to market with reference to ready quotes on Reuters page (PKRV/ PKISRV) or MUFAP or the Stock Exchanges, as the case may be.

Investments in subsidiaries, associates and joint venture companies are stated at cost. Provision is made for impairment in value, if any.

### 5.3 Repurchase and resale agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position and are measured in accordance with accounting policies for investment securities. The counterparty liability for amounts received under these agreements is included in borrowings. The difference between sale and repurchase price is treated as mark-up / return / interest expense and accrued over the life of the repo agreement using effective yield method.



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the statement of financial position, as the Bank does not obtain control over the securities. Amounts paid under these agreements are included in lendings to financial institutions. The difference between purchase and resale price is treated as mark-up / return / interest income and accrued over the life of the reverse repo agreement using effective yield method.

### 5.4 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the dates on which the derivative contracts are entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative instruments is taken to the profit and loss account.

### 5.5 Financial instruments

All financial assets and financial liabilities are recognized at the time when the Bank becomes a party to the contractual provisions of the instrument. A financial asset is derecognised where (a) the rights to receive cash flows from the asset have expired; or (b) the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (i) the Bank has transferred substantially all the risks and rewards of the asset, or (ii) the Bank has neither transferred nor retained substantially all the risk and rewards of the asset, but has transferred control of the asset. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

### 5.6 Advances

Advances are stated net of specific and general provisions. Provisions are made in accordance with the requirements of Prudential Regulations 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 by the banks) for classification of non-performing loans and advances and computing provision / allowance there against. Such regulations also require the Bank to maintain general provision / allowance against consumer and SME advances at specified percentage of such portfolio. General provision for loan losses of overseas branches is made as per the requirements of the respective central banks. Advances are written off where there are no realistic prospects of recovery.

### 5.7 Operating fixed assets and depreciation

#### Property and equipment

#### Owned assets

Property and equipment except land and buildings are stated at cost less accumulated depreciation and impairment losses, if any. Land is stated at revalued amount. Buildings are stated at revalued amount less accumulated depreciation and impairment, if any. Cost of operating fixed assets of foreign branches include exchange differences arising on translation at year-end rates. Depreciation is charged to profit and loss account applying the straight line method except buildings, which are depreciated on diminishing balance method at the rates stated in note 11.2. Depreciation is charged from the month in which the assets are brought into use and no depreciation is charged for the month the assets are deleted.



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

Assets are derecognised when disposed off or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property and equipment are included in profit and loss account currently.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Land and buildings' valuations are carried out by professionally qualified valuers with sufficient regularity to ensure that their carrying amount does not differ materially from their fair value.

The surplus arising on revaluation of fixed assets is credited to the "Surplus on Revaluation of Assets account" shown below equity. The Bank has adopted the following accounting treatment of depreciation on revalued assets, keeping in view the requirements of the Companies Ordinance, 1984 and SECP's SRO 45(1)/2003 dated January 13, 2003:

- depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and
- an amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Fixed Assets account" to unappropriated profit through statement of changes in equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

### **Leased assets (as lessee)**

Assets subject to finance lease are accounted for by recording the asset and the related liability. These are recorded at lower of fair value and the present value of minimum lease payments at the inception of lease and subsequently stated net of accumulated depreciation. Depreciation is charged on the basis similar to the owned assets. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability.

### **Ijarah (as lessor)**

Assets leased out under 'Ijarah' are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Assets under Ijarah are depreciated over the period of lease term. However, in the event the asset is expected to be available for re-Ijarah, depreciation is charged over the economic life of the asset using straight line basis.

Ijarah income is recognised on a straight line basis over the period of Ijarah contract.



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

### Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged to income applying the straight-line method at the rates stated in note 11.3. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

### Capital work-in-progress

Capital work-in-progress is stated at cost. These are transferred to specific assets as and when assets are available for use.

### Impairment

The carrying values of operating fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, operating fixed assets are written down to their recoverable amounts.

The resulting impairment loss is taken to profit and loss account except for impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of assets. Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognized as income.

## 5.8 Deposits and their cost

Deposits are recorded at the fair value of proceeds received.

Deposit costs are recognised as an expense in the period in which these are incurred using effective yield method.

## 5.9 Taxation

### Current

Provision of current taxation is based on taxable income for the year determined in accordance with the prevailing laws of taxation on income earned for local as well as foreign operations, as applicable to the respective jurisdictions. The charge for the current tax also includes adjustments wherever considered necessary relating to prior years, arising from assessments framed during the year.

### Deferred

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised. Deferred tax is not recognised on differences relating to investment in subsidiaries and branches to the extent the deductible temporary difference probably will not reverse in the foreseeable future.

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit or deductible temporary differences will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to gain / loss recognized on surplus on revaluation of assets is charged / credited to such account.

### 5.10 Employee benefits

#### 5.10.1 Defined benefit plans

The Bank operates an approved funded pension scheme, an un-funded post retirement medical benefits scheme and an un-funded benevolent scheme for its eligible employees. The Bank also operates an un-funded gratuity scheme for its eligible contractual employees. An actuarial valuation of all defined benefit schemes is conducted every year. The valuation uses the Projected Unit Credit method. Remeasurements of the net defined benefit liability / assets which comprise actuarial gains and losses, return on plan assets (excluding interest) and the effect of asset ceiling (if any, excluding interest) are recognized immediately in other comprehensive income. Past-service costs are recognized immediately in profit and loss account when the plan amendment occurs.

#### 5.10.2 Other employee benefits

##### Employees' compensated absences

The Bank also makes provision in the financial statements for its liability towards compensated absences. This liability is estimated on the basis of actuarial advice under the Projected Unit Credit method.

### 5.11 Revenue recognition

Income on loans and advances and debt security investments are recognized on a time proportion basis that takes into account effective yield on the asset. In case of advances and investments classified under the Prudential Regulations, interest / mark-up is recognized on receipt basis.

Interest / mark-up on rescheduled / restructured advances and investments is recognized in accordance with the Prudential Regulations of SBP.



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

Fee, brokerage and commission income other than commission on letter of credit and guarantees and remuneration for trustee services are recognized upon performance of services.

Commission on letters of credit and guarantees is recognized on time proportion basis.

Dividend income on equity investments and mutual funds is recognized when right to receive is established.

Premium or discount on debt securities classified as held-for-trading, available-for-sale and held-to-maturity securities is amortised using the effective interest method and taken to profit and loss account.

Gains and losses on disposal of investments and operating fixed assets are dealt with through the profit and loss account in the year in which they arise.

### 5.12 Foreign currencies translation

The Bank's financial statements are presented in Pak Rupees (Rs.) which is the Bank's functional and presentation currency.

Foreign currency transactions are converted into Rupees applying the exchange rate at the date of the respective transactions. Monetary assets and liabilities in foreign currencies and assets / liabilities of foreign branches are translated into Rupees at the rates of exchange prevailing at the statement of financial position date. Forward foreign exchange contracts are valued at the rates applicable to their respective maturities. All gains or losses on dealing in foreign currencies are taken to profit and loss account currently.

Profit and loss account balances of foreign branches are translated at average exchange rate prevailing during the year. Gains and losses on translation are included in the profit and loss account except gains / losses arising on translation of net assets of foreign branches, which is credited to other comprehensive income.

Items included in the financial statements of the Bank's foreign branches are measured using the currency of the primary economic environment in which the Bank operates (the functional currency).

Commitments for outstanding forward foreign exchange contracts are disclosed in these financial statements at committed amounts. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the statement of financial position date.

### 5.13 Provision for off balance sheet obligations

Provision for guarantees, claims and other off balance sheet obligations is made when the Bank has legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of amount can be made. Charge to profit and loss account is stated net of expected recoveries.



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

### 5.14 Off setting

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

### 5.15 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Bank in the statement of financial position.

### 5.16 Dividend and other appropriations

Dividend and appropriation to reserves, except appropriations which are required by the law, are recognised in the Banks' financial statements in the year in which these are approved.

### 5.17 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no dilutive potential ordinary shares in issue at December 31, 2015.

### 5.18 Accounting estimates and judgments

The preparation of financial statements in conformity with Approved Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas of estimates and judgments in relation to these financial statements are as follows:

#### a) Provision against non-performing loans and advances

The Bank reviews its loan portfolio to assess amount of non-performing loans and determine provision required there against on a quarterly basis. While assessing this requirement various factors including the past dues, delinquency in the account, financial position of the borrower, value of collateral held and requirements of Prudential Regulations are considered except for loans and advances where relaxation has been allowed by SBP. General provision for loan losses of overseas branches is made as per the requirements of the respective central banks.

The amount of general provision against consumer and SME advances is determined in accordance with the relevant Prudential Regulations and SBP directives.



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

### b) Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant interest and exchange rates over the term of the contract.

### c) Impairment of available-for-sale investments

The Bank considers that available-for-sale equity investments and mutual funds are impaired when there has been a significant or prolonged decline in the fair value below its cost except for investments where relaxation has been allowed by SBP. This determination of what is significant or prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

Further the Bank has developed internal criteria according to which a decline of 30% in the market value of any scrip below its cost shall constitute as a significant decline and where market value remains below the cost for a period of one year shall constitute as a prolonged decline.

### d) Held-to-maturity investments

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

### e) Income taxes

In making the estimates for current and deferred taxes, the management looks at the income tax law and the decisions of appellate authorities on certain issues in the past. There are certain matters where the Bank's view differs with the view taken by the income tax department and such amounts are shown as contingent liability.

### f) Operating fixed assets, revaluation, depreciation and amortization

In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern.

The Bank also revalues its properties on a periodic basis. Such revaluations are carried out by independent valuer and involves estimates / assumptions and various market factors and conditions.

### g) Employees' benefit plans

The liabilities for employees' benefits plans are determined using actuarial valuations. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets, future salary increases, future inflation rates and future pension increases as disclosed in note 34. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

### f) Provision against contingencies

Provision against contingencies is determined based on the management judgement regarding the probability of future out flows of resources embodying economic benefits to settle an obligation arising from past events.



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

	Note	2015 Rupees in '000	2014
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
Local currency		22,053,710	24,480,677
Foreign currency		2,856,787	3,060,807
		<u>24,910,497</u>	<u>27,541,484</u>
With State Bank of Pakistan in			
Local currency current accounts	6.1	58,230,545	30,540,591
Local currency deposit account		-	-
		<u>58,230,545</u>	<u>30,540,591</u>
Foreign currency current account	6.2	3,992,844	4,634,783
Foreign currency deposit account	6.2	11,940,474	13,866,668
Foreign currency collection account		181,959	449,283
		<u>16,115,277</u>	<u>18,950,734</u>
With other central banks in			
Foreign currency current accounts	6.3	49,400,312	12,607,419
Foreign currency deposit accounts	6.3	2,243,147	8,331,273
		<u>51,643,459</u>	<u>20,938,692</u>
	32	<u>150,899,778</u>	<u>97,971,501</u>
<b>6.1</b>	This includes statutory liquidity reserves maintained with the SBP under Section 22 of the Banking Companies Ordinance, 1962.		
<b>6.2</b>	These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.		
<b>6.3</b>	These balances pertain to the foreign branches and are held with central banks of respective countries. These include balances to meet the statutory and regulatory requirements in respect of liquidity and capital requirements of respective countries. The deposit accounts carry interest at the rate of 0.00% to 6.70% per annum (2014: 0.072% to 0.08% per annum).		

	Note	2015 Rupees in '000	2014
<b>7. BALANCES WITH OTHER BANKS</b>			
In Pakistan			
On current account		-	-
On deposit account		6,775,367	266
		<u>6,775,367</u>	<u>266</u>
Outside Pakistan			
On current accounts		5,800,034	2,524,874
On deposit accounts	7.1	7,552,872	9,582,885
		<u>13,352,906</u>	<u>12,107,759</u>
	32	<u>20,128,273</u>	<u>12,108,025</u>



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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- 7.1 These include various deposits with correspondent banks and carry interest at rates ranging from 0.01% to 1.85% per annum (2014: 0.01% to 7.5% per annum).

	Note	2015 Rupees in '000	2014
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings	8.3	3,061,200	12,261,200
Repurchase agreement lendings (Reverse Repo)	8.4	4,633,316	99,527,408
Bai Muajjal	8.5	2,944,008	-
Letters of placement	8.6	173,500	173,500
	8.1	10,812,024	111,962,108
Less: Provision held against lendings	8.2	(173,500)	(173,500)
		<u>10,638,524</u>	<u>111,788,608</u>
<b>8.1 Particulars of lendings - gross</b>			
In local currency		10,812,024	111,962,108
In foreign currencies		-	-
		<u>10,812,024</u>	<u>111,962,108</u>
<b>8.2 Movement in provision held against lendings is as follows:</b>			
Opening balance		173,500	173,500
Charge for the year		-	-
Closing balance		<u>173,500</u>	<u>173,500</u>
<b>8.3</b> These carry mark-up [excluding zero rate lending to a financial institution amounting to Rs. 61.200 million (2014: Rs. 61.200 million) which is guaranteed by the SBP] at 6.25% per annum (2014: 7% to 10.50% per annum) with maturity on January 05, 2016.			
<b>8.4</b> These carry mark-up at rates ranging from 6.3% to 6.4% per annum (2014: 7% to 10.50% per annum) with maturities ranging from January 4, 2016 to January 6, 2016.			



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 8.4.1 Securities held as collateral against lendings to financial institutions

	2015			2014		
	Held by Bank	Further given as collateral Rupees in '000	Total	Held by Bank	Further given as collateral Rupees in '000	Total
Market Treasury Bills	3,908,316	-	3,908,316	72,182,408	-	72,182,408
Pakistan Investment Bonds	725,000	-	725,000	27,345,000	-	27,345,000
	<u>4,633,316</u>	<u>-</u>	<u>4,633,316</u>	<u>99,527,408</u>	<u>-</u>	<u>99,527,408</u>

8.4.2 Market value of the securities under repurchase agreement lendings amounts to Rs. 4,653 million (2014: Rs. 100,646 million).

8.5 This represents Bai Muajjal agreements entered into with Ministry of Finance, Government of Pakistan through SBP, whereby the Bank sold sukuk having carrying value of Rs. 2,917 million on deferred payment basis. The average return on these transactions is 6% per annum. The balances are due to mature by November 2016.

8.6 These are overdue placements and full provision has been made against these placements at year-end.

## 9. INVESTMENTS

Note	2015			2014		
	Held by Bank	Given as collateral Rupees in '000	Total	Held by Bank	Given as collateral Rupees in '000	Total
<b>9.1 Investments by type:</b>						
<b>Held-for-trading securities</b>						
Market Treasury Bills	29,825	-	29,825	4,644,243	-	4,644,243
Pakistan Investment Bonds	1,439,315	-	1,439,315	5,142,298	-	5,142,298
<b>Total held-for-trading securities</b>	<u>1,469,140</u>	<u>-</u>	<u>1,469,140</u>	<u>9,786,541</u>	<u>-</u>	<u>9,786,541</u>
<b>Available-for-sale securities</b>						
Ordinary shares of listed companies	23,047,158	-	23,047,158	24,644,518	-	24,644,518
Ordinary shares of unlisted companies	1,118,263	-	1,118,263	1,363,080	-	1,363,080
Investments in mutual funds	986,275	-	986,275	2,511,608	-	2,511,608
Ordinary shares of a bank outside Pakistan	463,295	-	463,295	463,295	-	463,295
Preference shares	846,660	-	846,660	846,660	-	846,660
Market Treasury Bills	402,985,122	10,214,352	413,199,474	111,752,989	5,906,690	117,659,679
Pakistan Investment Bonds	161,777,009	93,031	161,870,040	194,478,241	-	194,478,241
GoP Foreign Currency Bonds	9,479,391	-	9,479,391	7,674,171	-	7,674,171
Foreign Currency Debt Securities	2,690,496	-	2,690,496	2,235,557	-	2,235,557
Foreign Government Securities	520,093	-	520,093	197,706	-	197,706
Term Finance Certificates / Musharika and Sukuk Bonds	33,651,254	-	33,651,254	19,088,145	-	19,088,145
<b>Total available-for-sale securities</b>	<u>637,565,016</u>	<u>10,307,383</u>	<u>647,872,399</u>	<u>365,255,970</u>	<u>5,906,690</u>	<u>371,162,660</u>
<b>Held-to-maturity securities</b>						
Pakistan Investment Bonds	107,575,573	-	107,575,573	106,838,847	-	106,838,847
Market Treasury Bills	7,826,760	-	7,826,760	-	-	-
GoP Foreign Currency Bonds	1,610,375	-	1,610,375	1,540,658	-	1,540,658
Foreign Government Securities	20,863,694	-	20,863,694	8,959,455	-	8,959,455
Foreign Currency Debt Securities	406	-	406	389	-	389
Debentures, Bonds, Sukuk, Participation Term Certificates and Term Finance Certificates	811,144	-	811,144	3,048,324	-	3,048,324
<b>Total held-to-maturity securities</b>	<u>138,687,952</u>	<u>-</u>	<u>138,687,952</u>	<u>120,387,673</u>	<u>-</u>	<u>120,387,673</u>
<b>Investments in associates</b>	5,251,821	-	5,251,821	13,769,923	-	13,769,923
<b>Investments in joint venture</b>	2,362,433	-	2,362,433	2,362,433	-	2,362,433
<b>Investments in subsidiaries</b>	4,406,750	-	4,406,750	4,406,750	-	4,406,750
<b>Investments at cost</b>	<u>789,743,112</u>	<u>10,307,383</u>	<u>800,050,495</u>	<u>515,969,290</u>	<u>5,906,690</u>	<u>521,875,980</u>
<b>Less: Provision for diminution in value of investments</b>	(19,432,226)	-	(19,432,226)	(17,517,983)	-	(17,517,983)
<b>Investments (cost net of provisions)</b>	<u>770,310,886</u>	<u>10,307,383</u>	<u>780,618,269</u>	<u>498,451,307</u>	<u>5,906,690</u>	<u>504,357,997</u>
Unrealized gain on revaluation of investments classified as held-for-trading	5,924	-	5,924	145,454	-	145,454
Surplus / (deficit) on revaluation of available-for-sale securities	45,674,695	3,002	45,677,697	57,261,787	(1,101)	57,260,686
<b>Total investments - at carrying value</b>	<u>815,991,505</u>	<u>10,310,385</u>	<u>826,301,890</u>	<u>555,858,548</u>	<u>5,905,589</u>	<u>561,764,137</u>



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

	Note	2015 Rupees in '000	2014
<b>9.2 Investments by segments</b>			
<b>Federal Government Securities</b>			
- Market Treasury Bills		421,056,059	122,303,922
- Pakistan Investment Bonds	9.2.1	270,884,928	306,459,386
- GoP Foreign Currency Bonds		11,089,766	9,214,829
- Ijarah Sukuk Bonds		980,684	2,024,349
		<u>704,011,437</u>	<u>440,002,486</u>
<b>Foreign Government Securities</b>		21,383,787	9,157,161
<b>Fully Paid up Ordinary Shares</b>	9.11 / 9.12		
- Listed Companies		23,047,158	24,644,518
- Unlisted Companies		1,118,263	1,363,080
- Ordinary shares of a bank listed outside Pakistan	9.4	463,295	463,295
		<u>24,628,716</u>	<u>26,470,893</u>
<b>Debentures, Bonds, Participation Term Certificates, Term Finance Certificates, Musharika and Sukuk Bonds</b>			
- Listed		2,449,349	2,542,543
- Unlisted		31,032,365	17,569,577
		<u>33,481,714</u>	<u>20,112,120</u>
<b>Foreign Currency Debt Securities</b>		2,690,902	2,235,946
<b>Other Investments</b>			
- Investments in mutual funds		986,275	2,511,608
- Preference Shares		846,660	846,660
<b>Investments in associates</b>	9.5	5,251,821	13,769,923
<b>Investments in joint venture</b>	9.6	2,362,433	2,362,433
<b>Investments in subsidiaries</b>	9.8	4,406,750	4,406,750
<b>Total investments at cost</b>		<u>800,050,495</u>	<u>521,875,980</u>
Provision for diminution in value of investments	9.9	(19,432,226)	(17,517,983)
<b>Investments (cost net of provisions)</b>		<u>780,618,269</u>	<u>504,357,997</u>
Unrealized gain on revaluation of investments classified as held-for-trading	9.10	5,924	145,454
Surplus on revaluation of available-for-sale securities	20.1	45,677,697	57,260,686
<b>Total investments - at carrying value</b>		<u>826,301,890</u>	<u>561,764,137</u>

**9.2.1** These carry fixed coupon rate ranging from 8.75% to 12% per annum (December 31, 2014: 8 to 12% per annum).

**9.3** Market value of held-to-maturity investments is Rs. 146,926 million (2014: Rs. 126,818 million).



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 9.4 Investment in shares of a bank incorporated outside Pakistan - Bank Al-Jazira

The Bank holds 23,333,333 (2014: 23,333,333) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 5.83% (2014: 5.83%) holding in total equity of BAJ. The investment has been marked to market using closing price as quoted on the Saudi Stock Exchange in accordance with SBP concurrence vide letter No. BSD/SU-13/331/685/2006 dated February 17, 2006. BAJ's Viability Rating is BB+ with short term and long term IDR at F2 and A- by Fitch Rating Agency.

			Note	2015 Rupees in '000	2014
<b>9.5 Investments in associates</b>					
<b>Unlisted Shares</b>	<b>Number of shares</b>	<b>Percentage of holding</b>			
Pakistan Emerging Venture Limited	12,500,000	33.33		50,563	50,563
Information System Associates Limited	2,300,000	21.89		1,719	1,719
National Fructose Company Limited	1,300,000	39.50		6,500	6,500
Venture Capital Fund Management	33,333	33.33		-	-
Kamal Enterprises Limited	11,000	20.37		-	-
Mehran Industries Limited	37,500	32.05		-	-
National Assets Insurance Company Limited	4,481,500	8.96		44,815	44,815
Tharparkar Sugar Mills Limited	2,500,000	21.52		-	-
Youth Investment Promotion Society	644,508	25.00		-	-
Dadabhoj Energy Supply Company Limited	9,900,000	23.11		32,105	32,105
K-Agricole Limited	5,000	20.00		-	-
New Pak Limited	200,000	20.00		-	-
Pakistan Mercantile Exchange Limited	9,000,000	32.65		90,000	90,000
Prudential Fund Management Limited	150,000	20.00		-	-
				225,702	225,702
<b>Listed Shares</b>					
First Credit and Investment Bank Limited	20,000,000	30.77		157,429	157,429
National Fibres Limited	17,030,231	20.19		-	-
Taha Spinning Mills Limited	-	-		-	2,501
Land Mark Spinning Mills Limited	3,970,859	32.79		39,710	39,710
S.G. Fibres Limited	3,754,900	25.03		218,535	218,535
Nina Industries Limited	4,906,000	20.27		49,060	49,060
Agritech Limited	131,925,432	33.62	9.5.1 / 9.5.2 / 9.5.3	4,561,383	4,561,383
				5,026,117	5,028,618
<b>Listed Mutual Funds</b>					
NAFA Income Opportunity Fund	-	-		-	35,920
NAFA Multi Asset Fund	-	-		-	42,124
NAFA Financial Sector Income Fund	-	-		-	659,832
NAFA Islamic Aggressive Income Fund	-	-		-	52,826
NAFA Islamic Multi Asset Fund	-	-		-	73,229
NAFA Government Securities Liquid Fund	-	-		-	3,467,643
NAFA Money Market Fund	-	-		-	3,267,269
NAFA Riba Free Savings Fund	-	-		-	476,730
NAFA Savings Plus Fund	-	-		-	440,030
			9.5.6	-	8,515,603
				5,251,819	13,769,923
Less: Provision for diminution in value of investments (including an amount of Rs. 3,346 million (2014: Rs. 2,718 million) against Agritech Limited)			9.9.1 / 9.9.2	(3,955,809)	(3,331,126)
				<u>1,296,010</u>	<u>10,438,797</u>



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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- 9.5.1** The 120,426,432 shares (2014: 120,426,432) of Agritech Limited were acquired from Azgard Nine Limited as part of multiple agreements including the Master Restructuring Agreement (MRA). These shares were acquired at an agreed price of Rs. 35 per share. The market value of these shares at December 31, 2015 amounted to Rs. 9.35 per share resulting in an impairment of Rs. 3,090 million which has been fully recorded in these financial statements.

The Bank holds a put option in respect of 26,152,922 ordinary shares of Agritech Limited which is exercisable within 3 months starting from February 1, 2016. Under this put option, the Bank has a right to put these shares to the consortium banks at a price of Rs. 35 per share. The Bank has exercised this option subsequent to the year end.

There is also a put option available to Azgard Nine Limited, under which Azgard Nine Limited has the right to sell 58.29 million preference shares of Agritech Limited to the Bank at a price of Rs. 5.25 per share subject to the occurrence of certain events under the agreement.

Both these options have been valued and the resultant net gain of Rs. 364 million has been recognized in these financial statements.

- 9.5.2** The Bank is holding 33.62% of the shares in Agritech Limited which is in excess of limit of 30% set out in Regulation R-6(2) of Prudential Regulations and section 23(2) of Banking Companies Ordinance 1962. SBP has allowed the Bank exemption from R-6(2) of Prudential Regulations.

- 9.5.3** Aggregate market value of investments in associates (quoted) on the basis of latest available quoted prices amounts to Rs. 1,432 million (2014: Rs. 10,540 million).

- 9.5.4** Associates with zero carrying amount, represent the investments acquired from former NDFC which have negative equity or whose operations were closed at the time of amalgamation.

- 9.5.5** The details of break-up value based on latest available financial statements of unlisted investments in associates are as follows:

	Year / Period ended	Break-up value Rupees in '000
National Assets Insurance Limited	December 31, 2014	51,685
Pakistan Emerging Venture Limited	June 30, 2011	1,694
Information System Associates Limited	June 30, 2015	9,767
Dadabhoy Energy Supply Company Limited	June 30, 2007	103,952
Pakistan Mercantile Exchange Limited	June 30, 2015	(105,792)

- 9.5.6** During the year, the Bank has redeemed its investment in mutual funds managed by NBP Fullerton Asset Management Limited amounting to Rs. 8,516 million which has resulted in capital gain of Rs. 836 million.

	Note	2015 Rupees in '000	2014 Rupees in '000
<b>9.6 Investments in joint venture</b>			
United National Bank Limited (UNBL) (incorporated in United Kingdom)	9.6.1	<u>2,362,433</u>	<u>2,362,433</u>



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### For the year ended December 31, 2015

**9.6.1** Under a joint venture agreement, the Bank holds 20.25 million ordinary shares (45%) and United Bank Limited (UBL) holds 23.25 million ordinary shares (55%) in UNBL. In addition to ordinary shares, four preference shares categories as "A", "B", "C" and "D" have been issued and allotted. The "B" and "D" category shares are held by the Bank and category "A" and "C" are held by UBL. Dividends payable on "A" and "B" shares are related to the ability of the venture to utilize tax losses that have been surrendered to it on transfer of business from the Bank or UBL as appropriate. Dividends payable on "C" and "D" shares are related to loans transferred to the venture by the Bank or UBL that have been written-off or provided for at the point of transfer and the ability of the venture to realize in excess of such loan value.

#### 9.7 Summary of financial information of associates and joint venture

		2015				
	Based on the financial statements as on	Assets	Liabilities	Equity	Revenue	Profit / (loss)
		Rupees in '000				
United National Bank Limited	December 31, 2015	71,978,338	44,706,143	11,727,616	3,355,003	2,040,780
First Credit and Investment Bank Limited	September 30, 2015	677,261	13,956	663,305	42,157	(611)
Agriotech Limited	September 30, 2015	49,349,923	41,686,908	7,663,015	1,667,212	(2,122,870)

		2014				
	Based on the financial statements as on	Assets	Liabilities	Equity	Revenue	Profit / (loss)
		Rupees in '000				
United National Bank Limited	December 31, 2013	66,091,688	58,204,343	7,887,345	3,257,921	1,083,395
First Credit and Investment Bank Limited	December 31, 2013	766,270	121,982	644,288	29,615	2,120
Agriotech Limited	December 31, 2013	44,239,183	34,999,150	9,240,033	8,627,668	(3,382,156)
NAFA Riba Free Saving Fund	December 31, 2014	1,297,833	25,231	1,272,602	219,464	171,672
NAFA Income Opportunity Fund	December 31, 2014	5,944,559	525,437	5,419,122	583,413	627,369
NAFA Multi Asset Fund	December 31, 2014	1,463,930	49,630	1,414,300	317,252	288,303
NAFA Financial Sector Income Fund	December 31, 2014	1,986,626	46,344	1,940,282	278,084	218,564
NAFA Islamic Aggressive Income Fund	December 31, 2014	821,697	86,178	735,519	46,684	51,332
NAFA Islamic Asset Allocation Fund	December 31, 2014	1,126,816	24,987	1,101,829	176,058	174,469
NAFA Government Securities Liquid Fund	December 31, 2014	9,771,120	195,630	9,575,490	1,270,812	1,051,549
NAFA Money Market Fund	December 31, 2014	14,533,668	186,134	14,347,534	1,219,650	1,015,959
NAFA Savings Plus Fund	December 31, 2014	1,275,680	26,897	1,248,783	225,049	167,324

#### 9.8 Investments in subsidiaries

	Note	Percentage of holding	2015	2014
			Rupees in '000	
NBP Leasing Limited		100.00	500,000	500,000
CJSC Subsidiary Bank of NBP in Kazakhstan		100.00	2,185,644	2,185,644
CJSC Subsidiary Bank of NBP in Tajikistan		100.00	953,783	953,783
NBP Exchange Company Limited		100.00	300,000	300,000
NBP Modaraba Management Company Limited		100.00	105,000	105,000
Taurus Securities Limited		58.32	24,725	24,725
Cast-N-Link Products Limited		76.51	1,245	1,245
NBP Fullerton Asset Management Limited		54.00	336,353	336,353
			4,406,750	4,406,750
Less: Provision for diminution in value of investments	9.9.1 / 9.9.2		(720,420)	(51,245)
			3,686,330	4,355,505



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

	Note	2015 Rupees in '000	2014
<b>9.9 Particulars of provision for diminution in value of investments</b>			
Opening balance		17,517,983	15,416,719
Charge for the year		2,406,249	3,024,804
Reversals for the year		(1,087,233)	(2,582,457)
		1,319,016	442,347
Transfer from advances	10.3	595,227	1,366,790
Transfer from suspended interest		-	292,127
Closing balance	9.9.1 / 9.9.2	19,432,226	17,517,983
<b>9.9.1 Particulars of provision in respect of type</b>			
<b>Available-for-sale securities</b>			
Ordinary shares of listed companies and mutual funds		3,329,066	3,702,638
Ordinary shares of unlisted companies		398,923	376,135
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds		9,962,240	8,980,511
Preference shares		446,444	446,444
<b>Held-to-maturity securities</b>			
Debentures, Bonds, Participation Term Certificates, and Term Finance Certificates		619,324	629,884
<b>Investments in associates</b>	9.5	3,955,809	3,331,126
<b>Investments in subsidiaries</b>	9.8 / 9.9.2.1	720,420	51,245
		19,432,226	17,517,983
<b>9.9.2 Particulars of provision in respect of segments</b>			
Fully Paid up Ordinary Shares		3,670,113	3,984,307
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	9.9.3 / 9.9.4	10,581,564	9,610,395
Other investments		504,320	540,910
Investments in associates	9.5	3,955,809	3,331,126
Investments in subsidiaries	9.8 / 9.9.2.1	720,420	51,245
		19,432,226	17,517,983
<b>9.9.2.1</b>	Provision against subsidiaries includes an amount of Rs. 661 million (2014: Nil) against investment in CJSC Subsidiary Bank of NBP in Kazakhstan.		
<b>9.9.3</b>	In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) against non-performing investments, which resulted in decrease in provision for diminution in value of investments by Rs. 858 million (2014: Rs. 1,191 million). Accordingly, as of December 31, 2015, the accumulated increase in profit after tax of Rs. 558 million (2014: Rs. 774 million) shall not be available for payment of cash or stock dividend / bonus to employees as required by aforementioned SBP directive.		



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

	2015	2014
	Rupees in '000	
<b>9.10 Unrealized gain / (loss) on revaluation of investments classified as held-for-trading</b>		
Ordinary shares of listed companies	-	-
Federal Government securities	5,924	145,454
	<u>5,924</u>	<u>145,454</u>
<b>9.11</b> The investments in shares include shares of Pakistan State Oil Company Limited, Sui Northern Gas Pipeline Limited and Pakistan Engineering Company with cost of Rs. 4,603 million (2014: Rs: 4,165 million) that have been frozen by the Government of Pakistan for sale in the equity market due to their proposed privatization.		
<b>9.12</b> The investments also include shares acquired under tri-partite consent agreement dated June 29, 2011. These strategic investments comprise of the shares of Pakistan State Oil (22,022,713 shares) and shares of Sui Northern Gas Pipeline Limited (18,805,318 shares). The cost of these shares amounts to Rs. 4,602 million and market value as at December 31, 2015 amounts to Rs. 7,626 million. These shares cannot be sold without concurrence of privatization commission.		
<b>9.13</b> Detailed information relating to investments in shares of listed and unlisted companies, Preference Shares, Mutual Funds, Government Securities, Bonds, Debentures, Term Finance Certificates, Participation Term Certificate, Sukuks etc. including quality of available-for-sale securities is given in Annexure-I to the financial statements.		

	Note	2015	2014
		Rupees in '000	
<b>10. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		621,228,625	648,391,732
Outside Pakistan		54,341,432	53,702,449
		<u>675,570,057</u>	<u>702,094,181</u>
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		8,664,566	15,419,949
Payable outside Pakistan		7,387,939	10,549,928
		<u>16,052,505</u>	<u>25,969,877</u>
Advances - gross	10.1	<u>691,622,562</u>	<u>728,064,058</u>
Less: Provision against non-performing advances	10.3	113,729,952	101,359,975
Advances - net of provision		<u>577,892,610</u>	<u>626,704,083</u>
<b>10.1 Particulars of advances - gross</b>			
<b>10.1.1</b> In local currency		612,782,174	658,019,439
In foreign currencies		78,840,388	70,044,619
		<u>691,622,562</u>	<u>728,064,058</u>
<b>10.1.2</b> Short-term (for upto one year)		498,788,527	482,372,430
Long-term (for over one year)		192,834,035	245,691,628
		<u>691,622,562</u>	<u>728,064,058</u>



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

**10.2** Advances include Rs. 127,280 million (2014: Rs. 120,841 million) which have been placed under non-performing status (refer note 10.4.4) as detailed below:

Category of Classification	2015								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other Assets Especially Mentioned	2,069,365	-	2,069,365	19,476	-	19,476	19,476	-	19,476
Substandard	7,057,274	83,227	7,140,501	1,582,057	20,807	1,602,864	1,582,057	20,807	1,602,864
Doubtful	2,610,175	152,627	2,762,802	997,687	76,358	1,074,045	997,687	76,358	1,074,045
Loss	83,647,608	31,660,021	115,307,629	78,133,816	29,935,390	108,069,206	78,133,816	29,935,390	108,069,206
	95,384,422	31,895,875	127,280,297	80,733,036	30,032,555	110,765,591	80,733,036	30,032,555	110,765,591

Category of Classification	2014								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other Assets Especially Mentioned	1,228,018	-	1,228,018	1,348	-	1,348	1,348	-	1,348
Substandard	9,892,979	62,851	9,955,830	2,219,876	14,522	2,234,398	2,219,876	14,522	2,234,398
Doubtful	4,613,073	10,887,971	15,501,044	1,975,848	4,673,828	6,649,676	1,975,848	4,673,828	6,649,676
Loss	74,921,485	19,234,992	94,156,477	72,404,126	16,868,963	89,273,089	72,404,126	16,868,963	89,273,089
	90,655,555	30,185,814	120,841,369	76,601,198	21,557,313	98,158,511	76,601,198	21,557,313	98,158,511

### 10.3 Particulars of provision against non-performing advances

Note	2015			2014		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	98,158,511	3,201,464	101,359,975	89,736,638	2,858,447	92,595,085
Foreign exchange adjustments	859,521	16,855	876,376	(495,074)	(25,920)	(520,994)
Charge for the year	15,775,601	227,540	16,003,141	14,777,114	368,937	15,146,051
Reversal during the year	(4,896,590)	(481,498)	(5,378,088)	(4,172,083)	-	(4,172,083)
	10,879,011	(253,958)	10,625,053	10,605,031	368,937	10,973,968
Transfer (out) / in	9.9 / 18.1	899,465	-	899,465	(1,650,189)	(1,650,189)
Amount charged off	10.4.5	(18,227)	-	(18,227)	(5,272)	(5,272)
Amounts written off	10.5	(12,690)	-	(12,690)	(32,623)	(32,623)
Closing balance	110,765,591	2,964,361	113,729,952	98,158,511	3,201,464	101,359,975

### 10.4 Particulars of provisions against non-performing advances

	2015			2014		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	80,733,036	2,747,891	83,480,927	76,601,198	2,685,728	79,286,926
In foreign currencies	30,032,555	216,470	30,249,025	21,557,313	515,736	22,073,049
	110,765,591	2,964,361	113,729,952	98,158,511	3,201,464	101,359,975

**10.4.1** In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) against non-performing advances which resulted in decrease in provision against NPLs by Rs. 3,598 million (2014: Rs. 3,542 million). Accordingly, as of December 31, 2015, the accumulated profit after tax of Rs. 2,338 million (2014: Rs. 2,302 million) shall not be available for payment of cash or stock dividend / bonus to employees as required by aforementioned SBP directive.

**10.4.2** General provision against consumer and SME loans represents provision maintained at an amount ranging from 1% to 5% of the performing portfolio as required by the Prudential Regulations issued by the SBP.



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

- 10.4.3** The SBP has allowed specific relaxation to the Bank for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan.
- 10.4.4** The SBP has allowed specific relaxation to the Bank for non-classification of overdue loans of ASG Metals Private Limited and its associated companies till September 30, 2017. Had that relaxation not provided, the amount of non-performing loans would have been higher by Rs. 1,654 million and provision would have been higher by Rs. 923 million.
- 10.4.5** These represent non-performing advances for agriculture finance which have been classified as loss and fully provided for more than 3 years. These non-performing advances have been charged off by extinguishing them against the provision held in accordance with Prudential Regulations for Agriculture Financing issued by the SBP. This charge off does not, in any way, prejudice the Bank's right of recovery from these customers.

	Note	2015 Rupees in '000	2014 Rupees in '000
<b>10.5 Particulars of write offs</b>			
<b>10.5.1</b> Against provisions	10.3	12,690	32,623
<b>10.5.2</b> Write offs of Rs. 500,000 and above	10.6	10,948	32,403
Write offs of below Rs. 500,000		1,742	220
		12,690	32,623

### 10.6 Details of loans written-off of Rs. 500,000 and above

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2015 is given in Annexure II.

	2015 Rupees in '000	2014 Rupees in '000
<b>10.7 Particulars of loans and advances to directors, associated companies, etc.</b>		
Debts due by directors, executives, officers and staff of the Bank or any of them either severally or jointly with any other person:		
Balance at beginning of the year	30,839,116	26,782,505
Loans granted / additions during the year	4,341,870	7,347,684
Repayments	(3,808,466)	(3,291,073)
Balance at end of the year	31,372,520	30,839,116
Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private companies as members:		
Balance at beginning of the year	9,115,000	9,613,756
Adjustment due to retirement / appointment of directors	(1,154,000)	347,962
Loans granted / additions during the year	62,566,778	11,577,858
Repayments / other adjustments	(64,507,666)	(12,424,576)
Balance at end of the year	6,020,112	9,115,000
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties:		
Balance at beginning of the year	6,014,168	6,252,841
Loans granted / additions during the year	-	-
Repayments	(458,494)	(238,673)
Balance at end of the year	5,555,674	6,014,168



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

		Note	2015 Rupees in '000	2014					
11. OPERATING FIXED ASSETS									
Capital work-in-progress		11.1	1,348,323	1,196,896					
Property and equipment		11.2	29,939,204	29,688,180					
Intangible assets		11.3	648,260	910,463					
			<u>31,935,787</u>	<u>31,795,539</u>					
11.1 Capital work-in-progress									
Civil works			1,291,009	1,165,130					
Equipment			16,304	9,321					
Advances to suppliers and contractors			41,010	22,445					
			<u>1,348,323</u>	<u>1,196,896</u>					
11.2 Property and equipment									
	Cost/revalued	Cost / revalued amount		Accumulated depreciation			Book		
	At	Revaluation	Additions /	At	At	Charge for	At	Value at	
	January		(deletions) /	December	January	the year /	December	December	Rate of
	1, 2015		(adjustments)*	31, 2015	1, 2015	(deletions)	(adjustments)*	31, 2015	depreciation
	Rupees in '000								
Owned									
Land									
- freehold	11,203,348	-	11,463	11,214,811	-	-	-	11,214,811	Nil
			-						
			-						
- leasehold	10,338,464	-	34,278	10,372,742	-	-	-	10,372,742	Nil
			-						
			-						
Buildings on land:									
- freehold	2,867,308	-	37,113	2,904,421	147,761	145,433	-	293,194	5% on book value
			-				-		
			-						
- leasehold	2,677,796	-	63,569	2,741,365	111,672	116,585	-	228,257	5% on book value
			-			-	-		
			-						
Furniture and fixtures	3,352,489	-	405,387 (19,100) (1,101,501)	2,637,275	2,444,990	287,846 (15,109) (1,005,713)	-	1,712,014	925,262 20% on cost
Computer and peripheral equipment	3,807,529	-	335,707 (511) (1,111,803)	3,030,922	3,391,903	273,341 (416) (1,123,297)	-	2,541,531	489,391 33.33% on cost
Electrical and office equipment	3,900,928	-	480,922 (171) (769,680)	3,611,999	2,762,426	257,464 (113) (732,449)	-	2,287,328	1,324,671 20% on cost
Vehicles	1,110,287	-	159,119 (65,571) (667,101)	536,734	894,045	130,196 (57,184) (629,833)	-	337,224 -	199,510 20% on cost
	39,258,149	-	1,527,558 (85,353) (3,650,085)	37,050,269	9,752,797	1,210,865 (72,822) (3,491,292)	-	7,399,548	29,650,722
Assets held under finance lease									
Vehicles	154,390	-	40,250 (28,454) 6,797	172,983	131,024	9,231 (26,204)	-	114,051	58,932 20% on cost
Assets given under Ijarah									
Machinery	476,959		154,509 (325,625) (6,000)	299,843	317,497	81,154 (325,625) (2,733)	70,293	229,550	25-33% on cost
2015	39,889,498	-	1,722,317 (439,432) (3,649,288)	37,523,095	10,201,318	1,301,250 (424,651) (3,494,025)	-	7,583,892	29,939,204

\* These adjustments resulted from reconciliation of subsidiary control records of the Bank. These adjustments have a net impact of Rs. 155 million on net book value.



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

	Cost / revalued amount			Accumulated depreciation				Book	Rate of depreciation	
	At January 1, 2014	Revaluation	Additions / (deletions)/ (adjustments)	At December 31, 2014	At January 1, 2014	Charge for the year / (deletions)	Revaluation / (adjustments)	At December 31, 2014		Value at December 31, 2014
----- Rupees in '000 -----										
Owned										
Land										
- freehold	11,110,151	93,547	- - (350)	11,203,348	-	-	-	-	11,203,348	Nil
- leasehold	10,124,953	170,624	42,967 - (80)	10,338,464	-	-	-	-	10,338,464	Nil
Buildings on land:										
- freehold	2,752,533	7,010	107,765 - -	2,867,308	-	147,761	- -	147,761	2,719,547	5% on book value
- leasehold	2,484,435	24,240	169,121 - -	2,677,796	-	111,672 -	- -	111,672	2,566,124	5% on book value
Furniture and fixtures	3,159,704	-	225,945 (12,425) (20,735)	3,352,489	1,842,086	610,084 (7,180)	-	2,444,990	907,499	20% on cost
Computer and peripheral equipment	3,232,304	-	201,307 (609) 374,527	3,807,529	2,930,888	461,425 (410)	-	3,391,903	415,626	33.33% on cost
Electrical and office equipment	3,527,758	-	168,538 (141) 204,773	3,900,928	2,319,906	442,579 (59)	-	2,762,426	1,138,502	20% on book value
Vehicles	1,362,961	-	1,608 (113,004) (141,278)	1,110,287	835,316	152,143 (93,414)	-	894,045 -	216,242	20% on cost
	37,754,799	295,421	917,251 (126,179) 416,857	39,258,149	7,928,196	1,925,664 (101,063) -	-	9,752,797	29,505,352	
Assets held under finance lease										
Vehicles	212,301	-	- (57,911) -	154,390	141,976	35,220 (46,172)	-	131,024	23,366	20% on cost
Assets given under Ijarah										
Machinery	331,625	-	145,334 -	476,959	241,851	75,646 -		317,497	159,462	25-33% on cost
2014	38,298,725	295,421	1,062,585 (184,090) 416,857	39,889,498	8,312,023	2,036,530 (147,235)	-	10,201,318	29,688,180	



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### For the year ended December 31, 2015

#### 11.3 Intangible assets

	Cost		Accumulated amortization			Book value at December 31, 2015	Rate of amortization
	At January 1, 2015	Additions	At December 31, 2015	At January 1, 2015	Charge for the year	At December 31, 2015	
	Rupees in '000						
Core Banking Application	1,328,910	371,628	1,700,538	418,447	633,831	1,052,278	33.33 % on cost
	1,328,910	371,628	1,700,538	418,447	633,831	1,052,278	648,260
	Cost		Accumulated amortization			Book value at December 31, 2014	Rate of amortization
	At January 1, 2014	Additions	At December 31, 2014	At January 1, 2014	Charge for the year	At December 31, 2014	
	Rupees in '000						
Core Banking Application	-	1,328,910	1,328,910	-	418,447	418,447	33.33 % on cost
Computer Software	127,239	-	127,239	111,895	15,344	127,239	33.33 % on cost
	127,239	1,328,910	1,456,149	111,895	433,791	545,686	910,463

11.4 Had there been no revaluation, the carrying amount of revalued assets at December 31, 2015 would have been as follows:

	Rupees in '000
Land	
freehold	1,132,637
leasehold	915,584
Building	
freehold	653,243
leasehold	706,126

11.5 The Ijarah payments receivable from customers for each of the following periods under the terms of the respective agreements are given below:

	2015	2014
	Rupees in '000	
Not later than one year	83,926	76,594
Later than one year but not later than five years	180,236	128,880
	264,162	205,474

The rate of profit is 6 months KIBOR + 2.5% (2014: 6 months KIBOR + 2.5%).

#### 11.6 Details of disposals of property and equipment

Details of disposals of property and equipment made to chief executive or a director or an executive or a shareholder holding not less than ten percent of the voting shares of the Bank or any related party, irrespective of the value, or where original cost or the book value exceeds rupees one million or two hundred fifty thousand rupees respectively, whichever is lower are given in Annexure III.



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

	Note	2015 Rupees in '000	2014 Rupees in '000
<b>12. DEFERRED TAX ASSETS - net</b>			
<b>Deductible temporary difference on:</b>			
Provision for diminution in the value of investments		4,098,309	3,636,653
Provision against non-performing advances		8,000,570	7,092,841
Other provision		2,278,867	1,762,799
Provision against defined benefits plans		10,807,811	9,031,229
Unrealised loss on derivatives		691,907	691,907
Provision against off-balance sheet obligation		116,622	116,622
		<u>25,994,086</u>	<u>22,332,051</u>
<b>Taxable temporary differences on:</b>			
Excess of accounting book value of leased assets over lease liabilities		(8,097)	(3,720)
Revaluation of securities	20.1	(15,104,136)	(11,173,750)
Operating fixed assets		(1,212,494)	(1,277,072)
		<u>(16,324,727)</u>	<u>(12,454,542)</u>
Net deferred tax assets		<u>9,669,359</u>	<u>9,877,509</u>

## 12.1 Reconciliation of deferred tax

	January 1, 2014	Recognized in Profit and Loss Account	Recognized in Other Comprehensive Income / Surplus on revaluation of assets	December 31, 2014	Recognized in Profit and Loss Account	Recognized in Other Comprehensive Income / Surplus on revaluation of assets	December 31, 2015
	Rupees in '000						
<b>Deferred tax assets arising in respect of:</b>							
Provision for diminution in the value of investments	3,481,832	154,821	-	3,636,653	461,656	-	4,098,309
Provision against advances	6,634,726	458,115	-	7,092,841	907,729	-	8,000,570
Other provision	1,272,647	490,152	-	1,762,799	516,068	-	2,278,867
Provision against defined benefits plans	7,740,890	1,055,708	234,631	9,031,229	932,913	843,669	10,807,811
Unrealised loss / (gain) on derivatives	691,907	-	-	691,907	-	-	691,907
Provision against off-balance sheet obligations	116,622	-	-	116,622	-	-	116,622
	<u>19,938,624</u>	<u>2,158,796</u>	<u>234,631</u>	<u>22,332,051</u>	<u>2,818,366</u>	<u>843,669</u>	<u>25,994,086</u>
<b>Less: Deferred tax (liabilities) arising in respect of:</b>							
Excess of accounting book value of leased assets over lease liabilities	(16,202)	12,482	-	(3,720)	(4,377)	-	(8,097)
Revaluation of securities	(7,364,431)	-	(3,809,319)	(11,173,750)	-	(3,930,386)	(15,104,136)
Operating fixed assets	(1,602,983)	336,849	(10,938)	(1,277,072)	64,578	-	(1,212,494)
	<u>(8,983,616)</u>	<u>349,331</u>	<u>(3,820,257)</u>	<u>(12,454,542)</u>	<u>60,201</u>	<u>(3,930,386)</u>	<u>(16,324,727)</u>
Net deferred tax assets	<u>10,955,008</u>	<u>2,508,127</u>	<u>(3,585,626)</u>	<u>9,877,509</u>	<u>2,878,568</u>	<u>(3,086,717)</u>	<u>9,669,359</u>



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

	Note	2015 Rupees in '000	2014
<b>13. OTHER ASSETS</b>			
Income / mark-up accrued in local currencies		28,523,593	33,914,250
Income / mark-up accrued in foreign currencies		1,572,749	1,648,165
Advances, deposits, advance rent and other prepayments	13.1	4,755,682	3,983,153
Advance taxation (payments less provisions)		10,565,071	13,435,016
Income tax refunds receivable		22,237,149	25,462,171
Compensation for delayed tax refunds	13.6	2,793,522	1,208,251
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)		271,040	273,650
Branch adjustment account - net		1,498,108	1,248,281
Unrealized gain on forward foreign exchange contracts		1,995,434	1,079,206
Unrealized gain on derivatives	9.5.1	364,800	-
Commission receivable on Govt. treasury transactions		5,145,471	5,676,197
Stationery and stamps on hand		281,133	290,829
Non-banking assets acquired in satisfaction of claims	13.2	1,419,746	1,419,377
Barter trade balances		195,399	195,399
Receivable on account of Government transactions	13.3	323,172	323,172
Receivable from Government under VHS scheme	13.4	418,834	418,834
Prize bonds in hand		234,578	294,731
Receivable against sale of shares		7,143	47,445
Others		2,363,345	5,684,279
		<u>84,965,969</u>	<u>96,602,406</u>
Less: Provision held against other assets	13.5	6,070,807	5,557,491
Other assets (net of provision)		<u>78,895,162</u>	<u>91,044,915</u>

**13.1** This includes Rs. 2,300 million (2014: Rs. 800 million) advance against Pre-IPO placement of Term Finance Certificates.

**13.2** The market value of non-banking assets acquired in satisfaction of claims is Rs. 2,713 million (2014: Rs. 2,358 million).

**13.3** This represents amount receivable from GoP on account of encashment of various instruments handled by the Bank for GoP as an agent of the SBP. Due to uncertainty about its recoverability, full amount has been provided for.

**13.4** This represents payments made under the Voluntary Handshake Scheme (VHS), recoverable from GoP. Due to uncertainty about its recoverability, full amount has been provided for.

	Note	2015 Rupees in '000	2014
<b>13.5 Provision against other assets</b>			
Opening balance		5,557,491	5,193,517
Charge for the year	13.5.1	533,460	378,776
Reversals for the year		-	-
		533,460	378,776
Write offs		(2,586)	(14,802)
Reclassifications		(17,558)	-
Closing balance		<u>6,070,807</u>	<u>5,557,491</u>

**13.5.1** This mainly includes provision made on account of financial improprieties and CIRC assets.



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

13.6 Reconciliation of compensation for delayed tax refunds	Note	2015 Rupees in '000	2014
Opening balance		1,208,251	2,094,062
Accrued during the year		1,585,271	3,369,429
Received during the year		-	(4,255,240)
Closing balance		2,793,522	1,208,251
<b>14. BILLS PAYABLE</b>			
In Pakistan		8,958,569	10,724,230
Outside Pakistan		213,047	287,597
		9,171,616	11,011,827
<b>15. BORROWINGS</b>			
In Pakistan		18,535,140	34,013,406
Outside Pakistan		3,376,050	3,528,091
	15.1 & 15.2	21,911,190	37,541,497
<b>15.1 Particulars of borrowings with respect to currencies</b>			
In local currency		18,535,140	34,013,406
In foreign currencies		3,376,050	3,528,091
	15.2	21,911,190	37,541,497
<b>15.2 Details of borrowings</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan:			
Under Export Refinance Scheme		4,612,557	6,065,708
Under Export Refinance Scheme (New Scheme)		2,262,393	2,330,874
Under Long-Term Financing under Export Oriented Project (LTF-EOP)		-	63,889
Refinance Facility for Modernization of SMEs		20,940	7,880
Financing Facility for Revival of SMEs & Agricultural Activities in Flood affected areas		-	-
Financing Facility for storage of Agriculture Produce (FFSAP)		591,625	221,128
Under Long-Term Financing Facility (LTFF)		348,800	1,505,325
		7,836,315	10,194,804
Repurchase agreement borrowings		10,301,568	5,902,523
		18,137,883	16,097,327
<b>Unsecured</b>			
Call borrowings	32	3,376,063	3,528,147
Commodity Morabaha		-	17,427,527
Overdrawn nostro accounts	32	326,444	417,696
Others		70,800	70,800
		3,773,307	21,444,170
		21,911,190	37,541,497
<b>15.3 Mark-up / interest rates and other terms are as follows:</b>			
<p>- The Bank has entered into agreements with the SBP for extending export finance to customers. As per the terms of the agreement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting the current account maintained by the Bank with the SBP. These borrowings carry mark-up ranging from 4.5 % to 7.0 % (2014: 7.5 % to 8.4 %).</p>			



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

- Repurchase agreement borrowings carry mark-up at the rates ranging from 5.00% to 9.60% per annum (2014: 6.75% to 10.15% per annum) having maturity ranging from January 4, 2016 to April 21, 2016.
- Call borrowings carry interest ranging from 5% to 9.5% per annum (2014: 6.75% to 10.15% per annum).
- Unsecured borrowings "Others" carry interest at the rate of 10% per annum (2014: 10% per annum).

**15.4** Borrowings from the SBP under export oriented projects refinance schemes of the SBP are secured by the Bank's cash and security balances held by the SBP.

**2015**                      **2014**  
**Note**                      **Rupees in '000**

## 16. DEPOSITS AND OTHER ACCOUNTS

### Customers

Fixed deposits	330,346,703	289,069,976
Savings deposits	382,223,751	348,098,999
Current accounts - remunerative	183,332,050	159,042,873
Current accounts - non-remunerative	329,949,263	267,450,272
	<u>1,225,851,767</u>	<u>1,063,662,120</u>

### Financial Institutions

Remunerative deposits	109,610,825	61,329,041
Non - remunerative deposits	95,574,006	108,534,329
	<u>205,184,831</u>	<u>169,863,370</u>
	<u>1,431,036,598</u>	<u>1,233,525,490</u>

16.1

### 16.1 Particulars of deposits

In local currency	1,198,841,189	1,030,225,065
In foreign currencies [including deposits of foreign branches of Rs. 158,964 million (2014: Rs. 106,172 million)]	232,195,409	203,300,425
	<u>1,431,036,598</u>	<u>1,233,525,490</u>

## 17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2015			2014		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	Rupees in '000			Rupees in '000		
Not later than one year	12,702	2,590	10,112	13,975	1,237	12,738
Later than one year and but not later than five years	35,121	9,433	25,688	-	-	-
	<u>47,823</u>	<u>12,023</u>	<u>35,800</u>	<u>13,975</u>	<u>1,237</u>	<u>12,738</u>

The Bank has entered into lease agreements with First National Bank Modaraba (a related party) for lease of vehicles. Lease rentals are payable in quarterly instalments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rates ranging from KIBOR + 2.95% to KIBOR + 3.3% per annum (2014: KIBOR + 3.00% to KIBOR + 3.50% per annum). At the end of lease term, the Bank has option to acquire the assets, subject to adjustment of security deposits.



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

	Note	2015 Rupees in '000	2014
<b>18. OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		14,023,331	22,076,129
Mark-up / return / interest payable in foreign currencies		252,916	196,318
Unearned commission and income on bills discounted		346,243	86,773
Accrued expenses		5,071,191	5,977,813
Advance payments		33,430	205,008
Unclaimed dividends		164,414	129,685
Unrealized loss on forward foreign exchange contracts		1,572,385	3,356,570
Provision against off balance sheet obligations	18.1	627,494	2,244,872
Provision against contingencies	18.2	2,818,525	1,826,821
Employee benefits:			
Pension fund	34.1.2	8,435,332	7,531,649
Post-retirement medical benefits	34.1.3	11,268,022	10,220,524
Benevolent fund	34.1.4	1,830,831	1,624,009
Gratuity scheme	34.1.5	1,001,423	892,157
Compensated absences	34.2.1	5,709,230	5,364,523
Staff welfare fund		371,257	371,257
Liabilities relating to:			
Barter trade agreements		14,282,581	13,776,432
Special separation package		-	78,422
Payable to brokers		609	2,203
Others		8,045,490	6,672,699
		<u>75,854,704</u>	<u>82,633,864</u>

## 18.1 Provision against off balance sheet obligations

Opening balance		2,244,872	1,162,256
Charge / (reversal) for the year		(122,686)	(339,200)
Transfer from / (to) advances	10.3	(1,494,692)	283,399
Transfer from suspended interest		-	1,138,417
Closing balance	18.1.1	<u>627,494</u>	<u>2,244,872</u>

**18.1.1** This represents provision against non-funded exposure of borrowers where the Bank considers that the borrower will not be able to meet its contractual obligations at the time of amount becoming due.

		2015 Rupees in '000	2014
<b>18.2 Provision against contingencies</b>			
Opening balance		1,826,821	879,468
Charge during the year	18.2.1	938,282	947,353
Reclassification		53,422	-
Closing balance		<u>2,818,525</u>	<u>1,826,821</u>

**18.2.1** This represents provision made on account of regulatory violations and reported instances of financial improprieties for which investigations are in progress.



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 19. SHARE CAPITAL

#### 19.1 Authorized

2014	2015		2015	2014
Number of shares			Rupees in '000	
2,500,000,000	2,500,000,000	Ordinary shares of Rs.10 each	25,000,000	25,000,000

#### 19.2 Issued, subscribed and paid-up

		Ordinary shares of Rs.10 each		
140,388,000	140,388,000	Fully paid in cash	1,403,880	1,403,880
1,987,125,100	1,987,125,100	Issued as fully paid bonus shares	19,871,251	19,871,251
2,127,513,100	2,127,513,100		21,275,131	21,275,131

The Federal Government and the SBP held 75.60% (2014: 75.60%) shares of the Bank as at December 31, 2015.

	2015	2014
	Number of shares	
<b>19.3 Shares of the Bank held by subsidiary and associates</b>		
Following shares were held by subsidiary and associates of the Bank as of year end:		
First Credit & Investment Bank Limited	70,000	-
NAFA Stock Fund	-	484
NAFA Multi Asset Fund	-	164,071
NAFA Asset Allocation Fund	-	24,000
Taurus Securities Limited	11,475	11,475
	81,475	200,030

#### 19.4 Reserves

##### 19.4.1 Exchange translation reserve

This comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

##### 19.4.2 Statutory reserve

Every bank incorporated in Pakistan is required to transfer 20% of their profits to a statutory reserve until the reserve equals share capital, thereafter 10% of the profits of the Bank are to be transferred to this reserve.

##### 19.4.3 General loan loss reserve

The Bank is cognizant of the fact that a part of its credit or loan portfolio (funded and non-funded) which is not currently impaired as per the applicable Prudential Regulations is underperforming and therefore the potential for risk of credit losses on this part of portfolio is higher than the usual risk. Therefore, as a matter of abundant caution and in order to protect the equity base of the Bank from future contingencies in respect of the credit portfolio, the Board of Directors in their meeting held on April 29, 2015 have decided to transfer an aggregate amount of Rs. 12 billion from the unappropriated profits to a "General Reserve for potential loan losses". This appropriation has been made on the basis of the management's best estimates and judgment regarding the inherent portfolio risks.

	Note	2015	2014
		Rupees in '000	
<b>20. SURPLUS ON REVALUATION OF ASSETS - net</b>			
Available-for-sale securities	20.1	30,573,561	46,086,936
Operating fixed assets	20.2	21,766,481	21,886,415
		52,340,042	67,973,351

#### 20.1 Surplus / (deficit) on revaluation of available-for-sale securities - net of tax

Federal Government Securities	9,109,036	10,377,882
Term Finance Certificates and Sukuks	59,167	(31,121)
Shares and mutual funds	26,089,659	29,556,505
GoP Foreign Currency Bonds	288,428	380,738
Foreign Currency Debt Securities	39,306	81,092
Investment outside Pakistan	10,092,101	16,895,590
	45,677,697	57,260,686
Deferred tax liability	(15,104,136)	(11,173,750)
	30,573,561	46,086,936



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

20.2	Surplus on revaluation of operating fixed assets - net of tax	Note	2015	2014
			Rupees in '000	
	Surplus on revaluation on January 1,		23,187,017	23,085,821
	Surplus on revaluation of the Bank's properties during the year	11.2	-	295,421
	Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(119,934)	(126,246)
	Related deferred tax liability		(64,580)	(67,979)
			(184,514)	(194,225)
			23,002,503	23,187,017
	Less: Related deferred tax liability on:			
	Revaluation as at January 1,		1,300,602	1,357,643
	Revaluation of Bank's properties during the year		-	10,938
	Incremental depreciation charged during the year transferred to profit and loss account		(64,580)	(67,979)
		12	1,236,022	1,300,602
	Surplus on revaluation on December 31,		21,766,481	21,886,415

## 21. CONTINGENCIES AND COMMITMENTS

### 21.1 Direct credit substitutes

Include general guarantees of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued on behalf of:

	2015	2014
	Rupees in '000	
- Government	7,422,663	5,110,261
- Financial institutions	6,329,462	11,135,929
- Others	21,583,972	32,227,405
	<u>35,336,097</u>	<u>48,473,595</u>

### 21.2 Transaction-related contingent liabilities

Includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credits related to particular transactions issued on behalf of:

	2015	2014
	Rupees in '000	
- Government	13,470,397	11,879,063
- Financial institutions	1,934,967	5,239,234
- Others	9,945,571	22,403,390
	<u>25,350,935</u>	<u>39,521,687</u>

### 21.3 Trade-related contingent liabilities

Letters of credit issued on behalf of:

- Government	221,145,520	129,493,436
- Financial institutions	-	-
- Others	48,844,025	27,137,972
	<u>269,989,545</u>	<u>156,631,408</u>

### 21.4 Other contingencies

**21.4.1** Claims against the Bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs. 204 million (2014: Rs. 194 million), claims relating to former Mehran Bank Limited amounting to Rs. 1,597 million (2014: Rs. 1,597 million)].

17,262,022	13,407,883
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# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 21.4.2 Taxation

**21.4.2.1** The tax returns of the Bank have been filed and amended by the tax authorities up to Tax Year 2014. For Azad Kashmir Branches no amendment to returns filed u/s 120 of the Income Tax Ordinance, 2001 has been made, hence returns filed are deemed assessments for all the years till the tax year 2014.

**21.4.2.2** During the year, the tax department amended and then rectified the original assessment order for the Tax Year 2014 which resulted in tax demand of Rs. 2.5 billion. Major issues include charge for bad debts, provision against investments, other provisions and un-realized gain on derivatives amounting to Rs 4,027 million. The Bank has paid this amount to the tax department and aggrieved by the decision of the CIR(A) on the matter, have filed an appeal before Appellate Tribunal Inland Revenue [ATIR].

The Bank has received show cause notices for the amendment of assessments for tax years 2009 to 2011 which were already assessed and finalized. The show cause notices involve additional tax demand. The Bank has obtained stay order from the Honourable High Court of Sindh against the proceedings initiated by the tax authorities.

During the year the orders for the assessment years 2001-02, 2003 and tax year 2007 raised by the department of income tax resulted in reduction in determined refunds to the tune of Rs. 901 million. These orders were further rectified on the issue of mistakes apparent and orders under section 221 of the Ordinance have been passed by the department. As a result of these rectified orders, the aggregate refund amounting to Rs. 767 million have been restored. However, the Bank considers that the balance amount of Rs. 134 million is contestable before the Appellate forum as the tax department neither has served proper notice nor has provided adequate opportunity of being heard. An appeal has already been filed before the CIR(A) which is pending.

No provision has been made in these financial statements for the above contingencies as the management is confident that the decision in this respect will be received in the favour of the Bank.

**21.4.2.3** Through Finance Act, 2015, for tax year 2015 and onwards, income from Dividend and income from Capital Gains shall be taxed at the rate of thirty five percent. As the chargeability of tax imposed is retrospectively, therefore, on legal grounds, the bank has filed Constitution Petition (CP) before the Honourable High court of Sindh which is pending. However, full provision has been made in these financial statements.

**21.4.2.4** The other matters under contingencies include interest credited to suspense account, allocation of common expenditure between taxable income and exempt / low tax rate income and reversal of bad debts expense. The aggregate effect of contingencies as on December 31, 2015 amounts to Rs. 14,622 million (2014: Rs. 10,461 million). No provision has been made against these contingencies based on the opinion of tax consultants of the Bank who expect favourable outcome upon decision of pending appeals.

**21.4.2.5** The Sindh Workers Welfare Fund Act, 2015 (Sindh WWF Act) has been promulgated in the month of May 2015. Earlier as per the Workers welfare Fund Ordinance, 1971, the Bank being Government owned entity remained exempt from levy of WWF. The Sindh WWF Act, 2015 is retrospective in its effect and it attempts to impose levy from the date even prior to its promulgation. As the chargeability of tax imposed is retrospective and the law is defective considering constitutional issues – Fee or Tax including geographical / territorial jurisdiction for bank operating in all the provinces of Pakistan as well as not falling of bank employees in the definition of workers, therefore, on legal grounds against the said levy bank has decided to file constitution petition before Honourable High Court of Sindh. Hence, no provision has been made for Sindh WWF in these financial statements based on the advice of the legal consultant.

**21.4.2.6** In case of Sales Tax / FED, appeals have been filed before various appellate forums including reference and constitutional petitions before High Court of Sindh; wherein apart from other legal grounds, the principal ground is levy of duty on service which are not specified in the First Schedule to the Customs Act, 1969 and specially for Tax year 2011 levy of duty by FBR on services provided in province of Sindh after promulgation of Sindh Sales Tax on Services Act, 2011.

### 21.4.3 Barter Trade Agreements

In order to reduce pressure on the balance of payment, the GoP had entered into barter trade agreements with various countries and designated the Bank to handle the related transactions on behalf of GoP. Accordingly, the Bank executed banking arrangements with the designated banks of these countries and opened accounts in their names. In one of the barter agreement, repayments made to the



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### For the year ended December 31, 2015

Bank by the GoP could not be utilized due to non-finalization of Letter of Exchange for its utilization after 1994 at Government level, which was required under the relevant barter agreement. The concerned bank is now demanding payment of interest on the balances in its accounts with the Bank. Since these balances are maintained in current accounts and there is also no clause for payment of any interest in the relevant banking arrangement, therefore the Bank has strongly refused such claims.

#### 21.4.4 Contingencies in respect of employees benefits and related matters

The following are the details of the contingencies arising out of the various legal cases pending adjudication in respect of employees' benefits and related matters. The Bank considers that the financial impact of such matters is impracticable to determine with sufficient reliability.

##### 21.4.4.1 Pensionary benefits to retired employees

Till 1977 the Bank was paying pension to its retired employees as per Board's decisions and on its own rules and regulation with various increases from time to time. In 1977 the Government through Banking Council notified that henceforward pension would be paid to the bank employees by giving all the increases given by the Federal Government to its employees from time to time. Consequent upon this direction, the bank issued a Circular 228 (c) on 26-12-1977 which was made applicable from 01-05-1977. Under this arrangement pension was calculated at 70% of average emoluments on completion 30 years qualifying service. In para 10 of the circular of 26-12-1977 it was stated that the rates of pension and gratuity had been fixed by Pay Commission for the Banks and Financial Institution on the same lines as obtaining on the side of the Federal Government. Under the provision of IRO 1969 the Pay Commission was to remain valid for three years. In the meanwhile Bank's Nationalization Act was substantially amended in 1997, Pakistan Banking Council was dissolved, Bank's Board was empowered to determine personnel policies and the President of the Bank could determine the remuneration and benefits of the employees in accordance with policies determined by the Board. In 1999 the Board of Directors of the bank approved the revised pay structure for the bank employees w.e.f 01-01-1999. Basic salary was increased by 110 % to 140% and formula for revised monthly gross pension was determined as : basic pay x number of year x 1.10%. However the amount of gross pension on the basis of existing basic pay and exiting formula was protected. Even after 1999 the bank gave various increases of pension right upto 2012. The Peshawar High Court, Peshawar, in terms of order dated June 03, 2014, dismissed the Petitions while observing that the Petitions were hit by laches and that the Petitioners cannot claim the benefits to the similarly placed employees of other institutions who are governed through different Statute and Service Rules. The said order has been assailed by the Petitioners before the honourable Supreme Court of Pakistan where the matter is pending adjudication. During December 2015, the Lahore High Court accepted the writ petition of the retired employees and directed the bank to give increases in pension in line with the increases given by the Federal Government to its employees. The Bank has filed ICA to question the validity of the said judgment. Keeping in view the merits of the case, the Bank is confident about the favourable outcome of this matter.

##### 21.4.4.2 Encashment of unavailed leave

Some of the employees of the Bank filed writ petitions before Lahore High Court after their retirement, in September 2012, praying the Court for issuance of directions to the bank for encashing their entire un-availed leave balance frozen in terms of Bank's Circular 37/1999 and 57/ 1999.

The Bank revised rules of leave encashment w.e.f January 1, 1999. As per revised rules, leave balances accumulated under old rules were marked as "Frozen Leave" to differentiate it with subsequent leaves to be accumulated. There was no bar on employee to avail these leaves, which would lapse on retirement.

The Lahore High Court dismissed the petitions of the subject ex-employees in April 2014 while observing that claim of the petitioners was hit by laches as the Petitions were filed in the year 2012 and that all the petitioners filed the petitions after having availed all retirement benefits when all outstanding dues were paid at the time of retirement at which point no claim for any amount was made. The Petitioners have filed Inter Court appeals against the aforesaid judgment which are pending adjudication. These nine petitions have not yet been fixed for hearing and are still pending.

##### 21.4.4.3 Post retirement medical facilities

On 14 March 1995 on the instruction of Pakistan Banking Council the Bank issued Circular 19/95. In terms of the said Circular the Bank was to provide relief to the retired employees regarding increase of medical ceiling on the increase of salary, it was decided that the Bank would re-determine the monetary ceiling of retired officers/executives after every revision of pay scale on the basis of



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

notional re-fixation in revised scale on point to point basis. In 2003 two retired employees moved to Federal Service Tribunal for increase of post-retirement medical ceiling in the light of the said Circular of 14 March, 1995. The Bank contested the case but a representative of Establishment Division stated before the FST that Bank had adopted the said Circular and the two appeals were accepted by the FST. The Bank's appeals before the Supreme Court failed and even review petitions were dismissed.

Later on in September, 2011 Ch. Muhammad Qasim and 5 others who had obtained separation from service under GHS/ VHS filed writ petition for availing similar relief of post-retirement medical ceiling and cited the judgment of FST and Supreme Court as precedent. The Bank contested the writ petition by pointing out that the petitioners had opted for GHS AND VHS for obtaining separation from service on payment of huge amount of compensation for such separation as contemplated under the said Schemes.

With regard to medical ceiling for such optees, it was contended by the Bank before the Court that option was given to such employees either to accept the present medical ceiling for 10 years in lump sum or to continue with the present payment as if they had retired on attaining the age of superannuation. The petitioners had opted for continuing with the present ceiling as prevalent at the time of the separation scheme floated by the Bank therefore, that their cases were on a different footing. It was also urged by the Bank that in view of judgment of Apex Court in Naseem Arif Abbasi case, the writ petitioners, after having signed a disclaimer at the time receipt of benefits under GHS, were not entitled to any further payment. The high court did not consider the defence pleas and awarded the medical ceilings at par with normal retirees. The Bank has filed an ICA before the Division bench which is still pending.

#### 21.4.4.4 Restoration of Commuted Pension

After passage of certain period for which pension of a retired employee is commuted, the Bank restores the commuted portion of the pension. Some of the retired employees have filed writ petitions before Lahore High Court while praying the court for restoration of 50% pension after applying all the increments granted during the last 15 years i.e. double the pension they are already withdrawing.

In one of the writ petition filed, the Honourable Lahore High Court without issuing notices to the Bank disposed of the same vide order dated January 13, 2015 observing that the Petitioner was also entitled to be treated at par with the pensioners whose cases had already been decided in a case titled as "Additional Accountant General Pakistan Revenue, Lahore vs. A.A.Zuberi" which had attained finality up to the level of Supreme Court of Pakistan.

The judgment referred in the case was decided by a Divisional Bench of Lahore High Court in which restoration of pension after period of commutation was directed to be paid at the rate prevailing at the time of restoration and not the rate of pension prevailing at the time of commutation. High Court in the above mentioned case came to the conclusion that an employee was given restored pension at the rate prevailing 15 years ago and that such an action on the part of the employer would be a violation of Article 9 of the Constitution and would also be contrary to the test of economic justice. In the above-mentioned case, the Bank has filed an Intra Court Appeal as the matter was decided without summoning the Bank. The Bank is of the view that A.A. Zubari's judgment pertains to Civil servants and the Bank employees are not civil servants. The issue of petitions have not been fixed for hearing and are still pending.

#### 21.4.4.5 Regularizing of temporary hires/outsourced workers

A practice was prevalent in the Bank to hire temporary Godown keepers for keeping watch over the pledged stocks of the borrowers. Letters of appointment to be issued by the Bank to such temporary employees for period of less than 90 days and after short break they would be rehired again for similar short period. In 2001-2002 the temporary godown staff filed appeals before the FST for regularization of their service. The Bank pointed out that such employees were not on the pay roll of the Bank and their temporary employment did not entitle them for regular absorption in the Bank. On 01-08-2003 the Bank issued circular No. 10/2003 whereby a formula was evolved that if such temporary employee had completed three years' service as on the date of the circular with breaks of not more than 15 days, they would be eligible for the absorption on regular bases. This very criterion was adopted by the Tribunal and an order was passed accordingly. The Bank had obtained the permission from Government to absorb 1500 godown staff in the Bank. All who fulfilled the criteria were absorbed as the Honourable Supreme Court in 2005 SCMR 100 had upheld the tribunal's judgment.

However under a policy decision the Bank decided to outsource some of its noncore jobs and in this behalf entered into contracts with various service provider agencies for hiring such people. The persons employed by the such contractors are working in the Bank as employees of the said contractors, and received their salaries from said contractors and are also under the administrative control of



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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the said contractors. Some of such employees filed writ petitions before the Peshawar High Court, Abbottabad and Mingora benches. Some of the writ petition were accepted, the Bank has filed appeals in the Supreme Court by taking the plea that there is no relationship of employer and employees between the parties. There is likelihood of the Bank's appeal being accepted by the Supreme Court. If the Bank does not succeed, it may have to absorb such employees.

### 21.4.4.6 Golden Handshake (GHS)

The Bank had introduced the Golden Shake Hand Schemes in 1997. The cut-off date was prescribed in the scheme but some of the employees who had opted for separation under the scheme were not relieved on the said date and continued to perform duties thereafter, cases were filed in various high courts for additional payment beyond the cut-off date and also for increase the salaries announced by the Bank after cut of date of scheme but the Apex court held that after having received the payments and signed disclaimer no further payment could be claimed by such optees under the Scheme. Most of the cases have been disposed on the basis Naseem Arif Abbasi case Reported as 2011 SCMR 446.

	2015	2014
<b>21.5 Commitments in respect of forward exchange contracts</b>	<b>Rupees in '000</b>	
Purchase	273,199,134	233,021,148
Sale	183,645,395	120,265,758
<b>21.6 Commitments for the acquisition of operating fixed assets</b>	1,999,488	1,798,160
<b>21.7 Other commitments</b>		
Professional services to be received	81,095	99,450

## 22. DERIVATIVE INSTRUMENTS

The Bank has been involved forward foreign exchange contracts. The Bank is also party to put options on ordinary and preference shares of Agritech Limited as disclosed in note 9.5.1. The un-realized gain and loss on such contracts are disclosed in notes 13 and 18.

Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions. These controls include appropriate segregation of duties, regular reconciliation of accounts, and the valuation of assets and positions. The Bank has established operating controls and reporting requirements that are specifically designed to control risk of aggregate positions, assure compliance with accounting and regulatory standards and provide accurate management information regarding these activities.

<b>23. MARK-UP / RETURN / INTEREST EARNED</b>	<b>2015</b>	<b>2014</b>
	<b>Rupees in '000</b>	
On loans and advances to:		
Customers	56,378,888	68,153,455
Financial institutions	68,209	141,308
	<u>56,447,097</u>	<u>68,294,763</u>
On investments in:		
Held-for-trading securities	402,136	304,718
Available-for-sale securities	38,925,217	33,250,636
Held-to-maturity securities	16,340,078	9,923,230
	<u>55,667,431</u>	<u>43,478,584</u>
On deposits with financial institutions	465,426	259,609
On securities purchased under resale agreements	1,081,877	2,140,563
	<u>113,661,831</u>	<u>114,173,519</u>



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

	2015	2014
	Rupees in '000	
<b>24. MARK-UP / RETURN / INTEREST EXPENSED</b>		
Deposits	53,294,048	63,692,896
Securities sold under repurchase agreements	5,551,365	2,249,704
Short-term borrowings	1,095,482	2,426,904
	<u>59,940,895</u>	<u>68,369,504</u>

## 25. INCOME FROM DEALING IN FOREIGN CURRENCIES

This includes Rs. 6,614 million (2014: Rs. 7,270 million) on account of interest on Cross Currency Swap transactions charged by Foreign Exchange department to Treasury Department.

	Note	2015	2014
		Rupees in '000	
<b>26. GAIN ON SALE AND REDEMPTION OF SECURITIES - net</b>			
Federal government securities:			
Market Treasury Bills		189,081	24,088
Pakistan Investment Bonds		6,633,083	823,211
GoP Ijarah Sukuks		2,370	35,182
		<u>6,824,534</u>	<u>882,481</u>
National Investment Trust (NIT) units		-	1,052,380
Shares and mutual funds		4,904,874	6,084,720
Foreign Government / debt securities		24,734	13,996
Associates - mutual funds		840,282	739,314
		<u>12,594,424</u>	<u>8,772,891</u>

## 27. OTHER INCOME

Rent on property / lockers		33,766	75,566
Gain on sale of property and equipment		9,224	29,643
Compensation for delayed tax refunds	13.6	1,585,271	3,369,429
Postal, SWIFT and other charges recovered		56,874	91,551
Net un-realized gain on derivatives - put option in respect of Agritech Limited (an associate)	9.5.1	364,800	-
Others		30,841	21,184
		<u>2,080,776</u>	<u>3,587,373</u>



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

28. ADMINISTRATIVE EXPENSES	Note	2015 Rupees in '000	2014
Salaries and allowances		24,056,169	23,378,379
Charge for defined benefit plans		4,368,714	4,825,499
Non-executive directors' fee, allowances and other expenses	35	20,814	18,265
Rent, taxes, insurance, electricity and other utilities	28.1	3,197,075	2,596,225
Legal and professional charges		286,998	128,707
Communications		917,365	855,603
Repairs and maintenance		1,044,086	862,585
Financial charges on leased assets		2,234	6,909
Books, stationery, printing and other computer accessories		831,098	686,225
Advertisement, sponsorship and publicity		771,441	374,054
Donations	28.2	300	500
Contributions for other Corporate and Social Responsibility	28.2	58,659	83,948
Auditors' remuneration	28.3	156,570	142,787
Depreciation	11.2	1,301,250	2,036,530
Amortization	11.3	633,831	433,791
Conveyance		254,407	236,880
Entertainment		85,713	82,677
Travelling		542,943	401,039
Security services		1,976,468	1,720,953
Outsourcing and janitorial services		869,542	605,839
Clearing, verification, licence fee charges		235,661	138,223
Subscription		43,522	33,104
Brokerage		84,306	86,493
Training		59,910	48,607
Fixed assets charged off		133,793	-
Miscellaneous operating expenses		187,570	183,279
		<u>42,120,439</u>	<u>39,967,101</u>

**28.1** This includes Rs. 1.800 million (2014: Rs.1.800 million) insurance premium against directors' liability insurance.

**28.2** Donations and Contributions for Corporate & Social Responsibilities exceeding Rs. 0.1 million have been disclosed in Annexure IV.

Note : None of the directors / executives or their spouses have any interest in the donees, except Mr. Tariq Kirmani (director) who is member of the Board of Governors' of Marie Adelaide Leprosy Centre and director Professional Education Foundation and Mr. Muneer Kamal (Chairman) who is member Board of Trustees Shaukat Khanum Memorial Cancer Hospital and Research Centre.

28.3 Auditors' remuneration	KPMG Taseer Hadi & Co.	Ernst & Young Ford Rhodes Sidat Hyder	2015 Total	2014 Total
	----- Rupees in '000 -----			
Audit fee	6,226	6,226	12,452	11,320
Review of interim financial statements	2,178	2,178	4,356	3,960
Fee for audit of domestic branches	5,060	5,060	10,120	9,200
Fee for special certifications and sundry advisory services	8,735	8,735	17,470	25,656
Sales Tax	1,110	1,110	2,220	2,507
Out-of-pocket expenses	3,900	3,900	7,800	10,675
	<u>27,209</u>	<u>27,209</u>	<u>54,418</u>	<u>63,318</u>
Fee for audit of overseas branches including advisory services and out-of-pocket expenses	-	-	102,152	79,469
	<u>27,209</u>	<u>27,209</u>	<u>156,570</u>	<u>142,787</u>



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

29. OTHER CHARGES	Note	2015	2014
		Rupees in '000	
Penalties imposed by the SBP		72,455	1,735,915
<b>30. TAXATION</b>			
For the year			
Current	30.1	14,576,847	9,480,641
Deferred		(2,878,568)	(2,508,127)
		11,698,279	6,972,514
For prior year			
Current	30.3	2,298,465	-
Deferred		-	-
		2,298,465	-
	30.2	13,996,744	6,972,514

**30.1** Current taxation includes Rs. 267 million (2014: Rs. 179 million) of overseas branches.

30.2 Relationship between tax expense and accounting profit	2015	2014
	Rupees in '000	
Accounting profit before tax	33,215,608	22,000,743
Income tax at statutory rate @ 35% (2014: 35%)	11,625,463	7,700,260
Inadmissible items	25,359	607,570
Income taxed at reduced rate	-	(1,267,337)
Overseas taxation	-	-
Prior year tax effects	2,298,465	-
Others	47,457	(67,979)
Tax charge for current and prior years	13,996,744	6,972,514

**30.3** The Federal Government vide Finance Act 2015 has imposed a onetime super tax at the rate of 4% on income of banks for the year ended December 31, 2014 (Tax Year 2015). This tax has been levied for financing the rehabilitation of internally displaced persons affected by the ongoing war on terror. Further, the subsidized taxation rates on dividend income and capital gains of banks have also been revised with effect from the tax year 2015 and a uniform tax rate of 35% is made applicable. Accordingly, provisions of Rs. 1.03 billion and Rs. 1.26 billion for Super tax and Dividend income/Capital gains respectively have been made for the prior year.

31. BASIC AND DILUTED EARNINGS PER SHARE		2015	2014
		Rupees in '000	
Profit after tax for the year		19,218,864	15,028,229
Weighted average number of ordinary shares		2,127,513	2,127,513
Basic earnings per share		9.03	7.06
Basic and diluted earnings per share are same.			

32. CASH AND CASH EQUIVALENTS	Note	2015	2014
		Rupees in '000	
Cash and balances with treasury banks	6	150,899,778	97,971,501
Balances with other banks	7	20,128,273	12,108,025
Call money lendings	8	3,061,200	12,261,200
Call borrowings	15.2	(3,376,063)	(3,528,147)
Overdrawn nostros	15.2	(326,444)	(417,696)
		170,386,744	118,394,883



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

	2015	2014
	Numbers	
<b>33. STAFF STRENGTH</b>		
Permanent	12,944	13,590
Temporary / on contractual basis	2,604	2,600
Total Staff Strength	<u>15,548</u>	<u>16,190</u>

**33.1** In addition to the above, the Bank is utilizing the services of other companies including security services and the number of persons deployed by such companies as at year end are 9,254 (2014: 8,674).

### 34. EMPLOYEE BENEFITS

#### 34.1 Defined benefit plans

##### 34.1.1 General description

General description of the type of defined benefit plan and accounting policy for remeasurements of the net defined liability / asset is disclosed in note 5.10 to the financial statements.

##### Principal actuarial assumptions

The financial assumptions used in actuarial valuation at December 31, 2015 of pension fund, post retirement medical benefits, benevolent fund and gratuity scheme are as follows:

	2015	2014
	per annum	
Salary increase rate	10.00%	11.25%
Discount rate	10.00%	11.25%
Expected rate of return on plan assets	10.00%	11.25%
Pension indexation rate	5.50%	6.75%
Rate of inflation in the cost of medical benefits	8.00%	8.25%
Exposure inflation rate	-	3.00%
Mortality table	Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005
Number of employees covered under retirement benefit plan	12,539	13,129

	Note	2015	2014
		Rupees in '000	
<b>34.1.2 Net defined benefit liability - pension fund</b>			
Present value of defined benefit obligation		46,819,562	43,052,540
Fair value of plan assets		(38,384,230)	(35,520,891)
	18	<u>8,435,332</u>	<u>7,531,649</u>



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 34.1.2.1 Reconciliation of net defined benefit liability - pension fund

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit liability for pension fund and its components.

	Present value of defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2015	2014	2015	2014	2015	2014
-----Rupees in '000-----						
Balance as at January 01,	43,052,540	37,912,427	35,520,891	31,011,262	7,531,649	6,901,165
<b>Included in profit and loss</b>						
Current service cost	1,145,592	1,017,280	-	-	1,145,592	1,017,280
Interest cost / income	4,727,058	4,783,961	3,931,706	3,949,988	795,352	833,973
	5,872,650	5,801,241	3,931,706	3,949,988	1,940,944	1,851,253
<b>Included in other comprehensive income</b>						
Remeasurement loss / (gain)						
- Actuarial loss / (gain) arising on						
financial assumptions	(37,127)	2,534,925	(2,387,548)	892,151	2,350,421	1,642,774
demographic assumptions	-	-	-	-	-	-
experience adjustments	-	(970,601)	-	920,962	-	(1,891,563)
- Return on plan assets excluding interest income	-	-	-	-	-	-
	(37,127)	1,564,324	(2,387,548)	1,813,113	2,350,421	(248,789)
<b>Others</b>						
Benefits paid	(2,068,503)	(2,225,452)	(2,068,503)	(2,225,452)	-	-
Benefits paid on behalf of fund	-	-	2,463,964	-	(2,463,964)	-
Contributions paid by the employer	-	-	923,719	971,980	(923,719)	(971,980)
	(2,068,503)	(2,225,452)	1,319,180	(1,253,472)	(3,387,683)	(971,980)
Balance as at December 31,	<b>46,819,560</b>	<b>43,052,540</b>	<b>38,384,230</b>	<b>35,520,891</b>	<b>8,435,332</b>	<b>7,531,649</b>

Note

### 34.1.2.2 Plan assets

The composition and the fair value of the plan assets of the fund are as follows:

	2015	2014
Pakistan Investment Bonds	6,693,178	6,695,464
Term Finance Certificates	641,445	791,781
Mutual Funds / Shares	10,758,737	10,346,505
Term Deposit Receipts	2,419,036	7,652,333
Defence Saving Certificates	16,740,033	9,760,187
Cash at Bank	1,131,801	274,621
	<b>38,384,230</b>	<b>35,520,891</b>

2015  
Rupees in '000

### 34.1.3 Net defined benefit liability - post retirement medical scheme

Present value of defined benefit obligation  
Fair value of plan assets

18

2015	2014
11,268,022	10,220,524
-	-
<b>11,268,022</b>	<b>10,220,524</b>

### 34.1.3.1 Reconciliation of net defined benefit liability - post retirement medical scheme

The following table shows reconciliation from the opening balances to the closing balances for net defined benefit liability for post retirement medical scheme and its components.

	Present value of defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2015	2014	2015	2014	2015	2014
-----Rupees in '000-----						
Balance as at January 01,	10,220,524	8,601,209	-	-	10,220,524	8,601,209
<b>Included in profit and loss</b>						
Current service cost	183,580	163,372	-	-	183,580	163,372
Interest cost / (income)	1,130,492	1,090,443	-	-	1,130,492	1,090,443
	1,314,072	1,253,815	-	-	1,314,072	1,253,815
<b>Included in other comprehensive income</b>						
- Actuarial loss / (gain) arising on						
financial assumptions	76,834	553,979	-	-	76,834	553,979
demographic assumptions	-	-	-	-	-	-
experience adjustments	-	237,894	-	-	-	237,894
	76,834	791,873	-	-	76,834	791,873
<b>Others</b>						
Benefits paid	(343,408)	(426,373)	-	-	(343,408)	(426,373)
Balance as at December 31,	<b>11,268,022</b>	<b>10,220,524</b>	<b>-</b>	<b>-</b>	<b>11,268,022</b>	<b>10,220,524</b>



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

	Note	2015 Rupees in '000	2014
<b>34.1.4 Net defined benefit liability - Benevolent Scheme</b>			
Present value of defined benefit obligation		1,830,831	1,624,009
Fair value of plan assets		-	-
	18	<u>1,830,831</u>	<u>1,624,009</u>

## 34.1.4.1 Reconciliation of net defined benefit liability - Benevolent Scheme

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit liability for Benevolent Scheme and its components.

	Present value of defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2015	2014	2015	2014	2015	2014
	-----Rupees in '000-----					
Balance as at January 01,	1,624,009	1,415,128	-	-	1,624,009	1,415,128
<b>Included in profit and loss</b>						
Current service cost	28,239	38,563	-	-	28,239	38,563
Interest cost / (income)	181,153	177,227	-	-	181,153	177,227
	209,392	215,790	-	-	209,392	215,790
<b>Included in other comprehensive income</b>						
- Actuarial loss / (gain) arising on financial assumptions	83,416	150,889	-	-	83,416	150,889
demographic assumptions	-	-	-	-	-	-
experience adjustments	-	(54,112)	-	-	-	(54,112)
	83,416	96,777	-	-	83,416	96,777
<b>Others</b>						
Benefits paid	(85,986)	(103,686)	-	-	(85,986)	(103,686)
Balance as at December 31,	<u>1,830,831</u>	<u>1,624,009</u>	<u>-</u>	<u>-</u>	<u>1,830,831</u>	<u>1,624,009</u>

	Note	2015 Rupees in '000	2014
<b>34.1.5 Net defined benefit liability - Gratuity scheme</b>			
Present value of defined benefit obligation		1,001,423	892,157
Fair value of plan assets		-	-
	18	<u>1,001,423</u>	<u>892,157</u>

## 34.1.5.1 Reconciliation of net defined benefit liability - Gratuity scheme

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit liability for gratuity scheme and its components.

	Present value of defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2015	2014	2015	2014	2015	2014
	-----Rupees in '000-----					
Balance as at January 01,	892,157	686,809	-	-	892,157	686,809
<b>Included in profit and loss</b>						
Current service cost	136,230	117,487	-	-	136,230	117,487
Interest cost / (income)	98,922	87,336	-	-	98,922	87,336
	235,152	204,823	-	-	235,152	204,823
<b>Included in other comprehensive income</b>						
- Actuarial loss / (gain) arising on financial assumptions	(100,189)	7,303	-	-	(100,189)	7,303
demographic assumptions	-	1,096	-	-	-	1,096
experience adjustments	-	22,114	-	-	-	22,114
	(100,189)	30,513	-	-	(100,189)	30,513
<b>Others</b>						
Benefits paid	(25,697)	(29,988)	-	-	(25,697)	(29,988)
Balance as at December 31,	<u>1,001,423</u>	<u>892,157</u>	<u>-</u>	<u>-</u>	<u>1,001,423</u>	<u>892,157</u>



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 34.1.6 Duration

As at December 31, 2015, the weighted average duration of the defined benefit obligations was as follows:

	Years
Pension Fund	11.36
Post retirement medical fund	12.36
Benevolent fund	6.97
Gratuity fund	12.55

### 34.1.7 Sensitivity Analysis

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

Effect of discount rate on present value of defined benefit obligation	Increase by 1%	Original Liability	Decrease by 1%
Discount rate (%)	11.00%	10.00%	9.00%
----- Rupees in '000 -----			
Pension Fund	42,028,188	46,819,562	52,661,576
Post Retirement Medical Scheme	10,049,329	11,268,022	12,833,954
Benevolent Scheme	1,720,615	1,830,831	1,975,650
Gratuity Scheme	887,586	1,001,423	1,138,894
Effect of salary increase rate on present value of defined benefit obligation	Increase by 1%	Original Liability	Decrease by 1%
Salary increase rate (%)	11.00%	10.00%	9.00%
----- Rupees in '000 -----			
Pension Fund	49,456,614	46,819,562	44,472,470
Post Retirement Medical Scheme	12,244,039	11,268,022	10,503,323
Benevolent Scheme	1,830,831	1,830,831	1,830,831
Gratuity Scheme	1,142,407	1,001,423	882,882
Effect of medical inflation rate on present value of defined benefit obligation	Increase by 1%	Original Liability	Decrease by 1%
Medical inflation rate (%)	9.00%	8.00%	7.00%
----- Rupees in '000 -----			
Post Retirement Medical Scheme	11,921,787	11,268,022	10,705,571

### 34.1.8 Expected contributions for 2016

The expected contributions to be paid to the funds in the next financial year are as follows:

- Pension Fund	1,818,851
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The expected expense to be recognized for the schemes in the next financial year are as follows:

- Post Retirement Medical Scheme	1,335,388
- Benevolent Scheme	234,886
- Gratuity Scheme	246,728



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

34.2	Other employee benefits		2015	2014
		Note	Rupees in '000	
34.2.1	Reconciliation of net liability recognized for compensated absences			
	Opening net liability		5,364,523	4,341,871
	Charge for the year		669,143	1,299,818
	Benefits paid during the year		(324,436)	(277,166)
	Closing net liability	18	<u>5,709,230</u>	<u>5,364,523</u>

Reconciliation of net liability recognized for compensated absences for the five years is as follows:

	2015	2014	2013	2012	2011
	----- Rupees in '000 -----				
Opening net liability	5,364,523	4,341,871	3,795,006	3,148,005	2,572,878
Net charge for the year	344,707	1,022,652	546,865	647,001	575,127
Closing net liability	<u>5,709,230</u>	<u>5,364,523</u>	<u>4,341,871</u>	<u>3,795,006</u>	<u>3,148,005</u>

### 34.2.1.1 Experience adjustment on obligation

	2015	2014
	Rupees in '000	
Present value of defined benefit obligations	5,709,230	5,364,523
Fair value of plan assets	-	-
Deficit	<u>5,709,230</u>	<u>5,364,523</u>

### 34.2.1.2 Working of sensitivity analysis (Discount rate effect)

	1% Increase	Original Liability	1% Decrease
Discount rate	11.00%	10.00%	9.00%
	----- Rupees in '000 -----		
Present value of defined benefit obligations	<u>5,302,601</u>	<u>5,709,230</u>	<u>6,180,775</u>

### 34.2.1.3 Working of sensitivity analysis (Salary increase rate effect)

	1% Increase	Original Liability	1% Decrease
Salary increase rate	11.00%	10.00%	9.00%
	----- Rupees in '000 -----		
Present value of defined benefit obligations	<u>6,196,278</u>	<u>5,709,230</u>	<u>5,276,044</u>



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 35. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President		Directors		Executives	
	2015	2014	2015	2014	2015	2014
	----- Rupees in '000 -----					
Fees	-	-	20,814	18,265	-	-
Managerial remuneration	42,000	38,984	-	-	2,245,538	2,361,435
Charge for defined benefit plan	3,500	3,841	-	-	286,465	260,366
Rent and house maintenance	-	-	-	-	1,026,378	1,035,064
Utilities	2,304	1,742	-	-	335,373	339,073
Medical	295	106	-	-	404,492	411,299
Conveyance	-	-	-	-	503,061	669,419
Bonus and others	22,994	2,464	-	-	564,830	546,623
	<u>71,093</u>	<u>47,137</u>	<u>20,814</u>	<u>18,265</u>	<u>5,366,137</u>	<u>5,623,279</u>
	----- Number -----					
Number of persons	<u>1</u>	<u>1</u>	<u>6</u>	<u>7</u>	<u>1,803</u>	<u>1,792</u>

The President and certain executives are also provided with free use of Bank's cars, household equipment, mobile phones and free membership of clubs.

Executives mean executives, other than the chief executive and directors, whose basic salary exceeds five hundred thousand rupees in the financial year.

### 36. FAIR VALUE OF ASSETS AND LIABILITIES

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The fair value of traded investments is based on quoted market prices, and have been disclosed in note 9.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.6.

The maturity and re-pricing profile and effective rates are stated in notes 41.4.1, 41.4.2 and 41.3.3 respectively.

In the opinion of management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently repriced.



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 36.1 On balance sheet financial instruments

	2015						Fair value								
	Carrying Amount					Total	Level 1	Level 2	Level 3	Total					
	HFT	Available for Sale	HTM	Loans and Receivables	Other financial liabilities										
	Rupees in '000														
Financial assets measured at fair value															
Investments															
- Market Treasury Bills	29,822	413,356,391	-	-	-	413,386,213	-	413,386,213	-	413,386,213					
- Pakistan Investment Bonds	1,445,242	170,822,159	-	-	-	172,267,401	-	172,267,401	-	172,267,401					
- GoP Foreign Currency Bonds	-	8,194,746	-	-	-	8,194,746	-	8,194,746	-	8,194,746					
- Ordinary shares of listed companies	-	44,342,717	-	-	-	44,342,717	44,342,717	-	-	44,342,717					
- Ordinary shares of unlisted companies	-	719,340	-	-	-	719,340	-	719,340	-	719,340					
- Investments in mutual funds	-	2,455,085	-	-	-	2,455,085	-	2,455,085	-	2,455,085					
- Ordinary shares of a bank outside Pakistan	-	10,555,396	-	-	-	10,555,396	10,555,396	-	-	10,555,396					
- Listed preference shares	-	396,440	-	-	-	396,440	396,440	-	-	396,440					
- Foreign Currency Debt Securities	-	4,822,968	-	-	-	4,822,968	-	4,822,968	-	4,822,968					
- Term Finance Certificates / Musharika and Sukuk Bonds	-	23,748,181	-	-	-	23,748,181	-	23,748,181	-	23,748,181					
	1,475,064	679,413,423	-	-	-	680,888,487	55,294,553	625,593,934	-	680,888,487					
Financial assets not measured at fair value (refer note 36.2)															
Cash and bank balances with SBP	-	-	-	150,899,778	-	150,899,778	-	-	-	-					
Balances with other banks	-	-	-	20,128,273	-	20,128,273	-	-	-	-					
Lending to financial institutions	-	-	-	10,638,524	-	10,638,524	-	-	-	-					
Investments															
- Market Treasury Bills	-	-	7,826,760	-	-	7,826,760	-	-	-	-					
- Pakistan Investment Bonds	-	-	107,575,573	-	-	107,575,573	-	-	-	-					
- GoP Foreign Currency Bonds	-	-	1,610,375	-	-	1,610,375	-	-	-	-					
- Foreign Government Securities	-	-	20,863,694	-	-	20,863,694	-	-	-	-					
- Foreign Currency Debt Securities	-	-	406	-	-	406	-	-	-	-					
- Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	-	-	191,820	-	-	191,820	-	-	-	-					
Advances	-	-	-	31,935,787	-	31,935,787	-	-	-	-					
Other assets	-	-	-	78,895,162	-	78,895,162	-	-	-	-					
	-	-	138,068,628	292,497,524	-	430,566,152	-	-	-	-					
	1,475,064	679,413,423	138,068,628	292,497,524	-	1,111,454,639	55,294,553	625,593,934	-	680,888,487					
Financial liabilities not measured at fair value															
Deposits and other accounts	-	-	-	-	1,431,036,598	1,431,036,598	-	-	-	-					
Bills payable	-	-	-	-	9,171,616	9,171,616	-	-	-	-					
Borrowings	-	-	-	-	21,911,190	21,911,190	-	-	-	-					
Liabilities against assets subject to finance lease	-	-	-	-	35,800	35,800	-	-	-	-					
Other liabilities (excluding Liabilities against assets subject to finance lease)	-	-	-	-	75,854,704	75,854,704	-	-	-	-					
	-	-	-	-	1,538,009,908	1,538,009,908	-	-	-	-					
2014															
	Carrying Amount					Total	Fair value								
	HFT	Available for Sale	HTM	Loans and Receivables	Other financial liabilities		Level 1	Level 2	Level 3	Total					
	Rupees in '000														
	Financial assets measured at fair value														
Investments															
- Market Treasury Bills	4,644,188	117,831,551	-	-	-	122,475,739	-	122,475,739	-	122,475,739					
- Pakistan Investment Bonds	5,287,806	204,684,251	-	-	-	209,972,057	-	209,972,057	-	209,972,057					
- GoP Foreign Currency Bonds	-	6,547,662	-	-	-	6,547,662	-	6,547,662	-	6,547,662					
- Ordinary shares of listed companies	-	48,827,212	-	-	-	48,827,212	48,827,212	-	-	48,827,212					
- Ordinary shares of unlisted companies	-	986,945	-	-	-	986,945	-	986,945	-	986,945					
- Investments in mutual funds	-	4,186,840	-	-	-	4,186,840	-	4,186,840	-	4,186,840					
- Ordinary shares of a bank outside Pakistan	-	17,358,885	-	-	-	17,358,885	17,358,885	-	-	17,358,885					
- Preference shares	-	396,158	-	-	-	396,158	396,158	-	-	396,158					
- Foreign Currency Debt Securities	-	4,021,602	-	-	-	4,021,602	-	4,021,602	-	4,021,602					
- Term Finance Certificates / Musharika and Sukuk Bonds	-	10,076,513	-	-	-	10,076,513	-	10,076,513	-	10,076,513					
	9,931,994	414,917,619	-	-	-	424,849,613	66,582,255	358,267,358	-	424,849,613					
Financial assets not measured at fair value															
Cash and bank balances with SBP	-	-	-	97,971,501	-	97,971,501	-	-	-	-					
Balances with other banks	-	-	-	12,108,025	-	12,108,025	-	-	-	-					
Lending to financial institutions	-	-	-	111,788,608	-	111,788,608	-	-	-	-					
Investments															
- Market Treasury Bills	-	-	-	-	-	-	-	-	-	-					
- Pakistan Investment Bonds	-	-	106,838,847	-	-	106,838,847	-	-	-	-					
- GoP Foreign Currency Bonds	-	-	1,540,658	-	-	1,540,658	-	-	-	-					
- Foreign Government Securities	-	-	8,959,455	-	-	8,959,455	-	-	-	-					
- Foreign Currency Debt Securities	-	-	389	-	-	389	-	-	-	-					
- Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	-	-	2,418,440	-	-	2,418,440	-	-	-	-					
Advances	-	-	-	577,892,610	-	577,892,610	-	-	-	-					
Other assets	-	-	-	78,895,162	-	78,895,162	-	-	-	-					
	-	-	119,757,789	878,655,906	-	998,413,695	-	-	-	-					
	9,931,994	414,917,619	119,757,789	878,655,906	-	1,423,263,308	66,582,255	358,267,358	-	424,849,613					
Financial liabilities not measured at fair value (refer note 36.2)															
Deposits and other accounts	-	-	-	-	1,233,525,490	1,233,525,490	-	-	-	-					
Bills payable	-	-	-	-	11,011,827	11,011,827	-	-	-	-					
Borrowings	-	-	-	-	37,541,497	37,541,497	-	-	-	-					
Liabilities against assets subject to finance lease	-	-	-	-	12,738	12,738	-	-	-	-					
Other liabilities (excluding Liabilities against assets subject to finance lease)	-	-	-	-	82,633,864	82,633,864	-	-	-	-					
	-	-	-	-	1,364,725,416	1,364,725,416	-	-	-	-					

36.2 The Bank has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 37. Segment Details with respect to Business Activities

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
	Rupees in '000						
2015							
Total income	524,932	254,177	11,606,790	67,832,690	2,274,313	6,211,461	88,704,363
Inter segment revenue	-	(91,821)	10,769,393	(10,677,572)	-	-	-
Total expenses	24,930	-	14,171,954	33,675,085	1,829,924	5,786,862	55,488,755
Net income	500,002	162,355	8,204,229	23,480,034	444,389	424,599	33,215,608
Segment assets	-	1,469,140	254,733,701	1,425,041,690	-	25,116,852	1,706,361,383
Segment non-performing loans	-	-	11,292,671	115,987,626	-	-	127,280,297
Segment provision required	-	-	5,640,502	108,089,450	-	-	113,729,952
Segment liabilities	-	-	452,321,601	1,085,688,308	-	-	1,538,009,908
Segment return on assets (ROA) (%)	0.00%	11.05%	3.44%	1.65%	0.00%	3.32%	1.99%
Segment cost of funds (%)	0.00%	0.00%	3.65%	4.84%	0.00%	0.00%	4.48%
2014							
Total income	532,673	377,304	9,262,995	57,647,765	2,233,708	6,126,863	76,181,308
Inter segment revenue	-	(265,930)	17,103,845	(16,837,915)	-	-	-
Total expenses	25,047	-	18,896,621	27,685,093	1,818,262	5,755,542	54,180,565
Net income	507,626	111,374	7,470,219	13,124,757	415,446	371,321	22,000,743
Segment assets	-	9,765,931	253,263,932	1,260,443,765	-	19,580,689	1,543,054,317
Segment non-performing loans	-	-	10,391,431	110,449,938	-	-	120,841,369
Segment provision required	-	-	6,760,319	94,599,656	-	-	101,359,975
Segment liabilities	-	-	419,827,701	944,897,715	-	-	1,364,725,416
Segment return on assets (ROA) (%)	0.00%	10.42%	3.28%	1.12%	0.00%	2.92%	1.58%
Segment cost of funds (%)	0.00%	0.00%	5.07%	6.14%	0.00%	0.00%	5.80%

#### 37.1 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing product 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



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 37.1.1 Business segments

#### Corporate finance

Corporate banking includes, services provided in connection with mergers and acquisition, underwriting, privatization, securitization, research, debts (government, high yield), equity, syndication, IPO and secondary private placements.

#### Trading and sales

It includes fixed income, equity, foreign exchanges, commodities, credit, funding, own position securities, lending and repos, brokerage debt and prime brokerage.

#### Retail banking

It includes retail lending and deposits, banking services, trust and estates, private lending and deposits, trust and estates investment advice, merchant / commercial and private labels and retail.

#### Commercial banking

Commercial banking includes project finance, real estate, export finance, trade finance, factoring, lending, guarantees, bills of exchange and deposits.

#### Payment and settlement

It includes payments and collections, funds transfer, clearing and settlement.

#### Agency services

It includes escrow, depository receipts, securities lending (customers), corporate actions, issuer and paying agents.

### 38. TRUST ACTIVITIES

#### 38.1 Long-Term Credit Fund (LTCF)

Consequent upon the NDFC's amalgamation, the Bank manages on behalf of the GoP, LTCF established from the proceeds of loans disbursed by various international funding agencies for financing private sector energy development projects. Fund assets are accounted for separately from those of the Bank and amounted to Rs. 54,516 million on December 31, 2015 (2014: Rs. 57,088 million).

#### 38.2 Endowment Fund

Students Loan Scheme was launched by Government of Pakistan with collaboration with the major commercial banks with a view to extend financial help by way of mark-up free loan to the meritorious students without sufficient resources for pursuing scientific technical and professional education within Pakistan.

The Scheme is being administered by a high powered committee headed by the Deputy Governor, State Bank of Pakistan and the President's of NBP, HBL, UBL, MCB, ABL and the Deputy Secretary, Ministry of Finance as member and Senior Director of SMEFD (Infra Housing & SME Finance Department) as a secretary of the Committee. The State Bank of Pakistan has assigned National Bank of Pakistan to operate the scheme.

The Committee in its meeting held on August 7, 2001 approved creation of Endowment Fund initially at an amount of Rs. 500 million, Rs.396 million were transferred from the old Qarz-e-Hasna Fund, Rs. 50 million contributed by Government of Pakistan and Rs. 54 million were contributed by participating banks (HBL, NBP and UBL 25% each, MCB 17.5% and ABL 7.5%).

The amount of the endowment fund in investments stands at Rs. 667 million as at December 31, 2015 (2014 Rs. 548 million).



**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2015

### 39. RELATED PARTY TRANSACTIONS AND BALANCES

The Bank has related party relationship with its associated undertakings, subsidiary companies, employee benefit plans, and its key management personnel (including their associates). The details of investments in subsidiary companies and associated undertakings are stated in note 9.

Transactions between the Bank and its related parties are carried out under normal course of business, except employees staff loans, employees sale of assets and provident fund that are as per agreement.

Details of loans and advances to the companies or firms, in which the directors of the Bank are interested as directors, partners or in case of private companies as members, are given in note 10.8. There are no transactions with key management personnel other than under advance salary. Contributions in respect of staff retirement and other benefit plans are disclosed in note 34. Remuneration to the executives and disposal of assets are disclosed in notes 35 and annexure to the financial statements.

		2015				2014			
		At January 01,	Given during the year	Received during the year	At December 31,	At January 01,	Given during the year	Received during the year	At December 31,
		Rupees in '000							
39.1	Balances								
	Advances								
	Subsidiaries	603,556	-	(177,417)	426,139	819,035	-	(215,479)	603,556
	Associates	5,410,612	-	(281,077)	5,129,535	5,433,806	-	(23,194)	5,410,612
	Key management executives	186,667	-	(27,556)	159,111	144,607	115,044	(21,260)	238,391
	*Adjustment	34,419	-	-	34,419	(51,724)	-	-	(51,724)
		221,086	-	(27,556)	193,530	92,883	115,044	(21,260)	186,667
		6,235,254	-	(486,050)	5,749,204	6,345,724	115,044	(259,933)	6,200,835
		2015				2014			
		At January 01,	Received during the year	Withdrawals during the year	At December 31,	At January 01,	Received during the year	Withdrawals during the year	At December 31,
		Rupees in '000							
	Deposits								
	Key management executives	19,309	303,945	(310,206)	18,554	13,402	303,914	(296,813)	20,503
	*Adjustment	5,506	-	-	-	(1,194)	-	-	(1,194)
		24,815	303,945	(310,206)	18,554	12,208	303,914	(296,813)	19,309
	Subsidiaries	411,597	1,893,022	(3,106)	2,301,513	298,668	170,258	(57,329)	411,597
	Associates	26,038	-	(26,038)	-	12,038,914	-	(12,012,876)	26,038
	Pension Fund (Current)	4,248	27,290,824	(27,291,701)	3,371	4,393	24,573,301	(24,573,446)	4,248
			-	-					
	Pension Fund (Fixed Deposit)	7,300,000	2,300,000	(7,300,000)	2,300,000	11,500,000	7,300,000	(11,500,000)	7,300,000
			-	-					
	Pension Fund (N.I.D.A A/c)	1,056,675	13,584,552	(13,512,790)	1,128,437	270,228	12,614,720	(11,828,273)	1,056,675
			-	-					
	Provident Fund	13,123,803	2,400,226	(2,132,321)	13,391,708	12,886,715	2,749,149	(2,512,061)	13,123,803
		21,947,176	47,772,569	(50,576,162)	19,143,583	37,011,126	47,711,342	(62,780,798)	21,941,670

\* Adjustments due to retirement / appointment of directors and changes in key management executives.



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

	2015	2014
	Rupees in '000	
<b>Placements with:</b>		
Joint venture	68,450	156,864
<b>Repo borrowing from:</b>		
Joint venture	399,496	73,695
<b>Other receivables from subsidiaries</b>	86,239	77,044
<b>Other payables to subsidiaries</b>	5,154	316
<b>Off Balance Sheet items</b>	-	825,636
<b>39.2 Transactions during the year</b>		
<b>Investments in associates</b>	-	8,251,157
<b>Redemption / sale of investment in associates</b>	8,518,102	10,270,777
<b>Assets acquired under finance lease from subsidiary</b>	-	40,250
<b>Lease finance liabilities paid to subsidiary</b>	10,744	17,740
<b>Income for the year</b>		
On advances / placements with:		
Subsidiaries	18,117	35,763
Joint ventures	1,863	313
Key management executives	-	3,105
Companies in which directors of the Bank are interested as director	812,534	1,440,591
<b>Financial Charges paid on lease assets to subsidiary</b>	2,167	2,077
<b>Dividend from Joint Venture</b>	107,723	-
<b>Dividend from subsidiary</b>	428,596	107,888
<b>Expenses for the year</b>		
Remuneration to key management executives	284,564	258,950
Charge for defined benefit plan	40,843	41,341
<b>Mark-up on deposits of:</b>		
Subsidiaries	7,815	24,455
Associates	-	5
Provident fund	1,745,016	2,296,127
Pension fund	503,518	788,375
Commission paid to subsidiaries	22,992	19,682
<b>Mark-up on Borrowing (Repo / Call):</b>		
Joint venture	106	527

### 39.3 Transactions with Government-related entities

The Federal Government through State Bank of Pakistan holds controlling interest (75.60% shareholding) in the Bank and therefore entities which are owned and / or controlled by the Federal Government, or where the Federal Government may exercise significant influence, are related parties of the Bank.

The Bank in the ordinary course of business enters into transaction with Government-related entities. Such transactions include lending to, deposits from and provision of other banking service to Government-related entities.

The Bank also earned commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs. 6,056 million for the year ended December 31, 2015. As at the Statement of Financial Position date the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 232,134 million, Rs. 532,737 million and Rs. 242,039 million respectively and income earned on advances and profit paid on deposits (domestic only) amounted to Rs. 15,350 million and Rs. 17,720 million respectively.



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 40. CAPITAL ASSESSMENT AND ADEQUACY

#### 40.1 Statutory minimum capital requirement and management of capital

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- to comply with the capital requirements set by the regulators of the banking markets where the Bank operates;
- to safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

The SBP has issued instructions for Basel-III Implementation vide BPRD Circular No. 06 of 2013 dated August 15, 2013. These instructions are effective from December 31, 2013 in a phased manner with full implementation intended by December 31, 2019.

Basel-III instructions comprises of the following three capital standards:

##### i. Minimum Capital Requirement (MCR):

The MCR standard sets the nominal amount of capital banks/ DFIs are required to hold. Currently the MCR for banks and DFIs is Rs. 10 billion as prescribed by SBP.

##### ii. Capital Adequacy Ratio:

The Capital Adequacy Ratio (CAR) assesses the capital requirement based on the risks faced by the banks/ DFIs. The banks/ DFIs are required to comply with the minimum requirements as specified by the SBP on standalone as well as consolidated basis. Currently the required CAR for banks is 10.25%.

##### iii. Leverage Ratio:

Tier-1 Leverage Ratio of 3% is being introduced in response to the recently published Basel III Accord as the third capital standard. Bank level disclosure of the leverage ratio and its components has started from December 31, 2015. The bank has a leverage ratio of 4.45% in the year December 31, 2015 (2014: 5.32%) and Tier-1 capital of Rs 91,751 Million (2014: Rs 95,840 Million).

The major changes under the Basel III reform package pertains to numerator of the Capital Adequacy Ratio (CAR) i.e., eligible capital. The SBP's regulatory capital as managed by the Bank is analysed into following tiers:

##### 1. Tier 1 Capital (going-concern capital)

- Common Equity Tier 1
- Additional Tier 1

##### 2. Tier 2 Capital (gone-concern capital)

- Tier I capital, which comprises highest quality capital element and include fully paid up capital, balance in share premium account, reserve for issue of bonus shares, general reserves and un-appropriate profits (net of accumulated losses, if any).
- Tier II capital, which includes general reserve for loan losses, revaluation reserve, exchange translation reserve and subordinated debt.
- Tier III capital, has been eliminated in Basel III Capital requirements. Also the Basel III capital rules requires bank to make certain deductions from the capital before arriving at the Capital Adequacy Ratio (CAR). These deductions are to be done in phased manner starting from 2014, with full deductions in 2018.

Risk weighted assets are measured according to the nature and reflect an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off balance sheet exposures, with some adjustments to reflect more contingent nature of potential losses.

The Bank's policy is to maintain strong capital base so as to maintain, investor, creditor and market confidence and to sustain future development of the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the SBP. The ratios compare the amount of eligible capital with the total of risk-weighted assets. The Bank monitors and reports its capital ratio under the SBP rules, which ultimately determines the regulatory capital, required to be maintained by Banks and DFIs.

The paid-up capital of the Bank for the year ended December 31, 2015 stood at Rs. 21,275 million (2014 : Rs. 21,275 million) and is in compliance with the SBP requirement for the said year. In addition the Bank has maintained minimum Capital Adequacy Ratio (CAR) of 17.59.% (2014: 17.39%).

There have been no material changes in the Bank's management of capital during the year.



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

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

Rows #		2015	2014
		Rupees in '000 Amount	Amount
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>			
1	Fully Paid-up Capital/ Capital deposited with SBP	21,275,131	21,275,131
2	Balance in Share Premium Account	-	-
3	Reserve for issue of Bonus Shares	-	-
4	Discount on Issue of shares	-	-
5	General/ Statutory Reserves	25,432,627	23,510,741
6	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7	Unappropriated/unremitted profits/ (losses)	49,155,590	57,006,813
8	Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
9	<b>CET 1 before Regulatory Adjustments</b>	95,863,348	101,792,685
10	Total regulatory adjustments applied to CET1 (Note 40.2.1)	4,112,273	10,034,194
11	<b>Common Equity Tier 1</b>	91,751,075	91,758,491
<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 allowed in group AT 1)	-	-
16	of which: instrument issued by subsidiaries subject to phase out	-	-
17	<b>AT1 before regulatory adjustments</b>	-	-
18	Total regulatory adjustment applied to AT1 capital (Note 40.2.2)	-	-
19	Additional Tier 1 capital after regulatory adjustments	-	-
20	<b>Additional Tier 1 capital recognized for capital adequacy</b>	-	-
21	<b>Tier 1 Capital (CET1 + admissible AT1) (11+20)</b>	91,751,075	91,758,491
<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 group tier 2)	-	-
25	of which: instruments issued by subsidiaries subject to phase out	-	-
26	General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	7,099,806	3,201,464
27	Revaluation Reserves (net of taxes)	-	-
28	of which: Revaluation reserves on fixed assets	14,917,268	9,848,887
29	of which: Unrealized gains/losses on AFS	24,562,403	25,767,309
30	Foreign Exchange Translation Reserves	8,148,085	8,562,865
31	Undisclosed/Other Reserves (if any)	-	-
32	<b>T2 before regulatory adjustments</b>	54,727,562	47,380,524
33	Total regulatory adjustment applied to T2 capital (Note 40.2.3)	1,860,863	3,398,563
34	Tier 2 capital (T2) after regulatory adjustments	52,866,698	43,981,961
35	Tier 2 capital recognized for capital adequacy	37,464,612	43,981,961
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37	<b>Total Tier 2 capital admissible for capital adequacy</b>	37,464,612	43,981,962
38	<b>TOTAL CAPITAL (T1 + admissible T2) (21+37)</b>	<b>129,215,687</b>	<b>135,740,453</b>
39	<b>Total Risk Weighted Assets (RWA) {for details refer Note 40.5}</b>	<b>734,402,774</b>	<b>780,719,059</b>
<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>			
40	<b>CET1 to total RWA</b>	12.49%	11.75%
41	<b>Tier-1 capital to total RWA</b>	12.49%	11.75%
42	<b>Total capital to total RWA</b>	17.59%	17.39%
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	6.25%	5.50%
44	of which: capital conservation buffer requirement	0.25%	-
45	of which: countercyclical buffer requirement	-	-
46	of which: D-SIB or G-SIB buffer requirement	-	-
47	CET1 available to meet buffers (as a percentage of risk weighted assets)	6.24%	6.25%
<b>National minimum capital requirements prescribed by SBP</b>			
48	<b>CET1 minimum ratio</b>	6.00%	5.50%
49	<b>Tier 1 minimum ratio</b>	7.50%	7.00%
50	<b>Total capital minimum ratio</b>	10.25%	10.00%



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

		2015	2014	
		Amount	Rupees in '000	
			Amounts subject to Pre- Basel III treatment*	
<b>Regulatory Adjustments and Additional Information</b>				
<b>40.2.1</b>	<b>Common Equity Tier 1 capital: Regulatory adjustments</b>			
1	Goodwill (net of related deferred tax liability)			
2	All other intangibles (net of any associated deferred tax liability)	648,260		910,463
3	Shortfall in provisions against classified assets	-		1,527,000
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	1,050,247	-	2,343,678
7	Cash flow hedge reserve	-		
8	Investment in own shares/ CET1 instruments	-		
9	Securitization gain on sale	-		
10	Capital shortfall of regulated subsidiaries	-		
11	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-		
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	357,366	893,415	845,691
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-		-
15	Amount exceeding 15% threshold	136,887	342,216	187,811
16	of which: significant investments in the common stocks of financial entities	-		399,241
17	of which: deferred tax assets arising from temporary differences	-		421,747
18	National specific regulatory adjustments applied to CET1 capital	-		
19	Investments in TFCs of other banks exceeding the prescribed limit	58,650		-
20	Any other deduction specified by SBP (mention details)	-		-
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	1,860,863		3,398,563
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	4,112,273		10,034,194
<b>40.2.2</b>	<b>Additional Tier-1 &amp; Tier-1 Capital: regulatory adjustments</b>			
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-		-
24	Investment in own AT1 capital instruments	-		-
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-		-
26	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-		-
28	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	-		-
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-		-
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	-		-
<b>40.2.3</b>	<b>Tier 2 Capital: regulatory adjustments</b>			
31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	1,860,863		3,398,563
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-		
33	Investment in own Tier 2 capital instrument	-		
34	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-		
36	Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	1,860,863		3,398,563
<b>40.2.4</b>	<b>Additional Information</b>	<b>2015</b>	<b>2014</b>	
		<b>Rupees in '000</b>	<b>Rupees in '000</b>	
		<b>Amount</b>	<b>Amount</b>	
	<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)	-	-	
(i)	of which: deferred tax assets	205,329	18,924	
(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	536,049	-	
(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	9,416,484	7,333,155	
39	Significant investments in the common stock of financial entities	2,681,137	1,359,266	
40	Deferred tax assets arising from temporary differences (net of related tax liability)	9,327,143	9,853,854	
	<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 on inclusion of provisions in Tier 2 under internal ratings-based approach	-	-	

Note: Rows which are not applicable for any institution should be left blank



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 40.3 Capital Structure Reconciliation

Table: 40.3.1

		Balance sheet of the published financial statements	Under regulatory scope of consolidation
(in thousand PKR)		As at period end (2)	As at period end (3)
<b>Assets</b>	<b>(1)</b>		
Cash and balances with treasury banks		150,899,778	
Balances with other banks		20,128,273	
Lending to financial institutions		10,638,524	
Investments		826,301,890	
Advances		577,892,610	
Operating fixed assets		31,935,787	
Deferred tax assets		9,669,359	
Other assets		78,895,162	
<b>Total assets</b>		<b>1,706,361,383</b>	
<b>Liabilities &amp; Equity</b>			
Bills payable		9,171,616	
Borrowings		21,911,190	
Deposits and other accounts		1,431,036,598	
Sub-ordinated loans		-	
Liabilities against assets subject to finance lease		35,800	
Deferred tax liabilities		-	
Other liabilities		75,854,704	
<b>Total liabilities</b>		<b>1,538,009,908</b>	
Share capital/ Head office capital account		21,275,131	
Reserves		45,580,712	
Unappropriated/ Unremitted profit/ (losses)		49,155,590	
Minority Interest		-	
Surplus on revaluation of assets		52,340,042	
<b>Total liabilities &amp; equity</b>		<b>1,706,361,383</b>	

Table: 40.3.2

		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
(1)		As at period end (2)	As at period end (3)	(4)
<b>Assets</b>				
Cash and balances with treasury banks		150,899,778		
Balances with other banks		20,128,273		
Lending to financial institutions		10,638,524		
Investments		825,944,524		
<i>of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold</i>		357,366		a
<i>of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold</i>		-		b
<i>of which: Mutual Funds exceeding regulatory threshold</i>		-		c
<i>of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)</i>		1,050,247		d
<i>of which: others (mention details)</i>		-		e
Advances		577,892,610		
<i>shortfall in provisions/ excess of total EL amount over eligible provisions under IRB general provisions reflected in Tier 2 capital</i>		-		f
Fixed Assets		7,099,806		g
Deferred Tax Assets		31,287,527		
<i>of which: DTAs that rely on future profitability excluding those arising from temporary differences</i>		9,669,359		
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>		9,532,472		h
Other assets		136,887		i
<i>of which: Goodwill</i>		78,895,162		j
<i>of which: Intangibles</i>		-		k
<i>of which: Defined-benefit pension fund net assets</i>		648,260		l
<b>Total assets</b>		<b>1,706,361,383</b>		



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

Assets	(1)	Balance sheet as in published financial statements As at period end (2)	Under regulatory scope of consolidation As at period end (3)	Reference (4)
<b>Liabilities &amp; Equity</b>				
Bills payable		9,171,616		
Borrowings		21,911,190		
Deposits and other accounts		1,431,036,598		
Sub-ordinated loans		-		
<i>of which: eligible for inclusion in AT1</i>		-		m
<i>of which: eligible for inclusion in Tier 2</i>		-		n
Liabilities against assets subject to finance lease		35,800		
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		75,854,705		
<b>Total liabilities</b>		1,538,009,909		
Share capital		21,275,131		
<i>of which: amount eligible for CET1</i>		21,275,131		s
<i>of which: amount eligible for AT1</i>		-		t
Reserves		45,580,712		
<i>of which: portion eligible for inclusion in CET1 (provide breakup)</i>		25,432,627		u
<i>of which: portion eligible for inclusion in Tier 2</i>		8,148,085		v
Unappropriated profit/ (losses)		49,155,590		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		52,340,042		
<i>of which: Revaluation reserves on Fixed Assets</i>		14,917,268		aa
<i>of which: Unrealized Gains/Losses on AFS</i>		24,562,403		
<i>In case of Deficit on revaluation (deduction from CET1)</i>		-		ab
<b>Total liabilities &amp; Equity</b>		1,706,361,383		

### Basel III Disclosure Template (with added column)

Table: 40.3.3

	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	21,275,131	
2 Balance in Share Premium Account	-	(s)
3 Reserve for issue of Bonus Shares	-	
4 General/ Statutory Reserves	25,432,627	
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	(u)
6 Unappropriated/unremitted profits/ (losses)	49,155,590	(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)
	95,863,348	
<b>CET 1 before Regulatory Adjustments</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)	648,260	(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)	3,812,989	{(h) - (r)} * x%
13 Defined-benefit pension fund net assets	-	{(l) - (q)} * x%
14 Reciprocal cross holdings in CET1 capital instruments	1,050,247	(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)	357,366	(a) - (ac) - (ae)
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	136,887	(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	-	



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### Basel III Disclosure Template (with added column)

**Table: 40.3.3**

	Component of regulatory capital reported by bank	Source based on reference number from step 2
26 National specific regulatory adjustments applied to CET1 capital	-	
27 of which: Investment in TFCs of other banks exceeding the prescribed limit	58,650	
28 of which: Any other deduction specified by SBP (mention details)	-	
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	1,860,863	
30 Total regulatory adjustments applied to CET1 (sum of 9 to 29)	7,925,262	
31 <b>Common Equity Tier 1</b>	87,938,086	
32 <b>Additional Tier 1 (AT1) Capital</b>		
32 Qualifying Additional Tier-1 instruments plus any related share premium	-	
33 of which: Classified as equity	-	(t)
34 of which: Classified as liabilities	-	(m)
35 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT1)	-	(y)
36 of which: instrument issued by subsidiaries subject to phase out	-	
37 <b>AT1 before regulatory adjustments</b>	-	
38 <b>Additional Tier 1 Capital: regulatory adjustments</b>		
38 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
39 Investment in own AT1 capital instruments	-	
40 Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
41 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
42 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
43 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	
44 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
45 Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 44)	-	
46 Additional Tier 1 capital	-	
47 <b>Additional Tier 1 capital recognized for capital adequacy</b>	-	
48 <b>Tier 1 Capital (CET1 + admissible AT1) (31+47)</b>	91,751,075	
49 <b>Tier 2 Capital</b>		
49 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	
50 Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	(n)
51 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(z)
52 of which: instruments issued by subsidiaries subject to phase out	-	
53 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	7,099,806	(g)
54 Revaluation Reserves	-	
55 of which: Revaluation reserves on fixed assets	14,917,268	portion of (aa)
56 of which: Unrealized Gains/Losses on AFS	24,562,403	
57 Foreign Exchange Translation Reserves	8,148,085	(v)
58 Undisclosed/Other Reserves (if any)	-	
59 <b>T2 before regulatory adjustments</b>	54,727,562	
60 <b>Tier 2 Capital: regulatory adjustments</b>		
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	1,860,863	
61 Reciprocal cross holdings in Tier 2 instruments	-	
62 Investment in own Tier 2 capital instrument	-	
63 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
64 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
65 Amount of Regulatory Adjustment applied to T2 capital (sum of 60 to 64)	1,860,863	
66 Tier 2 capital (T2)	52,866,699	
67 Tier 2 capital recognized for capital adequacy	37,464,612	
68 Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
69 Total Tier 2 capital admissible for capital adequacy	37,464,612	
70 <b>TOTAL CAPITAL (T1 + admissible T2) (48+69)</b>	129,215,687	



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 40.4 Main Features Template of Regulatory Capital Instruments

#### Disclosure template for main features of regulatory capital instruments

Main Features		Common Shares
1	Issuer	NATIONAL BANK OF PAKISTAN
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	NBP
3	Governing law(s) of the instrument	THROUGH GOVERNMENT ACT
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/ group/ group&solo	Group and Standalone
7	Instrument type	Ordinary Shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	PKR 21,275,131
9	Par value of instrument	PKR 10
10	Accounting classification	Shareholders Equity
11	Original date of issuance	N/A
12	Perpetual or dated	N/A
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not Applicable
16	Subsequent call dates, if applicable	Not Applicable
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	Not Applicable
18	coupon rate and any related index/ benchmark	Not Applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	N/A
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Not Applicable
23	Convertible or non-convertible	
24	If convertible, conversion trigger (s)	Not Applicable
25	If convertible, fully or partially	Not Applicable
26	If convertible, conversion rate	Not Applicable
27	If convertible, mandatory or optional conversion	Not Applicable
28	If convertible, specify instrument type convertible into	Not Applicable
29	If convertible, specify issuer of instrument it converts into	Not Applicable
30	Write-down feature	
31	If write-down, write-down trigger(s)	Not Applicable
32	If write-down, full or partial	Not Applicable
33	If write-down, permanent or temporary	Not Applicable
34	If temporary write-down, description of write-up mechanism	Not Applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not Applicable
36	Non-compliant transitioned features	Not Applicable
37	If yes, specify non-compliant features	Not Applicable



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

## 40.5 Risk Weighted Assets

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

	Capital Requirements		Risk Weighted Assets	
	2015	2014	2015	2014
<b>Credit Risk</b>				
<b>On-Balance sheet</b>				
<u>Portfolios subject to standardized approach (Simple or Comprehensive)</u>				
Sovereign	4,440,417	5,604,801	44,404,173	56,048,009
Public Sector entities	227,508	850,340	2,275,075	8,503,401
Banks	852,227	1,035,607	8,522,270	10,356,071
Corporate	15,847,412	14,560,722	158,474,122	145,607,217
Retail	11,326,990	12,060,695	113,269,895	120,606,952
Residential Mortgages	811,093	757,373	8,110,934	7,573,733
Past Due loans	2,088,073	2,867,232	20,880,727	28,672,319
Operating Fixed Assets	3,128,753	3,088,508	31,287,527	30,885,076
Other assets	2,337,596	3,406,967	23,375,962	34,069,668
	41,060,069	44,232,245	410,600,685	442,322,446
<b>Off-Balance sheet</b>				
Non-market related	5,490,493	6,441,153	54,904,925	64,411,529
Market related	54,333	78,615	543,327	786,151
	5,544,826	6,519,768	55,448,252	65,197,680
<b>Equity Exposure Risk in the Banking Book</b>				
Under simple risk weight method	10,193,553	8,594,309	101,935,533	85,943,087
	56,798,448	59,346,322	567,984,470	593,463,213
<b>Market Risk</b>				
<u>Capital Requirement for portfolios subject to Standardized Approach</u>				
Interest rate risk	512,936	2,437,844	5,129,360	24,964,531
Equity position risk	363,871	1,448,009	3,638,713	5,987,253
Foreign Exchange risk	3,069,638	2,928,812	30,696,381	36,615,924
	3,946,445	6,814,665	39,464,454	67,567,708
<b>Operational Risk</b>				
	12,695,385	11,776,107	126,953,850	119,688,139
<b>TOTAL</b>	<b>73,440,278</b>	<b>77,937,094</b>	<b>734,402,774</b>	<b>780,719,060</b>

Capital Adequacy Ratios	2015		2014	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	12.49%	5.50%	11.75%
Tier-1 capital to total RWA	7.50%	12.49%	7.00%	11.75%
Total capital to total RWA	10.25%	17.59%	10.00%	17.39%



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 41. RISK MANAGEMENT

Importance of risk management has increased over the time especially after the global meltdown. In Pakistani banking industry, Risk Management gained its importance when SBP released its circular for Basel II framework in 2006. Now SBP has been actively releasing various guidelines for implementation of Basel III to strengthen internal risk management environment of local Banks.

The Bank, being the country's leading Bank, has always been determined to attain best practices in Risk Management standards. The purpose of our risk management framework is to provide the solid grounds where Bank can safely perform its business activities and ultimately achieve its goals. Further, it is continuously evolving framework, to incorporate the instructions issued by SBP along with the needs of the volatile local and global markets.

Since the implementation of Basel II framework, the overall Risk Management of the Bank has gone through several significant improvements and changes, which have further highlighted the Risk Management Framework.

It is important to mention that the Bank has also recently undertaken a comprehensive BPR and COSO exercise aimed at overall business process improvement, advanced risk management and strengthening of the overall control environment.

#### 41.1 Overall Structure and broad initiatives

The Risk Management Group of the Bank is dedicated to support Bank's growth objectives which are consistent with its risk tolerance level. For effective implementation of the risk management framework, the Group works independently and is liable for formulating and appraising of risk policies and also analyzes various risks associated with the activities of the Bank. The specialized functions of Risk Management Group are Credit Risk, Market Risk & Liquidity Risk and Operational Risk as outlined by its Board approved "Risk Management Charter." Organizational structure for the group has been implemented with clear segregation of responsibilities and focused Wings constituted with relevant heads and staff to discharge respective responsibilities.

An Executive Risk Management Committee (ERMC) also exists within the Bank comprising of relevant Group Chiefs/ Divisional Heads. Both BRC and the ERMC are provided periodic updates via MIS and periodic progress reports by RMG to ensure that the Board and senior management remain aware of the various risk management initiatives and provide oversight and guidance.

Bank's Risk Management Policy ensures the following:

- Setting Risk Management objectives of the Bank which includes establishing most appropriate course of action under uncertainty by identifying, assessing, understanding, acting on and communicating risk issues.
- Implementation of Risk Management Process at Strategic, Macro and Micro Level.
- Integrated Risk Management i.e. quantifying various risks by using different measurement methodologies, and aggregating all the risks to keep the total risk within the capital.
- Alignment of Risk management approach with the regulatory requirements and the Bank's Risk Management Policy.

The structure of RMG with dedicated Wings for specific responsibilities has been implemented as follows:

#### 41.1.1 Credit Risk Architecture

Credit Risk Architecture Wing in RMG was formed as per the Risk Management Charter with a view to further architecturally improve credit risk environment in Bank and introduce proactive measures to mitigate credit risk for all asset classes.

During the year the Wing has performed several functions successfully, which include building the process for development of credit risk models for compliance with the Basel framework and best practices in Risk Management, stress testing on the credit portfolio as per the guidelines issued by SBP and enhancement in Credit Risk Tolerance Limits / Concentration Policy. Moreover, Overseas Risk Management Framework was developed with coordinated efforts, consolidated consumer portfolio analytics was initiated and a dedicated function was set-up for Credit Portfolio Management Review.

#### 41.1.2 Basel II / Risk Automation

This Wing is responsible for managing and facilitating Basel II project in close coordination with the Basel II consultants and with the active support and involvement of other functions within the Bank. The Wing is also responsible to perform project management and support services in relation to evaluation, selection and implementation of suitable risk management applications, as required by the Bank.



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### For the year ended December 31, 2015

A comprehensive diagnostic exercise was conducted on a Bank-wide basis and the relevant areas for improvement were identified. This exercise encompassed all possible aspects that impacted the Bank's Risk Management environment including the assessment of its existing risk management structure, policies and procedures, overall system architecture from a risk perspective and data availability and quality required for comprehensive risk management.

Based on the areas identified during the diagnostic exercise, detailed remediation plans have been developed proposing various structured initiatives that the Bank needs to undertake. These remediation plans contain the initiatives, action steps and related guidelines for enhancement in policies and procedures. The Bank has achieved about 75% of Basel II project implementation.

#### **41.1.3 E-CIB and Data Management**

E-CIB & Data Management Wing manages collection & consolidation of borrower's information in two separate databases on monthly / quarterly basis for e-CIB reporting and various risk related analysis for credit portfolio management/MIS respectively and reviews the quality and integrity of credit and advances related data. Such data is utilized by various groups, divisions and field functionaries.

The Wing is responsible for handling e-CIB related matters and performing periodic review and generate reports of advances data, highlighting inconsistencies and errors and issuing instructions to the relevant data entry points for rectification. The Wing has taken several initiatives for data accuracy and identification of data discrepancies which improved the quality of data significantly than the previous years and carried out additional data collection exercises for Basel-II Models requirements. A web-based application has also been developed and under testing to replace existing templates. The new data requirements for Basel-II Models have also been provided to PMO for mapping/incorporating with CBA.

#### **41.1.4 Operational Risk Management**

Operational Risk Management Wing has been developed to help align the Bank with the sound practices of operational risk set by the Basel Committee and provide guidance for setting Operational Risk Strategy of the Bank, selection and adoption of risk and loss measurement tools, reporting & communication and establishment of operational risk management process.

For further strengthening the operational risk in the Bank, Operational Risk Management Wing has achieved the following milestones.

##### **41.1.4.1 Implementation of Operational Risk Management tools - Risk & Control Self Assessment (RCSA)**

For identification and assessment of operational risk across the Bank, the Bank has adopted risk assessment methodology known as Risk & Control Self Assessment.

##### **41.1.4.2 Mapping of Bank's activities into Basel Defined Business Lines**

One of the qualifying criteria of the SBP, for allowing the banks to move towards next level approaches (The Standardised Approach (TSA)/ Alternative Standardised Approach (ASA)) in order to get benefit of the capital, is mapping of Bank's activities into Basel defined business lines. RMG is working on segregating these activities into Basel defined business lines. These business lines include Corporate Finance, Trading and Sales, Retail Banking, Commercial Banking, Payment and Settlement, Agency Services, Asset Management, Retail Brokerage etc.

##### **41.1.4.3 Monitoring of ORM Tolerance limit and updation**

Bank has identified the limits for various operational risk categories and now Bank would monitor its operational losses against those defined limits and apprise the Senior Management / Board.

##### **41.1.4.4 Training to field functionaries on Operational Risk Management & its tools**

Training is also being imparted to the field functionaries on Operational Risk Management and its various tool such as Risk & Control Self Assessment (RCSA), Key Risk Indicators (KRIs), Operational Loss Data Collection Mechanism etc.

##### **41.1.4.5 Key Risk Indicators & Its Reporting**

Key Risk Indicators (KRIs) act as early warning signals by providing the capability to indicate changes in an organization's risk profile. Currently, the Bank has initiated KRI exercise on pilot run basis whereby the relevant stakeholders report their specific KRI reports to RMG and on the basis of data received from relevant stakeholders, RMG has developed the KRI thresholds which shall be used for variance reporting.



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#### 41.1.5 Market & Liquidity Risk Management

The Wing ensures that the Market and Liquidity Risks are identified, measured, monitored and controlled with the support and involvement of respective Business and Support Groups / Divisions, and in accordance with the regulatory requirements and internal policies. Broadly, it is responsible for formulation / proposition of Market Risk Management (MRM) Framework (which includes Asset Liability Management (ALM) Policy & Procedures, Investment Policy of the Bank, Interest Rate Risk Management (IRRM) Policy, VaR & Back Testing Policy etc.), Treasury & Equity Investment portfolio monitoring, assessment / development of Market and Liquidity Risk limits, MIS for Liquidity & Interest Rate Risk monitoring, review of various policies and procedure manuals from Market & liquidity Risk perspective, provision of necessary support in Market Risk Capital Calculation, Coordinating and working with other wings for ICAAP, Stress Testing and other Market and Liquidity Risk functionalities. Further detailed disclosures are given in note 41.3.

#### 41.1.6 BPR & COSO Implementation Project

The Business Process Review and COSO Implementation Project commenced from March 17, 2014 to effectively implement BPR & COSO, in order to achieve CBA optimization by streamlining the operating model (including best practice centralization), improving regulatory compliance as well as improving the platform for customer service and product/ service deployment. Furthermore, enhance MIS reporting and decision making and improve TATs resulting from process and organizational efficiencies.

The Project Management Office – BPR & COSO Implementation ensures smooth coordination amongst various stakeholders i.e. Consultants, IT vendors and the BPR & COSO Project Implementation Team. Further, PMO assists the BPR & COSO Steering Committee by providing project updates and escalating all relevant issues for appropriate resolution/ disposition in timely manner. In order to infuse the Project's awareness amongst field functionaries, PMO conducted various training sessions to prepare Master Trainers at all four staff colleges, circulated three bi-monthly Bank-wide Bulletin on BPR & COSO implementation and presented a study paper in NBP News line Magazine.

#### 41.1.7 Credit Administration

Credit Administration Wing (CAD) ensures proper credit discipline in the Bank by adopting sound and prudent bank lending practices.

In line with the best international practices, the Wing is responsible for preparation of finance documents, supervision of registration of charge with relevant authorities, safe keeping of the security documents and shadow credit files, disbursements of finances as per sanction followed by credit maintenance during the currency of loans. It also monitors the performances of vendors including Mucaddam companies, Bank's Legal Advisors, etc.



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## 41.1.8 SEGMENTAL INFORMATION

### 41.1.8.1 Segment by class of business

	2015					
	Advances (Gross)		Deposits		Contingencies & Commitments	
	Rupees in '000	Percentage %	Rupees in '000	Percentage %	Rupees in '000	Percentage %
Chemical and pharmaceuticals	2,868,160	0.41	730,593	0.05	6,822,114	2.06
Agriculture	50,646,577	7.32	33,523,874	2.34	501,992	0.15
Textile	62,004,381	8.97	3,338,990	0.23	7,060,796	2.14
Cement	8,294,705	1.20	1,624,918	0.11	8,046,294	2.43
Sugar	21,967,678	3.18	197,704	0.01	4,399	0.00
Flour	2,628,323	0.38	508,225	0.04	-	0.00
Rice processing	13,818,038	2.00	1,368,188	0.10	-	0.00
Shoes and leather garments	545,355	0.08	149,623	0.01	84,299	0.03
Automobile and transportation equipment	-	-	-	-	-	-
Financial	2,532,056	0.37	5,135,158	0.36	2,284,055	0.69
Insurance	4,429,054	0.64	204,616,538	14.30	7,008,570	2.12
Transportation	361,839	0.05	568,293	0.04	3,154	0.00
Real estate construction	63,580,619	9.19	2,058,782	0.14	23,622,221	7.14
Electronics and electrical appliances	8,490,767	1.23	6,599,622	0.46	3,693,670	1.12
Production and transmission of energy	6,229,452	0.90	1,523,571	0.11	2,241,055	0.68
Food and tobacco	125,085,736	18.09	100,788,152	7.04	120,538,973	36.45
Fertilizer	2,850,787	0.41	1,540,655	0.11	1,102,705	0.33
Metal products	15,909,181	2.30	2,665,856	0.19	4,950,538	1.50
Telecommunication	55,645,359	8.05	3,609,941	0.25	1,060,524	0.32
Hotel and services	5,120,981	0.74	71,609,912	5.00	4,159,840	1.26
Public sector commodity operations	6,705,519	0.97	165,699,665	11.58	4,928,030	1.49
Individuals	48,314,784	6.99	93,417	0.01	768,600	0.23
General traders	127,275,291	18.40	491,575,374	34.35	4,633,175	1.40
Others	25,457,349	3.68	42,356,940	2.96	363,496	0.11
	30,860,571	4.45	289,152,607	20.21	126,798,077	38.35
	691,622,562	100.00	1,431,036,598	100.00	330,676,577	100.00

	2014					
	Advances (Gross)		Deposits		Contingencies & Commitments	
	Rupees in '000	Percentage %	Rupees in '000	Percentage %	Rupees in '000	Percentage %
Chemical and pharmaceuticals	3,870,130	0.53	1,230,143	0.10	7,832,740	3.20
Agriculture	56,700,010	7.79	32,337,221	2.62	30,974	0.01
Textile	67,854,542	9.32	4,095,467	0.33	8,383,945	3.43
Cement	8,434,984	1.16	546,941	0.04	241,896	0.10
Sugar	20,699,027	2.84	305,501	0.02	119,670	0.05
Flour	2,822,353	0.39	444,128	0.04	-	0.00
Rice processing	16,462,954	2.26	2,223,306	0.18	-	0.00
Shoes and leather garments	698,018	0.10	237,549	0.02	152,651	0.06
Automobile and transportation equipment	-	-	-	0.00	-	-
Financial	2,246,514	0.31	1,298,443	0.11	1,017,449	0.42
Insurance	4,828,406	0.66	168,212,569	13.64	6,300,907	2.58
Transportation	-	0.00	1,650,801	0.13	3,151	0.00
Real estate construction	78,866,068	10.83	3,389,593	0.27	12,745,826	5.21
Electronics and electrical appliances	8,964,631	1.23	7,022,911	0.57	4,236,642	1.73
Production and transmission of energy	4,818,980	0.66	2,457,308	0.20	5,060,754	2.07
Food and tobacco	-	-	-	0.00	-	-
Fertilizer	128,129,091	17.60	86,431,489	7.01	65,853,909	26.92
Metal products	1,902,003	0.26	413,014	0.03	824,949	0.34
Telecommunication	10,837,894	1.49	3,682,591	0.30	4,166,208	1.70
Hotel and services	52,502,808	7.21	4,347,830	0.35	5,052,841	2.07
Public sector commodity operations	6,522,497	0.90	62,089,422	5.03	10,742,054	4.39
Individuals	5,234,787	0.72	113,103,571	9.17	2,861,717	1.17
General traders	57,601,776	7.91	30,927	0.00	3,828,642	1.57
Others	133,910,260	18.39	447,232,129	36.26	6,368,154	2.60
	20,321,679	2.79	38,316,131	3.11	870,178	0.36
	33,834,646	4.65	252,426,505	20.47	97,931,433	40.02
	728,064,058	100.00	1,233,525,490	100.00	244,626,690	100.00



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### 41.1.8.2 Segment by sector

	2015					
	Advances (Gross)		Deposits		Contingencies & Commitments	
	Rupees in '000	Percentage %	Rupees in '000	Percentage %	Rupees in '000	Percentage %
Public / Government	232,134,564	33.56	532,737,226	37.23	242,038,580	73.19
Private	459,487,998	66.44	898,299,372	62.77	88,637,997	26.81
	691,622,562	100.00	1,431,036,598	100.00	330,676,577	100.00

	2014					
	Advances (Gross)		Deposits		Contingencies & Commitments	
	Rupees in '000	Percentage %	Rupees in '000	Percentage %	Rupees in '000	Percentage %
Public / Government	256,688,614	35.26	406,272,270	32.94	146,482,760	59.88
Private	471,375,444	64.74	827,253,220	67.06	98,143,930	40.12
	728,064,058	100.00	1,233,525,490	100.00	244,626,690	100.00

### 41.1.8.3 Details of non-performing advances and specific provision by class of business segment

	2015		2014	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	Rupees in '000			
Chemical and pharmaceuticals	4,174,680	4,096,609	2,518,971	2,041,237
Agriculture	5,285,971	2,286,443	3,777,540	2,035,544
Textile	31,824,180	30,782,783	27,695,737	26,381,361
Cement	2,696,585	2,694,675	3,629,759	3,512,855
Sugar	4,063,911	3,762,502	4,435,686	3,463,169
Flour	499,507	493,938	587,894	520,647
Rice processing	3,510,261	3,196,494	3,089,037	2,597,505
Shoes and leather garments	362,212	352,516	310,813	305,355
Automobile and transportation equipment	958,273	956,681	951,406	940,410
Financial	1,072,158	1,068,308	777,753	777,753
Transportation / Karobar	3,985,890	3,825,351	2,723,931	2,723,931
Real estate construction	2,051,448	2,005,594	2,737,062	2,199,783
Electronics and electrical appliances	4,011,073	3,783,073	1,967,158	1,874,527
Production and transmission of energy	6,511,343	5,298,938	10,596,739	7,888,576
Food and tobacco	1,892,513	1,703,138	2,281,312	2,049,591
Fertilizer	3,090,327	3,076,673	3,032,122	2,106,685
Metal products	18,319,159	14,694,459	16,157,959	9,122,294
Hotel and services	4,263,956	4,247,129	4,649,966	3,290,532
Individuals	6,750,680	3,900,375	6,509,134	3,787,038
General traders	10,419,731	10,347,312	12,769,596	12,080,194
Others	11,536,439	8,192,600	9,641,794	8,459,524
	127,280,297	110,765,591	120,841,369	98,158,511

### 41.1.8.4 Details of non-performing advances and specific provision by sector

Public / Government	4,890,641	2,223,867	515,169	515,169
Private	122,389,656	108,541,724	120,326,200	97,643,342
	127,280,297	110,765,591	120,841,369	98,158,511

### 41.1.8.5 Geographical segment analysis

	2015			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	Rupees in '000			
Pakistan	36,877,182	1,563,368,096	149,956,587	284,381,138
Asia Pacific (including South Asia)	(3,455,139)	69,422,924	11,803,782	19,571,314
Europe	(184,782)	9,152,966	2,378,541	2,811,056
United States of America	(160,262)	29,918,934	2,080,106	4,553,469
Middle East	138,609	34,498,463	2,132,459	19,359,600
	33,215,608	1,706,361,383	168,351,475	330,676,577



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	2014			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- Rupees in '000 -----			
Pakistan	33,227,325	1,445,297,532	162,625,118	196,840,546
Asia Pacific (including South Asia)	(11,044,820)	43,691,641	4,950,246	26,893,036
Europe	(171,575)	9,020,130	3,691,206	3,492,113
United States of America	(86,360)	12,669,437	2,378,220	2,987,512
Middle East	76,173	32,375,577	4,684,111	14,413,483
	<u>22,000,743</u>	<u>1,543,054,317</u>	<u>178,328,901</u>	<u>244,626,690</u>

### 41.2 Operational Risk

A comprehensive Operational Risk Management Framework has been developed to help align the Bank with the sound practices for operational risk set by Basel, provide guidance for setting the operational risk strategy of the Bank, selection and adoption of risk and loss measurement tools, reporting, communication and establishment of operational risk management processes.

Currently, the Bank has a Board Approved Operational Risk Strategy Document which also includes Operational Risk Tolerance limits as per Basel II Loss Event Categories. Furthermore, the Bank has already rolled out Operational Loss Data Collection Mechanism whereby field functionaries are responsible to report operational losses under their jurisdiction.

Moreover, the Bank has also completed Risk & Control Self Assessment (RCSA) exercise, whereas 40 RCDAs have been developed through rigorous processes which include but not limited to various cross functional team meetings held with the relevant stakeholders. In addition, on the basis of high risks, identified from RCSA exercise, the Bank has initiated the Key Risk Indicators (KRIs) reporting on pilot run basis. Based on KRI data reported by relevant stakeholders, KRI thresholds have been set which shall be used for variance reporting.

### 41.3 Market and Liquidity Risk

The Bank has developed Market Risk Management (MRM) Framework comprising of related Policies / Procedures. The Framework aims to formalize and enhance the existing documentation that governs the market risk management of the Bank through policies and procedures.

RMG in coordination with the other groups is also working on devising improved criteria for various market risk limits. VaR models for trading portfolio have been developed and are on pilot run.

Proprietary market risk stress testing scenarios have been developed (in addition to the regulatory ones) and testing is being performed on the same to assess subsequent impact on CAR.

Limits / zones and Management Action Triggers & Management Action Plans corresponding to Liquidity Ratio, Balance Sheet Duration Gap, Government Securities PVBP and Duration have been developed in conjunction with TMG. These triggers are used for proposing/ recommending actions by ALCO.



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## 41.3.1 Foreign Exchange Risk

	2015			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupee	1,515,212,228	1,288,797,399	(89,553,739)	136,861,090
United States Dollar	108,345,433	119,431,806	4,614,616	(6,471,757)
Great Britain Pound	3,810,668	7,784,448	8,421,739	4,447,959
Japanese Yen	23,480,826	92,427,156	68,606,897	(339,433)
Euro	8,058,143	10,367,711	6,643,117	4,333,549
Other currencies	47,454,085	19,201,389	1,267,370	29,520,066
	191,149,155	249,212,510	89,553,739	31,490,384
	<u>1,706,361,383</u>	<u>1,538,009,908</u>	<u>-</u>	<u>168,351,475</u>
	2014			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupee	1,391,723,372	1,146,106,586	(112,755,390)	132,861,396
United States Dollar	90,952,905	134,910,378	52,084,331	8,126,858
Great Britain Pound	3,592,619	8,499,956	8,097,800	3,190,463
Japanese Yen	2,620,349	53,362,252	46,943,347	(3,798,556)
Euro	7,765,845	7,805,752	5,619,614	5,579,707
Other currencies	46,399,227	14,040,492	10,298	32,369,033
	151,330,945	218,618,830	112,755,390	45,467,505
	<u>1,543,054,317</u>	<u>1,364,725,416</u>	<u>-</u>	<u>178,328,901</u>

Currency Risk arises where the value of a financial instrument changes due to changes in foreign exchange rates. In order to manage currency risk exposure the Bank enters into ready, spot, forward and swaps transactions with the SBP and in the interbank market, financial institutions and corporate.

The Bank's foreign exchange exposure comprises forward contracts, purchases of foreign bills, foreign currencies cash in hand, balances with banks abroad, foreign placements with the SBP and foreign currencies assets and liabilities. The net open position is managed within the statutory limits, as fixed by the SBP. Appropriate segregation of duties exists between the front, middle and back office functions.



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### 41.3.2 Equity Position Risk

Investments in equity are generally regarded as riskier relative to fixed income securities owing to the inherent volatility of stock market prices. The risks from various factors include, but are not limited to:

Changes in business cycle affecting the business of the company in which the investment is made. Change in business circumstances (i.e. fundamentals) of the company, its business sector, industry and / or economy in general;

Mismanagement of the investee company, their products / services any third party liability or occurrence of other events such as strikes, fraud, etc. in the company in which investment is made;

Fluctuation in the shares' prices resulting from their dependence on market sentiment, speculative activity, supply and demand of shares and liquidity in the market;

Possibility of defaults by participant or failure of the stock exchanges, the depositories, the settlement or the clearing system on discharging their fiduciary responsibilities; and

Any government or court order restraining payment of dividend by a company to its shareholders.

The Bank mitigates the aforesaid risks as follows:

Compliance with the SBP regulations for equity exposure / investments and compliance with the SECP Corporate Governance Rules by the investee company prudent investing practices (focus on dividend payout history);

Through diversification and capping maximum exposure through internal limits. Additionally, continuous follow up of these sectors and companies through self monitoring and fundamentals research conducted internally and from reputable brokerage houses;

Investments are made as per the guidelines on liquidity and growth as per investment policy manual or guidelines set by Senior Management and the Board of Directors; and

The Bank follows a delivery versus payment settlement system thereby minimizing risk in relation to settlement risk.

### 41.3.3 Mismatch of Interest Rate Sensitive Assets and Liabilities

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market mark-up / interest rates. The Bank is exposed to interest / mark-up rate risk as a result of mismatches or gaps in the amount of interest / mark-up based assets and liabilities that mature or re-price in a given period. The Bank manages this risk by matching / re-pricing of assets and liabilities. The Assets and Liabilities Committee (ALCO) / Executive Risk Management Committee (ERMC) of the Bank monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the Bank.

Management of interest rate risk is one of the critical components of market risk management in banks. The Bank's net interest income or net interest margin is also dependent on the movement of interest rates and mismatches in the cash flows or re-pricing dates. Interest rate risk management includes establishing and monitoring various risk mitigating / quantifying limits such as PVBP, duration, balance sheet DGAP and other money market and interest rate sensitivity limits.

As part of the risk reporting, an interest rate sensitivity statement is prepared on a quarterly basis. This statement classifies the interest rate-sensitive assets and liabilities into various maturity groups enabling the management to monitor the impact of interest rate movements on the Statement of Financial Position.



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## 41.3.3 Mismatch of Interest Rate Sensitive Assets and Liabilities - (continued)

2015

	Effective Yield / Interest rate	Exposed to Yield / Interest risk										Non-interest bearing financial instruments
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
		Rupees in '000										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.1%	150,899,778	13,600,070	-	765,510	-	-	-	-	-	-	136,534,198
Balances with other banks	2.7%	20,128,273	11,481,452	243,824	2,166,790	436,173	-	-	-	-	-	5,800,034
Lending to financial institutions - net	6.1%	10,638,524	4,633,316	3,061,200	-	2,944,008	-	-	-	-	-	-
Investments - net	8.4%	826,301,890	173,699,405	184,596,124	41,073,781	214,178,739	29,284,117	51,024,256	22,322,495	43,153,655	1,155,564	65,813,754
Advances - net	8.2%	577,892,610	215,070,746	96,286,529	80,401,152	47,986,137	23,072,100	26,226,926	49,330,966	32,416,385	7,101,669	-
Other assets	0.0%	65,964,142	-	-	-	-	-	-	-	-	-	65,964,142
		1,651,825,217	418,484,989	284,187,677	124,407,233	265,545,057	52,356,217	77,251,182	71,653,461	75,570,040	8,257,233	274,112,128
Liabilities												
Bills payable	0.0%	9,171,616	-	-	-	-	-	-	-	-	-	9,171,616
Borrowings	6.1%	21,911,190	13,645,008	5,126,290	1,216,826	1,400,200	70,800	227,663	224,403	-	-	-
Deposits and other accounts	3.7%	1,431,036,598	826,354,118	34,169,891	42,118,477	79,443,057	5,851,314	5,086,648	12,446,977	42,847	-	425,523,269
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	9.5%	35,800	-	2,407	2,466	4,877	11,156	14,894	-	-	-	-
Other liabilities	0.0%	69,386,743	-	-	-	-	-	-	-	-	-	69,386,743
		1,531,541,947	839,999,126	39,298,588	43,337,769	80,848,134	5,933,270	5,329,205	12,671,380	42,847	-	504,081,628
On-balance sheet gap		120,283,270	(421,514,137)	244,889,089	81,069,464	184,696,923	46,422,947	71,921,977	58,982,081	75,527,193	8,257,233	(229,969,500)
Off-balance sheet financial instruments												
Cross currency swaps	-	-	-	-	-	-	-	-	-	-	-	-
Forward purchase of foreign exchange	-	273,199,134	159,781,120	75,951,727	20,758,840	16,707,446	-	-	-	-	-	-
Forward sale of foreign exchange	-	183,645,394	156,607,154	24,618,598	1,716,729	702,914	-	-	-	-	-	-
Off-balance sheet gap		456,844,528	316,388,274	100,570,325	22,475,569	17,410,360	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap		577,127,798	(105,125,863)	345,459,414	103,545,033	202,107,283	46,422,947	71,921,977	58,982,081	75,527,193	8,257,233	(229,969,500)
Cumulative Yield / Interest Risk Sensitivity Gap			(105,125,863)	240,333,551	343,878,584	545,985,867	592,408,814	664,330,791	723,312,872	798,840,065	807,097,298	577,127,798



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## 41.3.3 Mismatch of Interest Rate Sensitive Assets and Liabilities - (continued)

2014

	Effective Yield / Interest rate	Exposed to Yield / Interest risk									Non-interest bearing financial instruments
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
		Rupees in '000									
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	0.1%	97,971,501	22,005,028	-	642,196	-	-	-	-	-	75,324,277
Balances with other banks	1.2%	12,108,025	5,235,066	1,725,641	2,194,009	428,169	-	-	-	-	2,525,140
Lending to financial institutions - net	9.0%	111,788,608	111,663,608	125,000	-	-	-	-	-	-	-
Investments - net	9.6%	561,764,135	6,525,764	7,339,702	71,972,226	51,861,241	201,109,453	48,765,637	54,473,609	4,250,860	88,912,774
Advances - net	11.3%	626,704,083	201,095,721	140,657,248	88,045,007	95,286,365	7,702,783	16,597,198	12,833,454	12,654,580	-
Other assets	0.00%	70,509,328	-	-	-	-	-	-	-	-	70,509,328
		1,480,845,680	346,525,187	149,847,591	162,853,438	147,575,775	208,812,236	43,150,067	67,307,063	16,905,440	237,271,519
Liabilities											
Bills payable	0.00%	11,011,827	-	-	-	-	-	-	-	-	11,011,827
Borrowings	8.8%	37,541,497	15,192,415	16,465,336	5,345,319	321,311	66,349	79,967	-	-	-
Deposits and other accounts	5.9%	1,233,525,490	710,518,517	41,390,238	37,196,500	42,324,243	7,554,251	7,523,840	1,300	-	375,984,601
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	13.9%	12,738	-	2,799	2,893	7,046	-	-	-	-	-
Other liabilities	0.0%	66,391,263	-	-	-	-	-	-	-	-	66,391,263
		1,348,482,815	725,710,932	57,858,373	42,544,712	42,652,600	7,620,600	7,603,807	1,300	-	453,387,691
		132,362,865	(379,185,745)	91,989,218	120,308,726	104,923,175	201,191,636	35,546,260	67,305,763	16,905,440	(216,116,172)
On-balance sheet gap											
Off-balance sheet financial instruments											
Cross currency swaps	-	-	-	-	-	-	-	-	-	-	-
Forward purchase of foreign exchange	233,021,148	128,916,548	47,002,154	55,928,408	1,174,038	-	-	-	-	-	-
Forward sale of foreign exchange	120,265,758	96,441,607	20,993,757	2,830,394	-	-	-	-	-	-	-
	353,286,906	225,358,155	67,995,911	58,758,802	1,174,038	-	-	-	-	-	-
Off-balance sheet gap											
		(153,827,590)	159,985,129	179,067,528	106,097,213	201,191,636	35,546,260	89,494,564	67,305,763	16,905,440	(216,116,172)
Total Yield / Interest Risk Sensitivity Gap											
		(153,827,590)	6,157,539	185,225,067	291,322,280	492,513,916	528,060,176	617,554,740	684,860,503	701,765,943	485,649,771
Cumulative Yield / Interest Risk Sensitivity Gap											



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

## 41.4 Liquidity Risk

Liquidity risk is the risk that the Bank will be unable to meet its liability when they fall due. To limit this risk, management has arranged diversified funded sources, manages assets with liquidity in mind and monitors liquidity on daily basis. In addition, the Bank maintains statutory deposits with central banks inside and outside Pakistan.

The purpose of liquidity management is to ensure sufficient cash flows to meet all of the Bank's liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking sustained damage to the Bank's business franchises, as well as to capitalize on opportunities for business expansion. This includes the Bank's ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature and to make new loans and investments as opportunities arise.

The ALCO is responsible for ensuring that the Bank has adequate liquidity and monitors liquidity gaps, to execute this responsibility. Regulatory stress as well as proprietary stress testing and scenario analysis are performed to proactively identify and manage liquidity needs / requirements. Bank has various limits / ratios, triggers and management actions in place to monitor and mitigate liquidity risk.

### 41.4.1 Maturities of Assets and Liabilities (based on contractual maturity)

2015

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Rupees in '000										
Assets										
Cash and balances with treasury banks	150,899,778	150,134,268	-	765,510	-	-	-	-	-	-
Balances with other banks	20,128,273	17,281,486	243,824	2,166,790	436,173	-	-	-	-	-
Lending to financial institutions - net	10,638,524	4,633,316	3,061,200	-	2,944,008	-	-	-	-	-
Investments - net	826,301,890	173,701,386	184,595,963	41,073,781	242,783,692	32,799,063	61,579,652	23,618,507	43,153,655	22,996,191
Advances - net	577,892,610	156,501,947	56,227,042	110,847,784	61,481,802	35,604,859	45,090,891	69,267,782	27,906,815	14,963,688
Operating fixed assets	31,935,787	-	-	-	947,462	947,462	2,295,785	1,033,193	-	26,711,885
Deferred tax assets - net	9,669,359	-	-	-	-	-	-	2,649,177	7,020,182	-
Other assets	78,895,162	15,232,997	17,347,374	9,895,255	1,278,245	23,933,523	10,308,505	899,263	-	-
	1,706,361,383	517,485,400	261,475,403	164,749,120	309,871,382	93,284,907	119,274,833	97,467,922	78,080,652	64,671,764
Liabilities										
Bills payable	9,171,616	9,171,616	-	-	-	-	-	-	-	-
Borrowings	21,911,190	13,645,009	5,126,290	1,216,826	1,400,200	70,800	227,663	224,402	-	-
Deposits and other accounts	1,431,036,598	1,168,261,374	55,389,067	99,149,119	58,158,230	16,276,238	7,589,871	26,212,699	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	35,800	-	2,407	2,466	4,877	11,156	14,894	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	75,854,704	21,755,451	9,354,369	6,876,641	1,099,837	22,376,222	2,964,273	5,785,485	2,821,212	2,821,214
	1,538,009,908	1,212,833,450	69,872,133	107,245,052	60,663,144	38,734,416	10,796,701	32,222,586	2,821,212	2,821,214
Net assets										
	168,351,475	(695,348,050)	191,603,270	57,504,068	249,208,238	54,550,491	108,478,132	65,245,336	75,259,440	61,850,550
Share capital	21,275,131									
Reserves	43,658,826									
Unappropriated profit	51,077,476									
Surplus on revaluation of assets - net	52,340,042									
	168,351,475									



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

## 41.4.1 Maturities of Assets and Liabilities (based on contractual maturity) - (continued)

2014

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets										
Cash and balances with treasury banks	97,971,501	97,329,305	-	642,196	-	-	-	-	-	-
Balances with other banks	12,108,025	7,760,206	1,725,641	2,194,009	428,169	-	-	-	-	-
Lending to financial institutions - net	111,788,608	111,663,608	125,000	-	-	-	-	-	-	-
Investments - net	561,764,137	6,537,307	7,339,702	71,970,805	91,305,072	205,016,118	43,911,754	52,748,868	54,472,358	28,462,153
Advances - net	626,704,083	98,787,368	42,380,611	94,127,187	145,717,289	21,340,587	54,899,911	94,390,817	56,418,792	18,641,521
Operating fixed assets	31,795,539	-	-	-	2,798,864	342,331	1,349,525	565,883	266,336	26,472,600
Deferred tax assets - net	9,877,509	-	-	-	-	-	-	4,435,092	5,442,417	-
Other assets	91,044,915	17,711,167	19,991,927	11,499,551	1,463,182	37,158,917	3,028,616	191,555	-	-
	1,543,054,317	339,788,961	71,562,881	180,433,748	241,712,576	263,857,953	103,189,806	152,332,215	116,599,903	73,576,274
Liabilities										
Bills payable	11,011,827	11,011,827	-	-	-	-	-	-	-	-
Borrowings	37,541,497	15,192,415	16,465,336	5,345,319	321,311	66,349	79,967	70,800	-	-
Deposits and other accounts	1,233,525,490	951,066,713	57,988,656	76,080,243	88,578,497	15,539,010	12,621,070	31,651,301	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	12,738	-	2,799	2,893	7,046	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	82,633,864	32,634,713	1,282,991	10,981,137	1,101,275	23,472,056	2,708,809	5,290,167	2,581,358	2,581,358
	1,364,725,416	1,009,905,668	75,739,782	92,409,592	90,008,129	39,077,415	15,409,846	37,012,268	2,581,358	2,581,358
Net assets										
	178,328,901	(670,116,707)	(4,176,901)	88,024,156	151,704,447	224,780,538	87,779,960	115,319,947	114,018,545	70,994,916
Share capital	21,275,131									
Reserves	32,073,606									
Unappropriated profit	57,006,813									
Surplus on revaluation of assets - net	67,973,351									
	178,328,901									



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 41.4.2 Maturities of Assets and Liabilities (based on behavioural study)

The Bank has assets and liabilities that have contractual and non-contractual maturities. The Bank conducts statistical study to assess the expected maturity of assets and liabilities with non-contractual maturities. The behavioural maturities are determined on the basis of statistical study conducted by the Bank, based on the past seven years of data. The attrition rate of deposits is determined based on historically observed weekly data of all Current and Saving Deposit accounts using VaR based approach. The approach considers the tendency of variation among the respective time bands for selected deposit types and drives the portion of volatility of such time bands based on 99% confidence interval on the variation data so calculated. The remaining portion of the deposit which marked as core is accordingly shifted to higher time bands.

2015

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
<b>Assets</b>										
Cash and balances with treasury banks	150,899,778	101,898,446	3,828,810	22,586,261	22,586,261	-	-	-	-	-
Balances with other banks	20,128,273	17,281,486	243,824	2,166,790	436,173	-	-	-	-	-
Lending to financial institutions - net	10,638,524	4,633,316	3,061,200	-	2,944,008	-	-	-	-	-
Investments - net	826,301,890	173,701,386	184,595,963	41,073,781	242,783,692	32,799,063	61,579,652	23,618,507	43,153,655	22,996,191
Advances - net	577,892,610	126,632,115	69,003,000	113,464,169	69,953,049	36,713,841	46,495,520	71,425,548	28,775,545	15,429,823
Operating fixed assets	31,935,787	-	-	-	947,462	947,462	2,295,785	1,033,193	-	26,711,885
Deferred tax assets - net	9,669,359	-	-	-	-	-	-	2,649,177	7,020,182	-
Other assets	78,895,162	10,569,390	6,645,322	25,260,915	1,278,245	23,933,523	10,308,505	899,262	-	-
	1,706,361,383	434,716,139	267,378,119	204,551,916	340,928,890	94,393,889	120,679,462	99,625,687	78,949,382	65,137,899
<b>Liabilities</b>										
Bills payable	9,171,616	4,048,210	518,701	263,382	4,341,323	-	-	-	-	-
Borrowings	21,911,190	13,645,008	5,126,290	1,216,826	1,400,200	70,800	227,663	224,403	-	-
Deposits and other accounts	1,431,036,598	367,633,221	102,105,044	223,750,659	185,095,845	183,733,911	175,047,545	193,670,373	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	35,800	-	2,407	2,466	4,877	11,156	14,894	-	-	-
Other liabilities	75,854,704	19,086,813	11,389,856	7,509,794	1,099,837	22,376,222	2,964,273	5,785,485	2,821,212	2,821,212
	1,538,009,908	404,413,252	119,142,298	232,743,127	191,942,082	206,192,089	178,254,375	199,680,261	2,821,212	2,821,212
<b>Net assets</b>	168,351,475	30,302,887	148,235,821	(28,191,211)	148,986,808	(111,798,200)	(57,574,913)	(100,054,574)	76,128,170	62,316,687
Share capital	21,275,131									
Reserves	43,658,826									
Unappropriated profit	51,077,476									
Surplus on revaluation of assets - net	52,340,042									
	168,351,475									



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

## 41.4.2 Maturities of Assets and Liabilities (based on behavioural study) - (continued)

2014

	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Total									
Rupees in '000									
<b>Assets</b>									
Cash and balances with treasury banks	97,971,501	79,527,483	1,610,940	8,416,539	-	-	-	-	-
Balances with other banks	12,108,025	7,760,206	1,725,641	428,169	-	-	-	-	-
Lending to financial institutions - net	111,788,608	111,663,608	125,000	-	-	-	-	-	-
Investments - net	561,764,137	6,537,307	7,339,702	71,970,805	205,016,118	43,911,754	52,748,868	54,472,358	28,462,153
Advances - net	626,704,083	105,675,418	41,055,002	92,801,579	21,340,587	54,899,911	94,390,817	56,418,792	18,641,521
Operating fixed assets	31,795,539	-	-	-	342,331	1,349,525	565,883	266,336	26,472,600
Deferred tax assets - net	9,877,509	-	-	-	-	-	4,435,092	5,442,417	-
Other assets	91,044,915	12,206,884	7,365,652	29,630,109	37,158,917	3,028,616	191,555	-	-
	1,543,054,317	323,370,906	59,221,937	205,013,041	263,857,953	103,189,806	152,332,215	116,599,903	73,576,274
<b>Liabilities</b>									
Bills payable	11,011,827	4,990,172	523,342	319,582	-	-	-	-	-
Borrowings	37,541,497	15,192,415	16,465,336	5,345,319	66,349	79,967	70,800	-	-
Deposits and other accounts	1,233,525,490	284,315,250	92,734,029	178,758,614	157,479,776	154,561,836	173,592,067	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	12,738	-	2,799	2,893	-	-	-	-	-
Other liabilities	82,633,864	28,826,305	4,283,455	11,789,081	23,472,056	2,708,809	5,290,167	2,581,358	2,581,358
	1,364,725,416	333,324,142	114,008,961	196,215,489	181,018,181	157,350,612	178,953,034	2,581,358	2,581,358
<b>Net assets</b>	<b>178,328,901</b>	<b>(9,953,236)</b>	<b>(54,787,024)</b>	<b>8,797,552</b>	<b>82,839,772</b>	<b>(54,160,806)</b>	<b>(26,620,819)</b>	<b>114,018,545</b>	<b>70,994,916</b>
Share capital	21,275,131								
Reserves	32,073,606								
Unappropriated profit	57,006,813								
Surplus on revaluation of assets - net	67,973,351								
	<b>178,328,901</b>								



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

## 42. ISLAMIC BANKING BUSINESS

The Bank is operating 79 Islamic banking branches as at December 31, 2015 (December 31, 2014: 22 branches).

### 42.1 Profit Distribution Policy for Islamic Banking Division

The profit distribution mechanism during the year complies with the rules and principles of Islamic Shariah and is in the light of guidelines approved by the Shariah Advisor of the Bank's Islamic Banking Division and the SBP guidelines related to Shariah Compliance.

The non-compliant income identified during the year is transferred to the charity account.

### 42.2 Statement of Financial Position As at December 31, 2015

Note                      2015                      2014  
Rupees in '000

#### ASSETS

Cash and balances with treasury banks		1,086,611	173,676
Balances with other banks		3,900,000	266
Due from financial institutions		5,819,375	-
Investments	42.2.1	1,167,617	2,428,587
Islamic financing and related assets	42.2.2	837,408	978,542
Operating fixed assets		61,946	58,418
Due from Head Office		304,234	-
Other assets		615,660	173,781
		13,792,851	3,813,270

#### LIABILITIES

Bills payable		37,588	12,100
Deposits and other accounts			
-Current accounts		5,743,529	768,879
-Saving accounts		5,535,023	1,047,918
-Term deposits		1,422,749	672,802
-Others			
-Deposit from financial institutions-Remunerative		-	348
Due to Head Office		-	433,959
Other liabilities		350,510	62,687
		13,089,399	2,998,693

#### NET ASSETS

#### REPRESENTED BY

Islamic Banking Fund	800,000	800,000
Unappropriated profit	(100,147)	14,237
	699,853	814,237
Surplus on revaluation of assets - net	3,599	340
	703,452	814,577

#### Remuneration to Shariah Advisor

	3,102	3,352
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## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

	2015	2014
	Rupees in '000	
<b>CHARITY FUND</b>		
Opening balance	0.13	0.13
Additions during the period	-	-
Payment / utilisation during the period	(0.13)	-
Closing balance	-	0.13
<b>42.2.1 Investments</b>		
Sukuk	1,298,424	2,559,394
Provision for diminution in the value of investments	(130,807)	(130,807)
	1,167,617	2,428,587
<b>42.2.2 Islamic financing and related assets</b>		
Murabaha	588,400	488,400
Diminishing Musharaka	211,252	188,691
Ijarah assets	229,550	159,462
Advance against Ijarah assets	-	151,016
Advance against Murabaha	-	200,000
	1,029,202	1,187,569
Provision against non-performing financings	(191,794)	(209,027)
	837,408	978,542
<b>PROFIT AND LOSS ACCOUNT</b>		
<b>For the year ended December 31, 2015</b>		
Profit / return earned on financings, investments and placements	712,350	473,354
Profit / return expensed on deposit	(209,658)	(160,745)
Net spread earned	502,692	312,609
Depreciation on assets given on Ijarah	(81,154)	(75,646)
	421,538	236,963
Provision against advances and investments	(3,394)	-
Provision reversed against advances and investments	20,627	9,255
	17,233	9,255
Profit after provision	438,771	246,218
<b>Other income</b>		
Fee, commission and brokerage income	83,421	82,624
Income from dealing in foreign currencies	302	(586)
Other income	(15,030)	(139)
Total other income	68,693	81,899
	507,464	328,117
<b>Other expenses</b>		
Administrative expenses	(607,611)	(313,880)
(Loss) / Profit for the year	(100,147)	14,237



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

## 42.4 Unconsolidated Cash Flow Statement

2015  
Rupees in '000

2014

### Cash Flow from Operating Activities

(Loss) / Profit for the year	(100,147)	14,237
Adjustments :		
Depreciation - Own assets	18,749	9,529
Depreciation - Ijarah assets	81,154	75,646
Reversal of provision against non performing financings and investments	(17,233)	(9,255)
	82,670	75,920
	(17,477)	90,157
(Increase) / decrease in operating assets		
Balance with other banks	(3,899,734)	(186)
Due from financial institutions	(5,819,375)	-
Financings	1,341,442	2,297,708
Other assets	(441,879)	(10,829)
	(8,819,546)	2,286,693
(Increase) / decrease in operating liabilities		
Bills payable	25,488	2,553
Deposits and other accounts	10,211,354	(2,547,664)
Borrowings from Head Office	(752,430)	82,860
Other liabilities	287,823	3,727
	9,772,235	(2,458,524)
<b>Net cash used in operating activities</b>	<b>935,212</b>	<b>(81,674)</b>

### Cash Flow from Investing Activities

Investment in operating fixed assets	(22,277)	(8,393)
<b>Net cash used in investing activities</b>	<b>(22,277)</b>	<b>(8,393)</b>

### Cash Flow from Financing Activities

Net Cash Flow from Financing Activities	-	-
<b>(Decrease) / increase in cash and cash equivalents</b>	<b>912,935</b>	<b>(90,067)</b>
Cash and cash equivalents at beginning of the year	173,676	263,743
<b>Cash and cash equivalents at end of the year</b>	<b>1,086,611</b>	<b>173,676</b>

## 42.5 Allocation of Income and Expenses to Remunerative Depositors' Pool

Income from financing activities	161,536	167,123
Income from investments	314,588	306,231
Income from placements with Financial Institutions	236,226	-
<b>Total Income</b>	<b>712,350</b>	<b>473,354</b>
Less: Administrative expenses directly attributable to the Pool	(81,154)	(75,893)
Less: Profit distributed to other Special Pools	(2,276)	(5,856)
<b>Gross Distributable Income</b>	<b>628,920</b>	<b>391,605</b>
Mudarib (Bank) share of profit before Hiba	(135,599)	(75,030)
Less: Hiba from bank's share to depositors	45,895	16,223
Net Mudarib (Bank) share of profit	(89,704)	(58,807)
<b>Rab-ul-Maal Share of Profit</b>	<b>539,216</b>	<b>332,798</b>
<b>Rab-ul-Maal Share of Profit is distributed as follows:</b>		
Remunerative depositors' share in Mudarabah pool	207,887	156,848
Bank's equity in Mudarabah pool	331,329	175,950
	539,216	332,798

Note: Administrative and operating expenses are paid by the Bank and not charged to the depositors' pool as per guidelines of Mudarabah.



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

### 42.6 Pools maintained by NBP-IBG

NBP-IBG has managed a General Pool and four special pools during the year 2015. The General pool was maintained throughout the year and the special pools were maintained for specific periods. The key features of the special pools maintained are as follows:

Pool description	Pool start date	Pool end date	Profit sharing Ratio	
			Rab-ul-Mall	Mudarib
Special pool 1	February 7, 2015	March 6, 2015	76.16%	23.84%
Special pool 2	March 12, 2015	April 11, 2015	74.15%	25.85%
Special pool 3	April 12, 2015	May 11, 2015	70.72%	29.28%
Special pool 4	March 3, 2015	June 17, 2015	73.24%	26.76%

### 42.7 Sectors of economy where Mudaraba based deposits have been deployed

Sector	Percentage
Textile spinning	1.56%
Textile composite	0.83%
Fuel & energy	3.32%
Leasing/Modarbas	0.36%
Services	0.03%
Sugar	3.54%
Financial	56.25%
Federal Government	34.11%
<b>Total</b>	<b>100%</b>

### 42.8 Parameters for profit allocation and charging expenses

Profit of the pools has been distributed between Mudarib and Rab-ul-Mall by using preagreed profit sharing ratios. The share of Rab-ul-Mall's profit has been distributed among different customers using the various weightages assigned to the different categories of the pool.

Direct expenses charged to the pool Comprise the Depreciation on Ijarah Assets and brokerage commission paid on purchase of Sukuk from secondary market. No provision against any non performing asset of the pool is passed on to the pool except on the actual loss / write off of such non performing asset.

### 42.9 Mudarib Share

Gross distributable income	628,920
Mudarib (Bank) share of profit before Hiba	135,599

Mudarib Share	Percentage 22%
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### 42.10 Hiba from Mudarib share

Mudarib (Bank) share of profit before Hiba	135,599
Hiba from bank's share to depositors	45,895

Hiba from bank's share to depositors	Percentage 34%
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### 42.11 During the year the average profit rate earned by the Islamic Banking Group is 7.40% and the profit rate distributed to the depositors is 4.52%.



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### For the year ended December 31, 2015

#### 43. SUBSEQUENT EVENT

The Board of Directors has proposed a cash dividend of Rs. 7.5 per share (2014: Rs. 5.5 per share) amounting to Rs. 15,956 million (2014: Rs. 11,701 million) at its meeting held on February 19, 2016 for approval of the members at the Annual General Meeting to be held on March 30, 2016. These financial statements do not reflect this appropriation as explained in note 5.16.

#### 44. GENERAL

Figures have been rounded off to the nearest thousand rupees.

#### 45. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on February 19, 2016 by the Board of Directors of the Bank.

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**Muneer Kamal**  
*Chairman*

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**Syed Ahmed Iqbal Ashraf**  
*President*

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**Muhammad Naeem**  
*Director*

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**Iftikhar A. Allawala**  
*Director*



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

Annexure I as referred to in  
Note 9.14 to the financial statements

### 1.1 Particulars of investments held in listed companies and modarabas

#### 1.1.1 Ordinary shares

Investee	JCRVIS	PACRA	No. of shares held		Market Value	
			2015	2014	2015	2014
					-----Rupees in '000-----	
<b>Available-For-Sale</b>						
Abbott Laboratories Limited	Unrated	Unrated	-	-	-	-
Adamjee Insurance Company Limited	Unrated	AA	8,036,307	8,036,307	454,132	397,476
Adil Textile Mills Limited	Unrated	Unrated	47,696	47,696	-	-
ADOS Pakistan Limited	Unrated	Unrated	575,500	575,500	20,171	27,192
Agriauto Industries Ltd.	Unrated	Unrated	567,047	567,047	117,379	85,057
Aisha Steel Mills Limited	A-/A-2	Unrated	10,000,000	10,000,000	87,100	82,900
AKZO Nobel Pakistan Limited	Unrated	Unrated	-	-	-	-
Al Abbas Sugar Mills	A/A1	A/A1	727,285	727,285	152,650	107,915
Al Abid Silk Mills	Unrated	Unrated	583,570	583,570	11,753	7,003
Al Qaim Textile Mills	Unrated	Unrated	-	-	-	-
Al-ghazi Tractors Limited	Unrated	Unrated	-	-	-	-
Allied Bank Limited	AA+/1+	AA/A1+	6,136,450	8,200,250	578,422	931,384
American Life Insurance	Unrated	Unrated	-	-	-	-
Amtex Ltd.	Unrated	Unrated	23,172,472	23,172,472	44,259	58,858
Archrome Pakistan (Formerly Clariant)	Unrated	Unrated	289,720	296,670	133,506	169,387
Arif Habib Corporation Ltd (Form. Ahsl)	AA/A-1+	Unrated	-	2,185,692	-	60,107
Arif Habib Limited	Unrated	Unrated	-	-	-	-
Aruf Garment Accessories Limited	Unrated	Unrated	-	-	-	-
Asim Textile Mills	Unrated	Unrated	504,737	582,237	3,079	6,055
Askari Bank Limited	Unrated	AA/A1+	19,145,344	19,145,344	416,220	441,683
Atlas Battery Limited	Unrated	Unrated	-	-	-	-
Atlas Insurance	Unrated	Unrated	-	-	-	-
Attock Petroleum Ltd	Unrated	Unrated	1,011,151	1,011,151	510,753	545,597
Attock Refinery Limited	Unrated	AA/A1+	911,885	911,885	193,210	171,225
Ayaz Textile Mills	Unrated	Unrated	107,432	107,432	-	-
Azgard Nine Ltd	Unrated	D	22,169,691	22,169,691	97,990	130,579
Babri Cotton Mills	Unrated	Unrated	321,778	321,778	12,871	16,781
Balochistan Particle Board	Unrated	Unrated	850	398,550	4	2,834
Baluchistan Wheels	Unrated	Unrated	684,357	684,357	41,910	39,132
Bank Al Habib Limited	Unrated	AA+/A1+	11,037,866	11,037,866	459,175	535,888
Bank Alfalah Limited	Unrated	AA/A1+	30,689,567	30,689,567	884,473	1,070,452
Bank Of Punjab	Unrated	AA-/A1+	1,322,479	1,322,479	12,180	14,481
Bankislami Pakistan Limited	Unrated	A/A1	2,210,107	2,210,107	25,416	21,681
Bata Pakistan Limited	Unrated	Unrated	-	-	-	-
Berger Paints Ltd.	Unrated	Unrated	203,429	203,429	19,956	21,508
Bestway Cement (Formerly Mustehkam)	Unrated	Unrated	-	218,309	-	28,072
Blessed Textiles Limited	Unrated	Unrated	-	-	-	-
Boc Pakistan Limited (Linde Pakistan)	Unrated	Unrated	281,585	406,585	32,734	84,358
Bolan Casting Ltd	Unrated	Unrated	1,144,649	1,144,649	61,697	72,113
Brother Textile Mills Limited	Unrated	Unrated	-	-	-	-
Burshane Lpg Pakistan (Frm : Shell Lpg)	Unrated	Unrated	1,816,238	1,816,238	142,211	110,318
Buxlay Paints Limited	Unrated	Unrated	-	-	-	-
Casspak Industries	Unrated	Unrated	27,384	27,384	-	-
Century Insurance Company Ltd.	A-/A-2	Unrated	1,147,500	1,147,500	28,974	28,688
Colony Textile Mills Limited	Unrated	Unrated	471,316	471,316	1,419	2,220
Colony Sarhad Textile	Unrated	Unrated	167,677	167,677	-	-
Colony Sugar Mills Limited	Unrated	Unrated	181,491	181,491	907	1,406
Crescent Knitwear	Unrated	Unrated	42,130	42,130	-	-
Crescent Steel & Allied Product	Unrated	Unrated	2,473,606	1,999,385	307,642	101,289
Crescent Textile Mills Ltd.	Unrated	Unrated	1,049,799	1,049,799	19,978	18,172
Cynamid (Wyeth Pakistan )	Unrated	Unrated	57,788	57,788	134,068	242,652
DS Industries Ltd.	Unrated	Unrated	540,339	540,339	1,626	2,313
Dadabhoy Construction	Unrated	Unrated	35,390	35,390	-	-
Dadabhoy Cement Industries	Unrated	Unrated	5,004,500	5,004,500	-	20,318
Dandot Cement	Unrated	Unrated	-	-	-	-
Data Agro Ltd.	Unrated	Unrated	-	48,635	-	584
Dawood Capital Management	Unrated	AM3+	328,285	328,285	-	-
Dawood Hercules Corporation Ltd	Unrated	Unrated	4,512,992	4,637,992	537,678	391,957
Dawood Lawrencepur Limited	Unrated	Unrated	135,387	135,387	18,953	16,318
Dewan Cement (Pakland Cement)	Unrated	D	-	4,587,003	-	35,595
Dewan Khalid Textile	Unrated	Unrated	-	142,425	-	1,142
<b>Balance Carried Forward</b>			<b>159,874,776</b>	<b>169,378,569</b>	<b>5,564,498</b>	<b>6,102,690</b>



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

Investee	JCRVIS	PACRA	No. of shares held		Market Value	
			2015	2014	2015	2014
			-----Rupees in '000-----			
<b>Balance Brought Forward</b>			<b>159,874,776</b>	<b>169,378,569</b>	<b>5,564,498</b>	<b>6,102,690</b>
Dewan Mushtaq Textile	Unrated	Unrated	-	-	-	-
Dewan Salman Fibres	Unrated	Unrated	2,740,202	2,740,202	5,672	5,234
Dewan Sugar Mills	Unrated	Unrated	-	696,135	-	2,611
DG Khan Cement	Unrated	Unrated	-	-	-	-
Dost Steel Limited	Unrated	Unrated	-	-	-	-
Dolmen City Reit	Unrated	Unrated	40,375,450	-	433,229	-
Dynea Pakistan	Unrated	Unrated	-	-	-	-
EFU General Insurance	AA	Unrated	274,549	274,549	39,398	41,976
Ellcot Spinning Mills Limited	Unrated	Unrated	-	-	-	-
EMCO Industries Ltd.	Unrated	Unrated	-	165,708	-	669
English Leasing Limited	Unrated	Unrated	360,416	360,416	-	-
Engro Corporation Limited	Unrated	A/A1	3,059,823	3,059,823	854,884	677,781
Engro Fertilizers	Unrated	A/A1	648,652	648,652	54,571	50,660
Engro Foods Ltd 2	Unrated	AA/A1+	10,347,488	10,347,488	1,516,838	1,123,116
Engro Foods Ltd 1	Unrated	AA/A1+	13,826,421	20,598,921	2,026,815	2,235,807
Engro Polymer & Chemicals Limited	Unrated	Unrated	2,645,333	2,645,333	27,617	31,744
Escort Investment Bank	BB	BBB/A3	1,221,067	1,221,067	2,870	2,808
Faran Sugar Mills Ltd	Unrated	Unrated	381,883	381,883	29,649	15,081
Fateh Industries	Unrated	Unrated	11,712	11,712	2,068	2,177
Fateh Sportswear Ltd	Unrated	Unrated	23,003	23,003	1,349	1,959
Fateh Textile Mills	Unrated	Unrated	11,847	11,847	-	-
Fatima Enterprises	Unrated	A+/A1	109	109	-	-
Fatima Fertilizer Company Ltd	Unrated	A+/A1	6,240,614	6,240,614	279,143	223,227
Fauji Cement Company Ltd	Unrated	Unrated	-	1,825,000	-	47,158
Faysal Bank Limited	AA/A-1+	AA/A1+	-	-	-	-
Fazal Textile Mills	Unrated	Unrated	-	34,527	-	20,787
Fecto Cement Ltd	Unrated	Unrated	-	640,337	-	50,779
Ferozsons Laboratories Limited	Unrated	Unrated	-	-	-	-
FFC Bin Qasim Limited	Unrated	Unrated	-	1,598,899	-	72,286
First Capital Securities Corp.	Unrated	Unrated	2,048,345	2,048,345	5,940	4,117
First Dawood Investment Bank	Unrated	CCC	-	1,394,028	-	1,742
First Equity Modarba	Unrated	Unrated	68,435	2,034,435	359	10,172
First National Equities	Unrated	Unrated	191,637	191,637	617	470
Flying Cement Limited	Unrated	Unrated	-	3,078,000	-	22,469
Gadoon Textile Mills Limited	Unrated	Unrated	67,518	3,078,000	9,037	-
General Tyre & Rubber Co.	Unrated	Unrated	158,900	960,500	27,264	139,887
Ghandhara Nissan Limited	Unrated	Unrated	-	-	-	-
Ghani Glass Limited	Unrated	Unrated	-	-	-	-
Gharibwal Cement	D	Unrated	-	1,339,000	-	28,789
Glaxosmithkline (Glaxo Welcome)	Unrated	Unrated	3,896,808	4,087,708	857,376	896,475
Globe Textile Mills	Unrated	Unrated	33,704	33,704	-	-
Grays Of Cambridge	Unrated	Unrated	160,985	160,985	11,993	12,959
Greaves Aircondition	Unrated	Unrated	30,080	30,080	-	-
Gulistan Spinning Mills	Unrated	Unrated	148,828	148,828	327	379
Gulistan Textile Mills	Unrated	Unrated	374,355	374,355	-	5,615
Gulshan Spinning Mills	Unrated	Unrated	313,190	313,190	642	867
Habib Bank Ltd	AAA/A-1+	Unrated	4,066,538	3,182,999	813,796	688,355
Habib Bank Modaraba 1st	AA-/A-1+	AA+/A1+	-	-	-	-
Habib Metropolitan Bank	Unrated	AA+/A1+	29,776,785	29,776,785	907,299	1,110,674
Habib Modaraba (Ist)	AA-	AA+/A1+	-	-	-	-
Habib Sugar	Unrated	Unrated	6,546,806	6,546,806	248,844	296,701
Hafiz Textile Mills	Unrated	Unrated	-	-	-	-
Haji Mohammad Ismail Mills	Unrated	Unrated	1,594,650	1,594,650	5,517	4,784
Hakim Textile Mills	Unrated	Unrated	131,445	131,445	-	-
Hashimi Can Company	Unrated	Unrated	82,154	82,154	-	-
Hinopak Motors Ltd.	Unrated	Unrated	16,262	259,462	16,717	213,247
Honda Atlas Cars	Unrated	Unrated	-	1,522,754	-	301,779
Hub Power Company Ltd	Unrated	AA+/A1+	57,740,000	57,740,000	5,924,124	4,524,506
Huffaz Seamless Pipe Ind.	Unrated	Unrated	-	-	-	-
I.B.L. Modaraba (Ist)	Unrated	Unrated	727,077	727,077	2,988	2,472
Ibrahim Fibers	Unrated	AA-/A1+	1,076,062	1,076,062	46,432	96,835
ICI Pakistan	Unrated	Unrated	-	-	-	-
IGI Insurance Ltd	Unrated	AA	4,586,385	4,586,385	1,085,001	1,240,984
IGI Life Insurance (Form. American Life)	Unrated	AA	2,500,000	2,500,000	345,325	402,375
Indus Dyeing & Manuf.	A+/A-1	Unrated	267,362	267,362	249,270	224,309
Innovative Invest.bank Ltd.(Housing Finance )	Unrated	Unrated	17,952	17,952	-	-
International Industries Ltd.	Unrated	Unrated	6,312,636	6,312,636	388,227	393,530
International Knit Wear	Unrated	Unrated	13,616	60,716	250	723
International Steel Limited	Unrated	Unrated	2,915,478	2,915,478	71,167	74,199
Invest Capital Investment Bank Limited	Unrated	Unrated	-	3,705,680	-	6,226
Jahangir Siddiqui Investment Company	Unrated	A+/A1	-	-	-	-
Javed Omer Vohra & Co.	Unrated	Unrated	859,960	859,960	-	-
Jehangir Siddiqui & Company Limited	Unrated	AA/A1+	-	28,503	-	414
Johnson & Phillips (Pak.) Ltd.	Unrated	Unrated	256,675	292,675	5,416	9,254
JS Bank Ltd.	Unrated	A+/A1	14,475,904	15,496,904	112,188	110,648
Karim Cotton Mills	Unrated	Unrated	56,285	56,285	-	-
KASB Bank (Platinum Bank)	Unrated	BBB/A3	918,280	918,280	2,057	1,827
K-Electric Limited	Unrated	BBB/A3	20,000,000	-	148,800	-
Khairpur Sugar Mills Limited	Unrated	Unrated	-	-	-	-
Khursheed Spinning Mills	Unrated	Unrated	53,900	53,900	-	-
Kohat Cement Limited	Unrated	Unrated	-	-	-	-
Kohat Textiles Mills Ltd.	Unrated	Unrated	2,078,554	2,078,554	20,578	33,735
Kohinoor Energy Ltd.	Unrated	Unrated	10,135,351	10,135,351	435,820	500,179
Kohinoor Mills Ltd.	Unrated	Unrated	545,683	545,683	8,747	7,372
<b>Balance Carried Forward</b>			<b>417,287,930</b>	<b>395,650,087</b>	<b>22,590,721</b>	<b>22,077,619</b>



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

Investee	JCRVIS	PACRA	No. of shares held		Market Value	
			2015	2014	2015	2014
	-----Rupees in '000-----					
Balance Brought Forward			417,287,930	395,650,087	22,590,721	22,077,619
Kohinoor Power Co.	Unrated	Unrated	-	-	-	-
Kohinoor Textile Mills Ltd.	Unrated	Unrated	310,823	310,823	22,224	10,894
Kot Addu Power Company Limited	AA+/A-1+	Unrated	1,742,644	12,034,144	141,154	949,975
KSB Pumps Co.limited	Unrated	Unrated	1,087,818	1,087,818	277,905	166,589
Lafarge Pakistan Cement	Unrated	Unrated	-	2,396,719	-	41,583
Leiner Pak.gelatine	Unrated	Unrated	13,900	13,900	266	352
Libaas Textile Limited	Unrated	Unrated	-	250,000	-	2,938
Lotte Chemical Pakistan Limited	Unrated	Unrated	1,800,000	1,800,000	11,700	12,348
Lucky Cement Limited	Unrated	Unrated	-	-	-	-
Maple Leaf Cement Limited	Unrated	BB/B	-	-	-	-
Maqbool Textile Mills	Unrated	Unrated	-	-	-	-
Mari Petroleum Company Limited	Unrated	Unrated	3,648,500	3,648,500	2,543,515	1,734,679
Masood Textile Mills Limited	Unrated	Unrated	4,543,662	4,543,662	908,687	585,451
MCB Bank Limited	Unrated	AAA/A1+	-	-	-	-
Mehar Dasgir Textile	Unrated	Unrated	24,856	24,856	-	-
Mehran Jute Limited	Unrated	Unrated	61,931	61,931	-	-
Metropolitan Steel Corp ( Restricted )	Unrated	Unrated	50,204	50,204	-	-
Millat Tractors Limited	Unrated	Unrated	-	-	-	-
Mirpurkhas Sugar Mills	Unrated	Unrated	802,353	802,353	63,386	51,030
Moonlite Pak (Blanket)	Unrated	Unrated	58,846	58,846	-	1,295
Morafco Limited	Unrated	Unrated	29,069	29,069	-	-
Nagina Cotton Mills Limited	Unrated	Unrated	-	-	-	-
National Foods Limited	A+/A-1	Unrated	1,224,200	4,585,800	388,059	1,816,894
National Over.	Unrated	Unrated	12,471	12,471	-	-
National Refinery Limited	Unrated	AA+/A1+	869,554	869,554	194,050	160,737
Nestle Pakistan Limited	Unrated	Unrated	4,980	4,980	38,844	45,318
NIB Bank Limited	Unrated	AA-/A1+	12,862,190	12,862,190	24,438	29,840
Nishat (Chunian) Limited	A-/A-2	AA-/A1+	2,258,638	1,933,449	76,794	87,817
Nishat Chunian Power Limited	A/A-2	AA-/A1+	-	-	-	-
Nishat Mills Limited	Unrated	AA-/A1+	-	-	-	-
Nishat Power Limited	A+/A-2	A+/A1	-	-	-	-
Oil and Gas Company Limited	AAA/A-1+	Unrated	2,015,581	2,015,581	236,508	414,948
Orix Leasing Pakistan Limited	Unrated	AA/A1+	1,689,793	1,689,793	102,232	81,195
Pace Pakistan Limited	Unrated	D	-	27,879,000	-	92,837
Packages Limited	Unrated	AA/A1+	1,016,263	1,116,263	591,577	757,150
Pak Datacom Limited	Unrated	Unrated	750,791	750,791	59,125	58,336
Pak Electron Limited	Unrated	A-/A2	-	-	-	-
Pak Suzuki Motors Limited	Unrated	Unrated	-	846,327	-	314,089
Pakgen Power Limited	Unrated	AA/A1+	3,406,500	4,550,000	100,253	122,987
Pakistan Engineering Company Limited	Unrated	Unrated	135,242	135,242	25,696	15,039
Pakistan International Airlines Corporation "A-class"	Unrated	Unrated	15,836,011	20,851,011	133,973	155,340
Pakistan National Shipping Corporation	Unrated	AA-/A1+	608,707	608,707	54,175	97,606
Pakistan Oil Fields Limited	Unrated	Unrated	64,150	64,150	17,193	24,336
Pakistan Paper Products Limited	Unrated	Unrated	13,000	78,272	867	6,144
Pakistan Petroleum Limited	Unrated	Unrated	1,144,384	1,144,384	139,397	202,007
Pakistan Refinery Limited	Unrated	A-/A2	-	1,803,706	-	293,553
Pakistan Reinsurance Company Limited	Unrated	Unrated	12,083,770	12,083,770	409,036	366,622
Pakistan Services Limited	Unrated	Unrated	418,460	418,460	230,153	202,953
Pakistan State Oil 1	Unrated	AA+/A1+	3,062,447	3,062,447	997,653	1,096,080
Pakistan State Oil 2	Unrated	AA+/A1+	22,022,713	20,678,388	7,174,339	7,401,002
Pakistan Telecommunication Company Limited	Unrated	Unrated	34,361,854	34,361,854	566,627	791,353
Pakistan Tobacco	Unrated	Unrated	1,100	1,100	1,226	1,166
Pan Islamic Steamship	Unrated	Unrated	421	421	-	-
Paramount Spinning Mills	Unrated	Unrated	994,301	994,301	2,704	4,773
Pervez Ahmed Securities Limited	Unrated	Unrated	301,925	301,925	607	915
Pioneer Cement Limited	Unrated	Unrated	-	2,527,000	-	216,336
Premier Insurance Co. Of Pakistan Limited	Unrated	Unrated	-	-	-	-
Premium Textile Mills	Unrated	Unrated	167,389	167,389	14,890	21,049
Punjab Modaraba (Ist)	Unrated	BBB/A3	-	-	-	-
Quetta Textile Mills	D	Unrated	9,686	9,686	381	504
Redco Textile Mills Limited	Unrated	Unrated	-	402,378	-	1,807
RMCPCL	Unrated	Unrated	13	13	-	-
Ruby Textile Mills	Unrated	Unrated	-	311,132	-	2,022
Rupali Polyester Limited	Unrated	Unrated	816,483	816,483	9,569	11,823
S.G. Power	Unrated	Unrated	164,692	164,692	-	329
Sadoun Textile Mills	Unrated	Unrated	421	421	-	-
Saif Textile Mills Limited	Unrated	Unrated	-	-	-	-
Salman Noman Enterprises	Unrated	Unrated	-	157,606	-	788
Samba Bank Limited	AA-/A-1	Unrated	3,469,974	3,469,974	20,820	24,290
Samin Textile Mills	Unrated	Unrated	1,604,838	1,604,838	12,839	22,468
Sana Industries Limited	Unrated	Unrated	-	-	-	-
Sanghar Sugar Mills	Unrated	Unrated	-	-	-	-
Sapphire Textile Mills	A+/A-1	Unrated	-	-	-	-
Sardar Chemical Ind.limited	Unrated	Unrated	-	-	-	-
Saudi Pak.leasing Co.	D	Unrated	-	-	-	-
Schon Textiles Mills	Unrated	Unrated	131,446	131,446	-	-
Searle Pakistan Limited	BBB+	Unrated	1,502	301,210	594	72,845
Security Investment Bank	A/A-2	Unrated	1,160,703	1,160,703	2,658	2,844
Security Papers Limited	AAA/A-1+	AAA/A1+	1,346,415	1,335,195	118,633	103,344
Service Fabrics Limited	Unrated	Unrated	-	687,561	-	-
Service Industries Limited	Unrated	Unrated	842,126	842,126	715,807	820,711
Service Textile Mills	Unrated	Unrated	82,575	82,575	917	1,470
Balance Carried Forward			558,420,245	592,639,677	39,022,192	41,578,420



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

Investee	JCRVIS	PACRA	No. of shares held		Market Value	
			2015	2014	2015	2014
					-----Rupees in '000-----	
<b>Balance brought forward</b>			<b>558,420,245</b>	<b>592,639,677</b>	<b>39,022,192</b>	<b>41,578,420</b>
Shabbir Tiles & Ceramics	Unrated	Unrated	1,316,989	1,891,989	10,878	21,417
Shahmurad Sugar Mills Limited	BBB+/A-2	Unrated	-	-	-	-
Shahtaj Sugar Mills	Unrated	Unrated	408,539	408,539	27,703	29,648
Shell Pakistan Limited	Unrated	Unrated	218,750	218,750	49,928	56,630
Shezan International	Unrated	Unrated	-	-	-	-
Silk Bank Limited	A-/A-2	Unrated	1,810,788	1,810,788	3,296	4,020
Sindh Fine Textile Mills	Unrated	Unrated	-	39,603	-	408
Sitara Chemicals Industries Limited	A+/A-1	Unrated	520,814	520,814	187,493	164,765
Sitara Energy Limited	Unrated	Unrated	1,130,517	1,130,517	36,357	45,209
SME Leasing Limited	BB+/B	Unrated	1,230,477	1,230,477	308	1,231
Soneri Bank Limited	Unrated	AA-/A1+	25,026,394	29,026,394	378,649	357,895
Standard Chartered Leasing Limited	Unrated	AA+/A1+	-	-	-	-
Standard Chartered Modaraba	Unrated	AA+/A1+	-	1,975,021	-	48,289
Sui Northern Gas Pipeline Ltd 1	Unrated	AA/A1+	18,805,318	18,805,318	452,080	539,901
Sui Northern Gas Pipeline Ltd 2	Unrated	AA/A1+	16,701,835	32,322,335	401,512	927,974
Sui Southern Gas Pipeline Limited	Unrated	AA-/A1+	10,320,674	29,536,674	385,477	1,145,432
Summit Bank Limited (Formerly Arif Habib Bank)	A-/A-3	Unrated	48,908,297	48,908,297	192,210	217,642
Sunshine Cotton Mills Limited	Unrated	Unrated	498,220	498,220	-	-
Suraj Ghee Limited	Unrated	Unrated	27,384	27,384	-	-
Taj Textile Mills Limited	Unrated	Unrated	763,513	763,513	-	-
Tandlianwala Sugar Limited	Unrated	Unrated	-	17,948	-	681
Tata Textile Mills	Unrated	Unrated	-	-	-	-
Tele Card Limited	Unrated	Unrated	10,782,876	22,371,376	31,055	74,049
Thall Limited	Unrated	Unrated	6,197,498	6,197,498	1,570,012	1,667,313
Thatta Cement Co. Limited	Unrated	Unrated	9,859,862	9,859,862	255,272	325,375
TPL Direct Insurance Limited	Unrated	Unrated	1,157,378	4,141,360	27,546	106,640
TPL Trakker Limited	Unrated	A-/A2	9,298,597	15,444,597	138,828	123,866
Treet Corporation	AA-/A-1	Unrated	1,703,660	3,312,678	107,262	437,009
TRG Pakistan	Unrated	Unrated	-	788,000	-	11,473
Tri Star Modaraba (Ist)	Unrated	Unrated	151,492	151,492	833	757
Twakkal Garments Industries Limited	Unrated	Unrated	172,325	172,325	-	-
Unicap Modaraba	Unrated	Unrated	-	-	-	-
United Bank Limited	AA+/A-1+	Unrated	6,657,940	5,230,940	1,031,648	924,360
United Brands Limited (Udl Industries)	Unrated	Unrated	-	3,000	-	249
United Distributors Pak.	Unrated	Unrated	-	-	-	-
Wah Noble Chemicals Limited	Unrated	Unrated	324,421	324,421	16,195	20,276
Worldcall Telecom	Unrated	D	47,435,914	47,435,914	72,103	80,641
Yousuf Weaving Mills	Unrated	Unrated	627,427	627,427	1,757	2,924
Zahur Cotton Mills	Unrated	Unrated	225	225	-	-
Zeal Pak Cement Limited	Unrated	Unrated	247,789	247,789	-	-
			<b>780,726,158</b>	<b>878,081,162</b>	<b>44,400,593</b>	<b>48,914,494</b>



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 1.1.2 Particulars of Investments held in un-listed companies

#### 1.1.2.1 Ordinary Shares - Holding 10% and above

Investee	Rating		Percentage of holding	No. of Shares held	Cost of Investment		Break-up value of investment	Based on accounts as at	Name of Chief Executive
	JCRVIS	PACRA			2015	2014			
	----- Rupees in '000 -----								
Digri Sugar Mills Limited	Unrated	Unrated	12.4%	2,000,000	4,063	4,063	8,126	30-Sep-99	Mr. Naveed Ahmad Javeri
JDM Textile Mills Limited	Unrated	Unrated	10.00%	478,444	4,784	4,784	11,639	June 30, 2012	Mr.LT. Gen ® Ali Kuli Khan
Gelcaps Pakistan Limited	Unrated	Unrated	14.6%	2,000,000	4,665	4,665	25,340	30-Jun-06	Mr. Sadruddin Hashwani
Intech International	Unrated	Unrated	18.6%	275,000	-	-	.....	Not Available.....	Mr. Hassan Zaidi
Pakistan Agriculture Storage Service Corporation (Face value: Rs.1,000 each)	Unrated	Unrated	18.3%	5,500	5,500	5,500	109,831	31-Mar-03	Maj. General Fahim Akhter Khan
Precision Engineering	Unrated	Unrated	16.8%	15,100	-	-	.....	Not Available.....	Mr.Zaheer Hussain
Resources and Engineering Management Corporation	Unrated	Unrated	10.0%	66,125	-	-	(484,696)	June 30,2005	Mr.Shafaat Ahmed
Safa Rice Mills Limited	Unrated	Unrated	15.8%	450,000	-	-	.....	Not Available.....	Mr. Pervaiz Alam
Sigma Knitting Mills	Unrated	Unrated	14.1%	500,000	-	-	(6,793)	June 30,1999	..... Not Available.....
				5,790,169	19,012	19,012			

#### 1.1.2.2 Ordinary Shares - Holding below 10%

Investee	Rating		No. of Shares held	Cost of Investment		Break-up value of investment	Based on accounts as at	Name of Chief Executive
	JCRVIS	PACRA		2015	2014			
	----- Rupees in '000 -----							
Accord Textile Mills Limited	Unrated	Unrated	233,400	-	-	-	Not Available.....	
Adamjee Floorings Limited	Unrated	Unrated	30,080	-	-	-	Not Available.....	
Adamjee Papers & Board Mills Limited	Unrated	Unrated	137,597	-	-	-	Not Available.....	
Adil Polypropylene Limited	Unrated	Unrated	69,093	-	-	-	Not Available.....	
Afsar Textile Mills Limited	Unrated	Unrated	32,778	-	-	-	Not Available.....	
Al Ameen Textile	Unrated	Unrated	30,000	-	-	-	Not Available.....	
Al Zamin Modarba Management	Unrated	Unrated	140,000	1,000	1,000	2,134	June 30, 2006	Mr. Bashir A. Chaudhry
Al-Hussany Industries Limited	Unrated	Unrated	31,514	-	-	-	Not Available.....	
Alif Textile Mills Limited	Unrated	Unrated	163,464	-	-	-	Not Available.....	
Amazai Textile Limited	Unrated	Unrated	10,111	-	-	-	Not Available.....	
AMZ Venture Limited Class A	Unrated	Unrated	200,000	122	122	-	Not Available.....	
Apex Fabrics Limited	Unrated	Unrated	144,506	-	-	-	Not Available.....	
Applo Pharma	Unrated	Unrated	-	-	252,000	-	Not Available.....	
Arabian Seas Country Club	Unrated	Unrated	650,000	6,500	6,500	-	Not Available.....	
Arag Industries Limited	Unrated	Unrated	96,478	-	-	-	Not Available.....	
Aslo Electronics Limited	Unrated	Unrated	20,054	-	-	-	Not Available.....	
Aswan Tantage Limited	Unrated	Unrated	86,030	-	-	-	Not Available.....	
Atlas Power Limited	Unrated	Unrated	37,500,000	375,000	375,000	653,823	30-Jun-13	Maqsood A. Basra
Attock Textile Mills Limited	Unrated	Unrated	100,000	200	200	(1,412)	Sept. 30, 1998	Mr. Arshad Ali Chaudhry
Awan Textile Mills Limited	Unrated	Unrated	108,696	-	-	-	Not Available.....	
Bahawalpur Textile Limited	Unrated	Unrated	33,283	-	-	-	Not Available.....	
Baluchistan Foundry (Tower)	Unrated	Unrated	37,664	-	-	-	Not Available.....	
Bankers Equity Limited (B.E.L.)	Unrated	Unrated	1,485,925	-	-	-	Not Available.....	
Bankers Equity Limited (B.E.L.)	Unrated	Unrated	251,022	-	-	-	Not Available.....	
Bawany Textile Mills Limited	Unrated	Unrated	42,972	-	-	-	Not Available.....	
Bela Engineers Limited	Unrated	Unrated	135,658	-	-	-	Not Available.....	
Brikks Pvt Limited	Unrated	Unrated	39,050	-	-	-	Not Available.....	
Callmate Telips Telecom Limited	Unrated	Unrated	44	0.00	0.00	-	Not Available.....	
Central Cotton Mills	Unrated	Unrated	17,864	-	-	-	Not Available.....	
Charsada Sugar Mills Limited	Unrated	Unrated	4,634	-	-	-	Not Available.....	
Chilya Corrugated Board Limited	Unrated	Unrated	22,076	-	-	-	Not Available.....	
Crescent Spinning Mills	Unrated	Unrated	370,744	-	-	-	Not Available.....	
Crown Textile	Unrated	Unrated	161,948	-	-	-	Not Available.....	
Dadabhoy Leasing Co.	Unrated	Unrated	188,742	-	-	-	Not Available.....	
Dadabhoy Sack Limited	Unrated	Unrated	25,102	-	-	-	Not Available.....	
Engine System	Unrated	Unrated	788,500	-	-	-	Not Available.....	
F.T.C. Management	Unrated	Unrated	50,000	250	250	34,657	June 30, 2012	Engr. Mir Fateh Sultan
Fauji Akbar Portia	Unrated	Unrated	29,188,739	321,076	321,076	212,867	30-Jun-15	Mr. Ahmed Kamal Rana
Fauji Oil Terminals	Unrated	Unrated	1,088,600	10,886	10,886	21,981	June 30, 2014	Lt. Gen ® M. Mustafa Khan
Fazal Vegetable Ghee	Unrated	Unrated	21,486	-	-	-	Not Available.....	
First Women Bank Limited	Unrated	BBB+/A2	7,698,441	21,100	21,100	68,275	Dec. 31, 2015	Ms. Tahira Raza
Fortune Securities Limited	Unrated	Unrated	500,000	5,000	5,000	8,334	June 30, 2012	Mr. Qasim Lakhani
Frontier Textile Mills Limited	Unrated	Unrated	50,000	500	500	272	Sep. 30, 2002	Not available
Ghafoor Textile Mills	Unrated	Unrated	23,424	-	-	-	Not Available.....	
Ghulam M.Dadabhoy ( Dadabhoy Padube )	Unrated	Unrated	25,278	-	-	-	Not Available.....	
Gulistan Power Generation Limited	Unrated	Unrated	220,000	2,200	2,200	8,096	June 30, 2000	Mr. Abdul Shakoor
Gypsum Corporation	Unrated	Unrated	84,176	-	-	-	Not Available.....	
H.Shaikh Muhammed Hussain	Unrated	Unrated	57,634	-	-	-	Not Available.....	
Harum Textile	Unrated	Unrated	29,683	-	-	-	Not Available.....	
Hazara Woolen Mills Limited	Unrated	Unrated	20,000	200	200	-	Not Available.....	
Hyderabad Electronic	Unrated	Unrated	50,135	-	-	-	Not Available.....	
IDBP	Unrated	Unrated	1,011	107	107	-	Not Available.....	
Indus Bank Limited.	Unrated	Unrated	76	-	-	-	Not Available.....	
Indus Polyester Co.	Unrated	Unrated	3	-	-	-	Not Available.....	
Insecta Pakistan Limited	Unrated	Unrated	50,000	-	-	315	June 30,1997	Mr. Syed Tauqeer Haider
Inter Asia Leasing Company Limited	Unrated	Unrated	50,000	500	500	-	Not Available.....	
Investec Securities Limited	Unrated	Unrated	50,205	-	-	-	Not Available.....	
Islamabad Stock Exchange Ltd	Unrated	Unrated	3,034,603	30,346	30,346	-	Not Available.....	
Islamic Investment Bank	Unrated	Unrated	71,339	-	-	-	Not Available.....	
Itti Textile Mills	Unrated	Unrated	83,418	-	-	-	Not Available.....	
Junaid Cotton Mills Limited	Unrated	Unrated	51,759	328	328	-	Not Available.....	
Kaisar Arts & Krafts	Unrated	Unrated	868,959	8,395	8,395	-	Not Available.....	
Balance carried forward			86,757,998	784,038	1,036,038			



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

Investee	Rating		No. of Shares held	Cost of Investment		Break-up value of investment	Based on accounts as at	Name of Chief Executive
	JCRVIS	PACRA		2015	2014			
	Rupees in '000							
Balance brought forward			86,757,998	784,038	1,036,038			
Karachi Pipes	Unrated	Unrated	79,710	-	-		Not Available	
Karim Silk Mills Limited	Unrated	Unrated	9,690	-	-		Not Available	
Kaytex Mills (Saleem Denim Ind.)	Unrated	Unrated	82,575	-	-		Not Available	
Kaytex Mills Limited	Unrated	Unrated	377,800	3,778	3,778		Not Available	
Kohinoor ( Cotton ) Textile	Unrated	Unrated	31,935	-	-		Not Available	
Kohinoor Looms Limited	Unrated	Unrated	86,366	-	-		Not Available	
Karachi Stock Exchange	Unrated	Unrated	4,007,383	-	-		Not Available	
Lafayette Industries Synth.	Unrated	Unrated	46,765	-	-		Not Available	
Marr Fabrics Limited	Unrated	Unrated	60,246	-	-		Not Available	
Medi Glass Limited	Unrated	Unrated	150,404	-	-		Not Available	
Mehran Bank Limited	Unrated	Unrated	376,390	-	-		Not Available	
Mian Mohammad Sugar	Unrated	Unrated	87,630	15	15		Not Available	
Mohib Textile Limited	Unrated	Unrated	507,080	-	-		Not Available	
Mubarik Dairies	Unrated	Unrated	28,227	-	-		Not Available	
Muslim Ghee Mills Limited	Unrated	Unrated	181,000	1,810	1,810		Not Available	
Myfip Video Industries	Unrated	Unrated	537,300	5,373	5,373		Not Available	
National Asset Leasing Corporation	Unrated	Unrated	135,050	14	14		Not Available	
National Construction Limited	Unrated	Unrated	149,999	250	250	597	June 30, 2005	Mr. Ali Mohammad Shaikh
National Film Development Corporation Limited	Unrated	Unrated	10,000	-	-	(1,825)	June 30, 2000	Mr. Sajjad Haider
National Industry Cooperative Bank of Gujrat	Unrated	Unrated	1	-	-		Not Available	
National Institution of Facilitation Technology (Pvt) Ltd	Unrated	Unrated	2,266,607	1,526	1,526	28,030	June 30, 2012	Mr. M. M. Khan
National Investment Trust (face value Rs.100 each)	AM-DS	Unrated	79,200	100	100	1,796	June 30, 2010	Mr. Tariq Iqbal Khan
National Match Ind.	Unrated	Unrated	13,398	-	-		Not Available	
National Woolen Mills Limited	Unrated	Unrated	18,300	183	183		Not Available	
Natover Lease & Refinance	Unrated	Unrated	371,674	2,602	2,602		Not Available	
Naveed Textile Mills	Unrated	Unrated	35,979	-	-		Not Available	
Newyork Poly Clinic of Karachi	Unrated	Unrated	220,133	-	-	(241)	June 30, 1998	Mr. Akhter Aziz khan
Norrie Textile Mills	Unrated	Unrated	69,557	-	-		Not Available	
Nowshera Engineering Works Limited	Unrated	Unrated	18,179	41	41		Not Available	
Nusrat Textile Mills	Unrated	Unrated	156,134	-	-		Not Available	
Pak Ghee Limited	Unrated	Unrated	29,491	-	-		Not Available	
Pak Paper Corporation	Unrated	Unrated	52,831	-	-		Not Available	
Pakistan Export Finance Guarantee Agency Limited	Unrated	Unrated	1,152,938	11,529	11,529	1,152	Dec 31, 2009	Not available
Pakistan Paper Corporation Limited	Unrated	Unrated	37,250	373	373		Not Available	
Pakistan Telephone Cables	Unrated	Unrated	45,969	143	143		Not Available	
Pakistan Textile City	Unrated	Unrated	10,000,000	100,000	100,000	33,812	June 30, 2015	Mr. Muhammad Hanif Kasbati
Pakistan Tourism Development Corporation	Unrated	Unrated	10,000	100	100	24,983	June 30, 1996	Not available
Pearl Fabrics Limited	Unrated	Unrated	117,121	-	-		Not Available	
People Steel Mills Limited	Unrated	Unrated	1,076,880	3,276	3,276		Not Available	
Polyron Limited	Unrated	Unrated	76	-	-		Not Available	
Prudential Investment Bank	Unrated	Unrated	166,278	-	-		Not Available	
Punjab Building Limited	Unrated	Unrated	226,070	-	-		Not Available	
Punjab Cotton	Unrated	Unrated	28,648	-	-		Not Available	
Punjab Lamps	Unrated	Unrated	55,274	-	-		Not Available	
Qadri Textile Mills Limited	Unrated	Unrated	50,000	500	500		Not Available	
Qayyum Spinning	Unrated	Unrated	36,653	-	-		Not Available	
Quality Steel Works	Unrated	Unrated	1,685	-	-		Not Available	
RCD Ball	Unrated	Unrated	10,027	-	-		Not Available	
Refrigerator Manufacturing Company Limited	Unrated	Unrated	45,737	4,589	4,589		Not Available	
Regal Ceramics Limited	Unrated	Unrated	45,501	-	-		Not Available	
Rehman Cotton Mills Limited	Unrated	Unrated	1,695,800	16,958	16,958	107,895	June 30, 2011	Mr. LT. Gen @ Ali Kuli Khan
Rex Baren Battery	Unrated	Unrated	28,564	-	-		Not Available	
Rousch Power Pakistan Limited	Unrated	Unrated	39,729,000	132,888	132,888	870,989	June 30, 2013	Mr. Naseem Akhter
Ruby Rice and General Mills Limited	Unrated	Unrated	75,000	750	750		Not Available	
Sahrish Textile Mills	Unrated	Unrated	10,043	20	20		Not Available	
Saitex Spinning Mills	Unrated	Unrated	182,423	-	-		Not Available	
Shahpur Textile Mills	Unrated	Unrated	200,527	-	-		Not Available	
Shahyar (Oe) Textile Mills	Unrated	Unrated	40,023	-	-		Not Available	
Shahyar Textile Mills	Unrated	Unrated	113,161	-	-		Not Available	
Shoaib Capital	Unrated	Unrated	100,000	271	271	544	June 30, 2000	Not available
Siftaq (International) Textile Mills	Unrated	Unrated	54,769	-	-		Not Available	
Sindh Alkalies Limited	Unrated	Unrated	359,369	-	-		Not Available	
SME Bank Limited	BBB	Unrated	6,121,095	26,950	26,950	50,986	31-12-2010	Mr. R. A Chughtai
South Asia Regional Fund	Unrated	Unrated	5,000	287	287		Dec 31, 07	Mr. Jean Fondamuiere
Star Salica Industries Limited	Unrated	Unrated	26,650	267	267		Not Available	
Sunrise Textile Mills	Unrated	Unrated	7,668	-	-		Not Available	
Sunshine Cloth Mills	Unrated	Unrated	150,000	-	-		Not Available	
Sunshine Cloth Mills	Unrated	Unrated	374,721	-	-		Not Available	
Syed Match Ind.	Unrated	Unrated	162	2	2		Not Available	
Taga Pakistan Limited	Unrated	Unrated	48,450	-	-		Not Available	
Tariq Cotton Mills	Unrated	Unrated	21,907	-	-		Not Available	
Tawakkal Limited	Unrated	Unrated	57,297	-	-		Not Available	
Tawakkal Modaraba (Ist)	Unrated	Unrated	241,827	-	-		Not Available	
Transmobile Limited	Unrated	Unrated	644,508	-	-	(44)	June 30, 1997	Mr. Javed Burki
Turbo Tec Limited (Tubes)	Unrated	Unrated	86,788	-	-		Not Available	
Union Insurance Co.Of Pakistan	Unrated	Unrated	156	4	4		Not Available	
Unity Modaraba	Unrated	Unrated	1,000,000	28	28		Not Available	
Uqab Breeding Farms	Unrated	Unrated	70,778	-	-		Not Available	
Zafar Textiles Mills Limited	Unrated	Unrated	247,100	256	256		Not Available	
Zafar Textiles Mills Limited	Unrated	Unrated	34,041	-	-		Not Available	
Zahur Textile Mills	Unrated	Unrated	210,229	-	-		Not Available	
Zulsham Engineering Works Limited	Unrated	Unrated	3,300	330	330		Not Available	
			162,081,495	1,099,251	1,351,251			
			167,871,664	1,118,263	1,370,263			



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

## 1.2 Particulars of Investments held in units of mutual funds

	Rating		No. of units held		Market value	
	JCRVIS	PACRA	2015	2014	2015	2014
					..... Rupees in '000 .....	
ABL Cash Fund	AA(f)	Unrated	-	14,975,739	-	156,646
AKD Cash Fund	AA+(f)	Unrated	970,683	799,539	50,010	41,816
Al Falah GHP Cash Fund	Unrated	AA(f)	-	199,075	-	104,339
Atlas Money Market Fund	Unrated	AA(f)	96,281	348,473	50,015	182,781
Asian Stock Fund	Unrated	Unrated	-	-	-	-
Askari Sovereign Cash Fund	Unrated	AAA(f)	-	994,830	-	104,248
Dominion Stock Fund	Unrated	Unrated	80,326	80,326	-	-
Faysal Financial Sector Opportunity Fund	-	-	-	-	-	-
Faysal Money Market Fund	AA+(f)	Unrated	-	991,768	-	104,384
First Dawood Mutual Fund	Unrated	2-Star/2-Star	1,157,674	1,157,674	-	-
First Habib Cash Fund	AA(f)	Unrated	-	750,378	-	78,377
HBL Money Market Fund	AA(f)	Unrated	481,029	1,517,263	49,974	158,812
IGI Money Market Fund	Unrated	Unrated	-	1,487,279	-	156,611
Investec Mutual Fund	Unrated	Unrated	87,858	87,858	-	-
J.S Large Capital Fund	Unrated	Unrated	-	468,069	-	47,808
Lakson Money Market Fund	Unrated	AA(f)	485,902	1,249,399	50,014	130,462
MCB Cash Optimizer Fund	Unrated	AA(f)	-	1,515,101	-	158,040
Meezan Balanced Fund	Unrated	Unrated	3,543,409	3,359,575	52,797	48,210
NAMCO Balanced Fund	Unrated	Unrated	-	2,621,664	-	25,666
NIT-EMOF	Unrated	Unrated	10,045,493	10,045,493	2,008,898	2,070,477
NIUT-NON LOC	Unrated	Unrated	-	-	-	-
NIT Government Bond Fund	Unrated	AA(f)	-	9,213,279	-	100,240
NIT Income Fund	Unrated	A+(f)	-	18,286,551	-	201,701
NIT- Islamic Equity Fund	Unrated	A+(f)	12,523,541	-	123,482	-
Pak Oman Government Securities Fund	Unrated	AA(f)	-	-	-	-
PICIC Cash Fund	AA+(f)	Unrated	-	998,804	-	104,605
PICIC Energy Fund	Unrated	Unrated	51,327	51,328	590	578
PICIC Investment Fund	Unrated	Unrated	1,000,000	1,000,000	11,430	12,200
UBL Liquidity Plus Fund	AA+(f)	Unrated	-	997,056	-	104,372
			30,523,523	73,196,521	2,397,209	4,092,373

## 1.3 Particulars of Investments held in Preference shares

	Rating PACRA	Cumulative/ Non- cumulative	Rate	No. of certificates held		Market Value / Cost	
				2015	2014	2015	2014
				-----Rupees in '000-----			
Listed:							
Agritech Limited (Preference)	Unrated	Cumulative	9.25%	3,458,756	3,458,756	10,376	34,587
Aisha Steel Preference Shares	Unrated	Cumulative	0.00%	273,699	273,699	2,264	240
Chenab Textile Mills Limited	Unrated	Cumulative	9.25%	10,000,000	10,000,000	15,300	100,000
Charsada Sugar(Saleem Sugar Mills )	Unrated	Cumulative	6.00%	105	105	-	-
Summit Bank Preference Class A		Non-Cumulative	10.00%	14,997,640	14,997,640	149,976	149,976
Masood Textile Mills	Unrated	Floating	12.65%	5,000,000	5,000,000	44,200	50,000
Maple Leaf Cement Factory	SD	Cumulative	9.75%	-	-	-	-
Pak Elektron Limited	A/A1	Cumulative	9.50%	10,643,642	10,643,642	106,436	106,436
				44,373,842	44,373,842	328,553	441,240
Unlisted:							
Pakistan Mercantile Exchange Limited	Unrated	-	-	1,300,000	1,300,000	13,000	13,000
Moro Textile Mills		Non-Cumulative		19,242,000	19,242,000	192,420	192,420
Silk Bank Limited (PNCPS)		Non-Cumulative		80,000,000	80,000,000	200,000	200,000
				100,542,000	100,542,000	405,420	405,420

\* Cost of the above investment amounted to **Rs. 846.66 million** (2014: Rs. 846.66 million)



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 1.4 Debentures, Bonds, Participation Term Certificates and Term finance certificates

#### 1.4.1 Term finance certificates

Investee	Rate of interest	Profit payment	Maturity	Long Term Rating	No. of certificates held		Market value / Cost	
					2015	2014	2015	2014
Listed	----- (Rupees in '000) -----							
Askari Bank Limited	12.53% 6 months Kibor + 2.5%	Half yearly	October 31, 2013	AA-	-	3,200	-	15,660
Azgard Nine Limited	9.44% 6 month Kibor + 2.4%	Half yearly	August 17, 2012	D	20,000	20,000	32,538	32,538
Bank Al-Falah Ltd.	15% (Fixed)	Half yearly	December 2, 2017	AA-	10,850	10,850	59,265	58,971
Escorts Invest. Bank Ltd.	11.53% 6 months Kibor + 2.5%	Half yearly	September 15, 2014	BB	-	-	-	-
Faysal Bank Ltd.	11.01% 6 months Kibor + 2.25%	Half yearly	October 11, 2017	AA-	-	-	-	-
Faysal Bank Ltd. (P)	8.77% 6 months Kibor + 2.25%	Half yearly	December 27, 2017	AA-	14,200	14,200	72,452	74,167
Financial Receivable Securitization Company Limited	11.08% 6 month Kibor + 2%	Half yearly	December 27, 2013	A+	-	-	-	-
NIB Bank Ltd.	7.69% 6 month Kibor + 1.15%	Half yearly	March 5, 2016	A+	80,000	80,000	395,762	394,333
	6 months Kibor + 1.5%							
Saudi Pak Leasing Co. - HTM	6 months Kibor + 1.5%	Half yearly	March 13, 2013	D	10,000	10,000	27,948	27,948
Soneri Bank Limited	13.61% 6 month Kibor + 1.6%	Half yearly	March 31, 2011	A+				
Summit Bank Ltd	9.72% 6 months Kibor + 3.25%	Half yearly	November 11, 2018	A-(SO)	44,898	44,898	229,862	191,779
Javedan Corporation Limited	6 month Kibor + 2.25%	Half yearly	November 10, 2017	Unrated	14,000	14,000	891,425	905,887
							1,709,252	1,701,283
Unlisted								
Afroze Textile Industries	3 month Kibor-5% + (Floor8.50%)	Quarterly	December 29, 2019	Unrated	12	12	284,000	284,000
Agritech Limited	6 month Kibor + 1.75%	Half yearly	January 14, 2019	D	95,273	95,273	336,368	336,368
AKD Securities Ltd	6 month Kibor + 2.5%	Half yearly	December 31, 2015	D	-	-	458,796	496,000
Al-Azhar Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	5,168	5,168
Al-Qaim Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	16	16	357	357
Apex Fabrics Limited	22.00%	Overdue	Overdue	Unrated	16	16	2,640	2,640
Aqma Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	3,549	3,549
Aswan Tentage & Canvas Mills Limited	22.00%	Overdue	Overdue	Unrated	1	1	3,643	3,643
Azgard Nine Limited	Zero Markup	-	March 31, 2017	D	122,697	122,697	613,485	613,485
Babri Cotton Mills	Zero Markup	Annually	December 30, 2016	Unrated	-	5	-	16,473
Bachani Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	28	28	23,696	33,054
Baluchistan Cotres Limited	22.00%	Overdue	Overdue	Unrated	22	22	-	1,098
Bankers Equity Limited	22.00%	Overdue	Overdue	Unrated	10	10	31,335	31,335
Bela Chemical Limited	22.00%	Overdue	Overdue	Unrated	24	24	24,595	24,595
Bentonite Pak Limited	22.00%	Overdue	Overdue	Unrated	31	31	3,417	3,417
Blue Star Spinning Mills Limited	22.00%	Overdue	Overdue	Unrated	17	17	2,252	2,252
Brother Steel Limited	22.00%	Overdue	Overdue	Unrated	17	17	-	-
Bunny's Limited	3 months Kibor + 2.5%	Overdue	December 6, 2012	Unrated	6,000	6,000	30,000	22,500
Colony Thal Textile Mills Ltd	Fixed 7%	Annually	December 31, 2017	Unrated	240	240	119,536	119,536
Cast-N-Link Product Limited	22.00%	Overdue	Overdue	Unrated	16	16	2,549	2,549
Chiniot Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	6	6	1,185	1,185
Danneman Fabrics Limited	22.00%	Overdue	Overdue	Unrated	14	14	3,283	3,283
Engro Fertilizer Ltd PRP I	6 months Kibor + 1.7%	Half yearly	December 17, 2016	A+	-	8,291	-	31,455
Engro Fertilizer Ltd	12.12%	Half yearly	December 17, 2016	A+	1,891	2,000	9,447	6,840
	6 months Kibor + 2.4%							
Fauji Akbar Portia Marine Terminal	Zero Markup	Half yearly	October 15, 2024		2	2	227,126	103,707
General Dairies & Food Limited	22.00%	Overdue	Overdue	Unrated	6	6	1,350	1,350
Glorex Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	1	1	924	924
Gypsum Corporation Limited	22.00%	Overdue	Overdue	Unrated	-	-	900	900
Hospitex International Limited	22.00%	Overdue	Overdue	Unrated	-	-	239	239
Independent News Paper Corp. Ltd	3 month Kibor	Quarterly	March 30, 2018	B	1	1	868,806	1,135,375
Jahangir Siddiqui & Company Limited	6 month Kibor + 2.0%	Half yearly	May 17, 2014	AA+	-	-	-	-
Janana De Malucho Textile Mills Ltd	Zero Markup	Annually	January 1, 2017	Unrated	-	11	-	23,173
Javedan Corporation Ltd NEW	6 month Kibor + 2.25%	Half yearly	March 16, 2018	Unrated	-	-	-	-
Javedan Corporation Limited III	6 month Kibor + 2.25%	Half yearly	August 14, 2018	Unrated	-	-	-	-
Balance carried forward							3,058,646	3,310,450

All term finance certificates have a face value of Rs. 5,000 each unless otherwise mentioned.



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

Investee	Rate of interest	Profit payment	Maturity	Long Term Rating	No. of certificates held		Market value / Cost	
					2015	2014	2015	2014
					----- (Rupees in '000) -----			
Balance brought forward							3,058,646	3,310,450
JDW Sugar Mills Limited	3 month Kibor + 1.25%	Quarterly	June 23, 2014	A+	-	-	-	-
Kamal Ghee & Allied Industries Limited	22.00%	Overdue	Overdue	Unrated	14	14	4,238	4,238
Kiran Sugar Mills Limited	3 month Kibor + 3.00%	Quarterly	July 6, 2016	Unrated	PENDING RECEIPT		120,000	120,000
Kiran Sugar Mills Limited -01	3 month Kibor + 3.00%	Quarterly	January 26, 2027	Unrated	144	-	595,227	-
Malik Food Industries Limited	22.00%	Overdue	Overdue	Unrated	11	11	1,401	1,401
Minaco Fabrics Limited	22.00%	Overdue	Overdue	Unrated	14	14	1,640	1,640
Moro Textile Mills Ltd.	8% for first 3 years and 3 month KIBOR+3%	Quarterly	January 10, 2021	Unrated	20	20	188,613	188,613
Munalisa Fruit Juices	-	-	-	Unrated	2	2	1,500	1,500
Munawar Engineering Company Limited	22.00%	Overdue	Overdue	Unrated	28	28	1,306	1,306
National Sugar Industries Limited	3 month Kibor + 3.00%	Quarterly	September 3, 2016	Unrated	20	20	-	-
National Tiles & Ceramics Limited	22.00%	Overdue	Overdue	Unrated	16	16	-	-
New Allied Electronic industries limited.	3 month Kibor + 1.50 %	Quarterly	December 31, 2020	Unrated	1	1	1,308,738	1,324,736
Oil & Gas Investment Limited.	6 month Kibor + 2%	Half yearly	May 14, 2015	Unrated	188,700	188,700	815,800	815,800
Pakistan International Airlines Corp. Limited	6 month Kibor + 1.25%	Half yearly	February 18, 2011	Unrated	594,976	594,976	15,035,805	2,972,500
Pakistan Laminates Limited	22.00%	Overdue	Overdue	Unrated	-	-	95	95
Pak Elektron Ltd	3 month Kibor + 2%.	Quarterly	February 24, 2020	AA	26	26	2,976,229	3,165,690
Pak Libya Holding Co Pvt Ltd	6 month Kibor + 1.6%.	Half yearly	February 7, 2016	AA	50,000	50,000	41,545	125,158
Parthenon private Limited	3 month Kibor + 2%.	Quarterly	December 30, 2017	Unrated	10	10	1,631,635	1,631,635
Pirjee Weaving Mills Limited	22.00%	Overdue	Overdue	Unrated	16	16	401	401
Pak Hy-Oil Ltd	6 months Kibor + 2.25%	Overdue	December 6, 2013	Unrated	1	1	200,000	150,000
Pak Arab Fertilizer Ltd	6 months Kibor + 2.50%	Half yearly	May 19, 2015	AA	-	-	-	-
Rehman Cotton Mills	Zero Markup	Annually	December 30, 2016	Unrated	11	11	22,533	37,554
Qand Ghar (Pvt) Limited	22.00%	Outstanding	Overdue	Unrated	22	22	2,092	2,092
Raja Weaving Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	3,831	3,831
Regency Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	24	24	6,033	6,033
Sarela Cement Limited	22.00%	Overdue	Overdue	Unrated	32	32	6,748	6,748
Seri Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	24	24	5,422	5,422
Shazeb Industries Limited	22.00%	Overdue	Overdue	Unrated	14	14	1,840	1,840
Siakot Dairies	22.00%	Overdue	Overdue	Unrated	13	13	1,323	1,323
Silverland Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	6	6	1,035	1,035
Sind Textile Industries	22.00%	Overdue	Overdue	Unrated	15	15	7,445	7,445
Sinsas Enterprises Limited	22.00%	Overdue	Overdue	Unrated	2	2	4,302	4,302
Star Silica International	22.00%	Overdue	Overdue	Unrated	16	16	1,799	1,799
Standard Chartered Bank Limited	Six Month Kibor +0.75%	Half yearly		AAA	86,730	86,730	434,319	433,650
Sunflo Juices Limited	22.00%	Overdue	Overdue	Unrated	28	28	748	748
Tanocraft Limited	22.00%	Overdue	Overdue	Unrated	22	22	-	-
Tawakkal Garments Industries Limited	22.00%	Overdue	Overdue	Unrated	16	16	759	759
Tharparkar Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	5	5	8,412	8,516
Turbo Tubes Limited	22.00%	Overdue	Overdue	Unrated	2	2	67	67
Ultra Engineering Industries Limited	22.00%	Overdue	Overdue	Unrated	16	16	1,126	1,126
WAPDA-TFCs	6 months Kibor + 1.75%	Half yearly	September 27, 2021	AAA	385,000	400,000	1,649,999	2,000,000
Waleed Leather Industries Limited	22.00%	Overdue	Overdue	Unrated	38	38	2,196	2,196
Zamir Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	7,516	7,516
							28,152,364	16,349,165
							29,861,616	18,050,448

All term finance certificates have a face value of Rs. 5,000 each unless otherwise mentioned.



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

## 1.4.2 Debentures

Investee	Terms of Redemption		Rate of Interest	Cost	
	Principal	Interest		2015	2014
				----- (Rupees in '000) -----	
Aaj Textile Mills Limited	Outstanding	Outstanding	14%	1,005	1,005
Aaj Textile Mills Limited	Outstanding	Outstanding	12.5%	270	270
Ajax Industries Limited	Overdue	Overdue	11%	1,397	1,397
Ajax Industries Limited	Overdue	Overdue	14%	269	269
Ali Asbestose Industries Limited	Overdue	Overdue	14%	175	175
Ali Asbestose Industries Limited	Overdue	Overdue	11%	1,510	1,510
Allied Marbles Industries	Overdue	Overdue	14%	23	23
Allied Marbles Industries	Overdue	-	Interest free	15	15
Azad Kashmir Mineral Development Corporation	Overdue	Overdue	12%	3,286	3,286
Azad Kashmir Mineral Development Corporation	Overdue	Overdue	14%	1,998	1,998
Azad Kashmir Mineral Development Corporation	Overdue	Overdue	12.5%	2,336	2,336
Carbon Dioxide Limited	Outstanding	Outstanding	11%	495	495
Carbon Dioxide Limited	Outstanding	Outstanding	14%	95	95
Chillya Corrugated Board	Overdue	Overdue	14%	317	317
Consolidated Spinning & Textile Mills Limited	Overdue	Overdue	14%	180	180
Consolidated Sugar Mills	Overdue	Overdue	14%	1,875	1,875
Damaan Oil Mills	Overdue	Overdue	14%	204	204
Effef Industries Limited	Overdue	Overdue	14%	1,799	1,799
Effef Industries Limited	Overdue	-	Interest free	3,828	3,828
Electric Lamp Manufacturing	Outstanding	Outstanding	11%	75	75
Electric Lamp Manufacturing	Overdue	Overdue	14%	150	150
Hassan Tanneries Limited	Outstanding	Outstanding	14%	437	437
Hassan Tanneries Limited	Outstanding	Outstanding	12.5%	58	58
Hazara Woolen Mills	Overdue	Overdue	14%	1,148	1,148
Hydri Gas Limited	Outstanding	Outstanding	11%	47	47
Hydri Gas Limited	Outstanding	Outstanding	14%	50	50
Junaid Cotton Mills Limited	Overdue	Overdue	12.5%	165	165
Junaid Cotton Mills Limited	Overdue	Overdue	14%	470	470
Karachi Development Authority	Overdue	Overdue	12.5%	156,034	156,034
Khyber Textile Mills Limited	Overdue	Overdue	14%	1,000	1,000
Lahore Dyeing & Printing Mill	Outstanding	Outstanding	11%	1,013	1,013
Mansoor Textile Mills	Outstanding	Outstanding	14%	510	510
Morgah Valley Limited	Overdue	Overdue	11%	400	400
Morgah Valley Limited	Overdue	Overdue	14%	160	160
National Woolen Mills	Overdue	Overdue	14%	66	66
Pakistan Paper Corporation	Overdue	Overdue	11%	506	506
Progressive Tobacco Co.	Overdue	Overdue	14%	144	144
Qadri Textile Mills Limited	Outstanding	Outstanding	14%	489	489
Regal Ceramics Limited	Overdue	Overdue	14%	105	105
Rising Sun Knitwear Industries	Overdue	Overdue	14%	57	57
Rose Textile Mills Limited	Overdue	Overdue	14%	740	740
Sarhad Bricks Limited	Outstanding	Outstanding	11%	543	543
Sarhad Bricks Limited	Outstanding	Outstanding	14%	102	102
Shafaq Lamp Manufacturing Corporation	Outstanding	Outstanding	11%	368	368
Shafaq Lamp Manufacturing Corporation	Outstanding	Outstanding	14%	83	83
Shahdin Limited	Overdue	Overdue	14%	163	163
Shahyar Textile Mills Limited	Overdue	Overdue	14%	280	280
Spinzer Towel Industries Limited	Outstanding	Outstanding	12.5%	200	200
Spinzer Towel Industries Limited	Outstanding	Outstanding	14%	175	175
Sun Publications Limited	Overdue	Overdue	13.5%	178	178
Zulsham Engineering Works Limited	Overdue	Overdue	14%	236	236
				<b>187,229</b>	<b>187,229</b>



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

### 1.4.3 Participation Term Certificate

Investee	Number of certificate(s)	Rate of interest	Paid - up value per certificate Rupees	Cost	
				2015	2014
				----- (Rupees in '000) -----	
Ali Paper Industries Limited	13	17%	261,000	3,393	3,393
Alipure Jute Mills Limited	53	17%	172,113	7,081	7,081
American Marbals Limited	12	17%	104,167	448	448
Azmat Oil Industries Limited	1	17%	226,000	226	226
Annis Garments Limited	12	17%	32,917	395	395
Bhawalpur Board Mills Limited	14	17%	137,000	1,918	1,918
Bela Chemicals limited	1	17%	10,500,000	10,500	10,500
Calcium Limited	1	17%	300,000	300	300
Dadabhoy Cement Limited	1	17%	11,601,000	7,303	7,303
Delta Tyre & Rubber Co.	7	17%	268,714	1,118	1,118
Gypsum Corporation Limited	32	17%	32,594	1,043	1,043
Ittehad Industries Limited	1	17%	600,000	451	451
Jubilee Paper Board Mills	16	17%	431,938	4,415	4,415
Kamal Enterprises Limited	17	17%	64,294	1,093	1,093
Khattak Edible Oil Limited	15	17%	82,467	1,237	1,237
Meditex International Limited	15	17%	87,800	508	508
Morgah Valley Limited	16	17%	29,250	468	468
National Fructose Limited	11	17%	550,818	3,215	3,215
Pak Belt Industries Limited	13	17%	94,692	757	757
Pangrio Sugar Mills Limited	29	17%	442,586	4,433	4,433
Punjab Building Products	12	17%	121,500	1,458	1,458
Punjab Cables Mills Limited	12	17%	388,667	3,833	3,833
Rainbow Packages Limited	23	17%	122,174	2,223	2,223
Sampak Paper Board Mills	11	17%	14,909	165	165
Sarela Cement Limited	35	17%	406,629	14,232	14,232
Shafi Woolen Industries Limited	11	17%	89,455	490	490
Sindh Glass Industries Limited	17	17%	598,765	9,457	9,457
Star Silica Industries Limited	15	17%	137,467	1,803	1,803
United Wood (Veener) Limited	15	17%	51,000	727	727
Waziristan Oil Industries Limited	13	17%	88,385	1,094	1,094
Zafar Oil Industries Limited	11	17%	65,455	720	720
Treat Corporation Limited	7,729,500	AA	33	154,885	188,115
				241,389	274,619



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

## 1.4.4 Investment in Sukuk

Investee	Terms of Redemption		Rate of Interest %	Market Value/Cost	
	Principal	Interest		2015	2014
				----- (Rupees in '000) -----	
WAPDA Sukuk (2nd Issue)	Bi-Annual	Bi-Annual	6.79% 6 month Kibor - 0.25%	152,242	235,760
Quetta Textile Mills Limited	Quarterly	Quarterly	8.23% 3 month Kibor + 1.75%	198,622	253,793
Pakistan International Airlines Corp. Limited	Bi-Annual	Bi-Annual	8.33% 6 month Kibor + 1.75%	550,000	550,000
K- Electric Limited	Quarterly	Quarterly	7.50% 3 month Kibor + 1%	2,055,000	-
Maple Leaf Cement Limited	Quarterly	Quarterly	8.21% 3 month Kibor + 1.7%	225	790
<b><u>Islamic Banking</u></b>					
WAPDA Sukuk	Bi-Annual	Bi-Annual	6 month Kibor - 0.25%	8,334	12,500
Security Leasing Limited	Monthly	Monthly	0%	30,807	30,807
Kohat Cement Limited	Quarterly	Quarterly	3 month Kibor + 1.5%	-	-
Arzoo Textile Limited	Bi-Annual	Bi-Annual	11.56% 6 month Kibor + 2%	100,000	100,000
GoP Ijara Sukuk	Bi-Annual	Bi-Annual	6 M T-bills	980,684	2,024,349
Engro Fertilizer Limited	Bi-Annual	Bi-Annual	6 month Kibor + 1.50%	-	216,738
Pakistan International Airlines Corp. Limited	Bi-Annual	Bi-Annual	6 month Kibor + 1.75%	175,000	175,000
				4,250,914	3,599,737



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

### 1.4.5 Others Government Bond Investment

Investee	Terms of Redemption		Rate of Interest %	Market Value/Cost	
	Principal	Interest		2015	2014
				..... Rupees in '000	.....
Overseas Bonds					
Goldman Sachs Group	On Maturity	Bi-Annual	3.63%	105,107	102,991
Goldman Sachs Group	On Maturity	Bi-Annual	5.35%	104,975	104,742
Goldman Sachs Group	On Maturity	Bi-Annual	7.50%	240,152	238,895
Goldman Sachs Group	On Maturity	Bi-Annual	6.15%	227,947	224,602
Merrill Lynch & Co.	On Maturity	Bi-Annual	6.50%	26,723	26,644
Merrill Lynch & Co.	On Maturity	Bi-Annual	6.50%	57,842	57,671
Merrill Lynch & Co.	On Maturity	Bi-Annual	6.50%	24,525	24,453
Merrill Lynch & Co.	On Maturity	Bi-Annual	6.40%	224,320	-
Merrill Lynch & Co.	On Maturity	Bi-Annual	6.40%	112,160	-
Bank of America	On Maturity	Quarterly	6.88%	127,229	-
Lloyds TSB Bank	On Maturity	Bi-Annual	3ML + 1.25%	209,638	209,182
Citigroup Inc.	On Maturity	Bi-Annual	1.85%	209,680	-
Citigroup Inc.	On Maturity	Bi-Annual	6.13%	224,939	-
Morgan Stanley	On Maturity	Bi-Annual	4.75%	206,240	-
Bank of America	On Maturity	Bi-Annual	5.63%	116,327	-
Bank of America	On Maturity	Bi-Annual	4.50%	265,463	226,087
Lloyds TSB Bank	On Maturity	Bi-Annual	4.88%	210,121	204,604
Lloyds TSB Bank	On Maturity	Bi-Annual	4.38%	-	50,274
Lloyds TSB Bank	On Maturity	Bi-Annual	4.38%	-	50,274
Morgan Stanley	On Maturity	Bi-Annual	3.45%	-	102,467
Morgan Stanley	On Maturity	Bi-Annual	2.74%	-	302,324
Royal Bank of Scotland	On Maturity	Bi-Annual	6.40%	-	348,946
				2,693,387	2,274,153



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

## Annexure IV as referred to in Note 28.2 to the financial statements

	2015 (Rupees in '000)	2014
<b>Donations include following amounts exceeding Rs 0.1 million:</b>		
Fatimid Foundation Kidney Centre, Quetta.	<u>300</u>	<u>500</u>
	<u>300</u>	<u>500</u>
<b>Contributions for Corporate &amp; Social Responsibilities include following amounts exceeding Rs 0.1 million:</b>		
Sindh Institute of Urology Transplant (SIUT)	-	5,000
Lifetime Support Single Unit TCF School, Nawabshah	3,750	3,750
Hunar Foundation	-	4,000
Marie Adelaide Leprosy Centre	-	2,000
Gulab Devi Hospital, Lahore	-	1,810
Institute of Business Administration (IBA)	2,100	2,100
Patient's Welfare Society	-	300
Sheikh Zayed Islamic Center	-	384
Gulistan-e-Mazooreen, Mirpurkhas	-	164
Pakistan Disabled Foundation	155	154
Muzaffarabad Physical Centre	-	123
Disabled Welfare Association, Karachi.	225	140
Make-A-Wish Foundation	100	100
Markez-e-Umeed for Special Children, Karachi	-	128
Behbud Association of Pakistan, Rawalpindi	-	100
SOS Children's Village, Multan	-	500
Sir Ganga Ram Hospital, Lahore	-	1,350
Medical Aid Foundation	-	500
Mukhatran Rafiq Foundation, Lahore	-	430
Chair Nawabshah Disability Forum	-	270
Sundas Foundation	-	300
Stationary Items to Sun Academy.	-	100
Medicines, Food, Milk & Solar System, Thar	-	500
01 Audio Meter Machine & 06 Hearing Aid to Govt. School for Deaf Children, Abbottabad	-	288
Treatment of Victims of Burnt Injuries, Paigham Welfare Association, Karachi	-	100
10 Wheelchairs & 10 Sewing Machines, Firdous Ittehad S.W Organization, Karachi	-	134
Sewing Machine & Vocational Training, Bahawalnagar.	-	195
Tharparkar Association the Disabled Person Mirpurkhas	-	250
20 Artificial Limbs to Disable Children Treatment Provided by (HASWA)	-	170
Hassan Academy Special Education, Rawalpindi	-	100
Sponsor Literacy Program for under Privileged Children, Rawalpindi & Islamabad	-	491
Girls Sec-Camps School Gizri, by Ravian Educational Service Trust	-	500
Professional Education Foundation, Karachi	-	100
35 Desks, 01-Elc-Water Cooler & 05 Ceilling Fan to Govt. Elementary School Tehsil Chunian	-	186
Balance brought forward	<u>6,330</u>	<u>26,716</u>



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

	2015 (Rupees in '000)	2014
Balance brought forward	6,330	26,716
Underprivileged Students, Foreman Christian College, Lahore	-	500
80 Orphan Students Educational Expenses, Gujranwala	-	400
Treatment for Dialysis Patients, Pak Kidney Institute Islamabad	-	400
Poor Patient Aid Society to Cover the Brain Surgery of Young Girls	-	300
Plasma Baeg to Kids Blood Diseases Organization, Mansehra	-	124
Mentally ill Patients, Karwan-e-Hayat	-	500
25 S-Machines to Destitute Women Residing in Sheikhpura Villages	-	161
10 Computers to Orphan Children of Don Bosco Home	-	140
Scholarship for 10 students of Sargodhian Spirit Trust, Tandoallyar	-	3,750
Scholarship for 35 students of Korangi Academy run by INFAQ Foundation	-	1,386
Adoption Non Formal School Child Care Foundation for Elimination of Child Labor	2,925	2,925
Colposcopy Equipment to Bolan Medical Complex, Quetta	-	1,350
Scholarship for Women Vocational Training Hunar Foundation	-	1,500
Adoption of Taleem Foundation Schools in Kila Saifullah & Muslim Bagh, Baluchistan	7,000	7,000
Development of Blood Donation Centre & Laboratory Project by Afzal Memorial Thalassaemia Foundation, Karachi	-	1,000
20/20 Wheelchair to D.W.A, Society for special Persons, Multan & Mianwali	-	360
60 W/Chair-Kays-e-Kazah Society for special Persons, Haripur & AJK	-	420
63 Wheel Chair for Flood Victims/Disabilities Jhang Muzaffargarh.	-	473
30 Wheel Chair by Saaya Association, Rawalpindi, Multan & Chakwal	-	225
20 Stretchers to Bolan Medical Complex Hospital, Quetta	-	450
30 wheel Chairs to Bolan Medical Complex Hospital, Quetta	-	204
25 Wheel Chair to Khi-Independent living Centre, Karachi	-	210
15 Wheel Chairs to Sangat Art & Welfare Society, Sibi	-	105
20 Computers to Makran University of Technology, Turbat	-	320
Help International Welfare Trust-Karachi	188	100
Punjab Youth Festival-2014	-	25,000
Jijal Maau Hospital Qasimabad, Hyderabad	-	1,690
Build a National Monument Tallest Flag Post.CBC	-	6,000
The Aga Khan University, Hospital	7,500	-
Development & Research to Habib University Foundation	3,330	-
SOS Children's Village, Islamabad	3,000	-
20 Students Scholarship through Professional Education Foundation	1,200	-
Family Ramzan Package (Ration) Interior Sind & Suburb Area	7,113	-
Sponsor Repair of Auto Wheelchairs Saaya Association	320	-
Anjuman-e-Mazoorran, Liyari	218	-
Society for Special Persons, AJK	186	-
Society for Special Persons, Multan	110	-
Govt. Girls School Gizri Campus, Raavian Educational Trust	400	-
Cadet College, Larkana	395	-
Poor Patients Aid Society	200	-
Sukkur Blood & Drug Donating Society	200	-
Women Vocational Program in Gilgit & Taxila	500	-
Orphan Students Educational Expenses Roshni Homes	420	-
Rising Sun Education & Welfare Society, Lahore	200	-
Balance carried forward	41,734	83,709



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

	2015 (Rupees in '000)	2014
Balance brought forward	41,734	83,709
Dar-ul-Sukun	260	-
MPRC, Azad Kashmir	133	-
Sindh Disabled Association, Khairpur	126	-
Chair to Grace Association, Skardu	267	-
Pood Students, Sujawal	285	-
Govt. Dgree Collage Mehmoodabad, Karachi	299	-
SOS Children's Village, Quetta	200	-
Firdous Ittehad Social Welfare Organization, Karachi	140	-
NBP Scholarship Program Namal College, Mianwali	1,500	-
NBP Scholarship Program Sindh Madressat al Islam University	720	-
Al-Umeed Rehabilitation Association, Karachi	200	-
Karachi Independent Living Centre	150	-
Nargis Khatoon Hearing Impairment School, Skardu	115	-
Shigar & Skardu	500	-
Patient Care, Karachi	300	-
Al-Qadir Model School, Lyari	312	-
Int-Grammar School, Karachi	305	-
Poor Students Baluchistan Schools	250	-
Poor Dialysis Patients at Pak Kidney Institute, Islamabad	500	-
NBP Female Ward, MALC	990	-
Begum Noor M-Hospital, Chakwal	476	-
NICH by SADA Welfare Foundation	475	-
Medical Aid Foundation (Cancer Division)	300	-
Model Welfare Medical Center, Malir	100	-
Al-Mustafa Trust Chakwal, Rawalpindi	100	-
Shaukat Khanum Memorial Cancer Hospital, Peshawar	500	-
Gulab Devi Charity Hospital, Lahore	450	-
National Institute of Cardio Vascular, Karachi	400	-
Patient Welfare Dept at Aiwn-e-Tijarat-o-Sanat Hospital Trust, Karachi	200	-
Poor Patients Treatment Pakistan Kidney Institute, Islamabad	450	-
British Women Association Chairty Bazar	100	-
College for Disabilities Person, Rawalpindi	500	-
Deprived student Education Expenses	242	-
Deprived student Education Expenses	209	-
DEWA Trust	400	-
Suburban Area by TCF	400	-
Jammia Masjid, Distt. Kohlu Baluchistan	500	-
Kaus-e-Kazah, Rawalpindi & Jhang	500	-
Earth Quake Victims, KPK	2,300	-
	<u>58,479</u>	<u>83,709</u>



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

Notes to the Unconsolidated Financial Statements  
For the year ended December 31, 2015

### Details of disposals of property and equipment

Particulars of property and equipment	Original Cost	Book Value	Sale Proceeds	Gain / Loss on disposal	Mode of disposal	Particulars of Purchaser
	(Rupees in '000)					
Motor Vehicles	1,239	236	236	-	As per entitlement	Mr. M. Hassan Khaskheli, Ex Employee
Motor Vehicles	1,269	127	127	-	As per entitlement	Mr. Nake Ahmed Khan Ex Employee
Motor Vehicles	1,424	498	498	-	As per entitlement	Mr. Faisal Jan Sarhindi Ex Employee
Motor Vehicles	1,269	502	502	-	As per entitlement	Mr. Rehmat Ali Hasni, Employee
Motor Vehicles	1,269	-	127	127	As per entitlement	Mr. Saleem Ahmed Employee
Motor Vehicles	1,269	-	127	127	As per entitlement	Mr. Abdul Wahid Sethi Employee
Motor Vehicles	1,269	-	127	127	As per entitlement	Mr. Sarfraz Ahmed Employee
Motor Vehicles	1,514	303	303	-	As per entitlement	Mr. Zaheer Baig Employee
Motor Vehicles	1,462	292	292	-	As per entitlement	Mr. Raza Mohsin Qizilbash Ex Employee
Motor Vehicles	1,269	-	127	127	As per entitlement	Mr. Nasir Abbas Employee
Motor Vehicles	1,269	-	127	127	As per entitlement	Mr. Syed Naveed Asghar Employee
Motor Vehicles	1,269	-	127	127	As per entitlement	Mr. Abdul Rahim Employee
Motor Vehicles	1,269	-	127	127	As per entitlement	Mr. Hidayat Ali Shar Employee
Motor Vehicles	1,269	-	127	127	As per entitlement	Mr. Furrakh Saeed Khan Employee
Motor Vehicles	1,337	267	267	-	As per entitlement	Mr. Arif Raza Abdy Employee
Motor Vehicles	1,269	-	127	127	As per entitlement	Mr. Muhammad Yousuf Saudagar Ex Employee
Motor Vehicles	1,337	267	267	-	As per entitlement	Mr. Muhammad Khurram Employee
Motor Vehicles	1,384	-	138	138	As per entitlement	Mr. Muhammad Rafique Ex Employee
Motor Vehicles	1,357	272	272	-	As per entitlement	Mr. Asad Saleem Employee
Motor Vehicles	1,524	305	305	-	As per entitlement	Mr. Kamran Amin Employee
Motor Vehicles	1,337	267	267	-	As per entitlement	Mr. Tazeen Fasihuddin Employee
Motor Vehicles	1,337	-	137	137	As per entitlement	Mrs. Azmat Moiz Employee
Motor Vehicles	1,269	-	127	127	As per entitlement	Mr. Sardar Employee
Motor Vehicles	1,269	254	254	-	As per entitlement	Mr. Abbas Bukhari Employee
Motor Vehicles	1,269	-	127	127	As per entitlement	Mr. Adnan Adil Hussain Employee
Motor Vehicles	1,399	280	280	-	As per entitlement	Mr. Babar Baig Employee
Motor Vehicles	1,529	306	306	-	As per entitlement	Mr. Mahmood Siddique Employee
Motor Vehicles	1,529	306	306	-	As per entitlement	Mr. M Shoaib Malik Employee
Motor Vehicles	1,529	306	306	-	As per entitlement	Mr. Nasir Hussain Employee
Motor Vehicles	7,150	715	715	-	As per entitlement	Mr. Tariq Jamali Employee
Motor Vehicles	1,269	-	127	127	As per entitlement	Mr. Muhammad Farrukh Ghauri Employee
Motor Vehicles	1,239	-	124	124	As per entitlement	Mr. Nayyar Sami Employee
Motor Vehicles	1,269	267	267	-	As per entitlement	Mr. Akhter Nawaz Employee
Motor Vehicles	1,426	214	214	-	As per entitlement	Mr. Khalid Mehmood Employee
Motor Vehicles	1,419	142	142	-	As per entitlement	Mr. Pervaiz Taj Bhatti Employee
Motor Vehicles	1,239	124	124	-	As per entitlement	Mr. Amanat Ali Employee
Motor Vehicles	1,337	1,048	1,048	-	As per entitlement	Mr. Atif Hassan Employee
Motor Vehicles	1,239	-	124	124	As per entitlement	Mr. Shahid Iqbal Quershhi Employee
Motor Vehicles	1,239	-	124	124	As per entitlement	Mr. Muhammad Riaz Employee
Motor Vehicles	1,426	285	285	-	As per entitlement	Mr. Barbruce Ishaq Ex Employee
Motor Vehicles	1,269	254	254	-	As per entitlement	Mr. Faisal Ahmed Employee
Motor Vehicles	1,269	275	275	-	As per entitlement	Mr. Naeem Aslam Employee
Motor Vehicles	1,239	275	275	-	As per entitlement	Mr. Nadeem Mehdi Quershhi Employee
Motor Vehicles	1,269	-	127	127	As per entitlement	Mr. Karim Akram Khan Employee
Motor Vehicles	1,269	-	127	127	As per entitlement	Mr. Mustadir Ul Islam Employee
	65,571	8,387	10,811	2,424		
Lease Vehicles	7,254	725	725	-	As per entitlement	Mr. Ziaullah Khan Ex Employee
Lease Vehicles	7,625	1,525	1,525	-	As per entitlement	Mr. Nausherwan Adil Employee
Lease Vehicles	13,575	-	6,800	6,800	As per BoD approval	Mr. Syed Ali Raza Ex President
	28,454	2,250	9,050	6,800		
Office Equipment	57	7	7	-	As per entitlement	Mr. Ziaullah Khan Ex Employee
Office Equipment	114	51	51	-	As per entitlement	Mr. Barbruce Ishaq Ex Employee
	171	58	58	-		
Computer Equipment	92	3	3	-	As per entitlement	Mr. Jahanzaib Ex Employee
Computer Equipment	67	4	4	-	As per entitlement	Mr. Nake Ahmed Khan Employee
Computer Equipment	101	20	20	-	As per entitlement	Mr. Faisal Jan Sarhindi Ex Employee
Computer Equipment	124	-	-	-	As per entitlement	Mr. Ziaullah Khan Ex Employee
Computer Equipment	101	42	42	-	As per entitlement	Mr. Nasir Khan Employee
Computer Equipment	26	26	26	-	As per entitlement	Mr. Barbruce Ishaq Ex Employee
	511	95	95	-		



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

Particulars of property and equipment	Original Cost	Book Value	Sale Proceeds	Gain / Loss on disposal	Mode of disposal	Particulars of Purchaser	
	(Rupees in '000)						
Furniture & Fixtures	125	36	36	-	As per Service Rules	Mr. Muhammad Sajid	Ex Employee
Furniture & Fixtures	125	20	20	-	As per Service Rules	Mr. Wakeel Ahmed Khan	Ex Employee
Furniture & Fixtures	125	11	11	-	As per Service Rules	Mr. Muhammad Qamar Farooqui	Ex Employee
Furniture & Fixtures	125	11	11	-	As per Service Rules	Mr. Muhammad Waqaruddin	Ex Employee
Furniture & Fixtures	300	120	120	-	As per Service Rules	Mr. Muhammad Hassan Khaskheli	Ex Employee
Furniture & Fixtures	150	13	13	-	As per Service Rules	Mr. Muhammad Raffaq	Ex Employee
Furniture & Fixtures	125	25	25	-	As per Service Rules	Mr. Muhammad Ibrahim	Ex Employee
Furniture & Fixtures	125	20	20	-	As per Service Rules	Mr. Sarfaraz Ahmed	Ex Employee
Furniture & Fixtures	150	14	14	-	As per Service Rules	Mr. Qasim Ali Adil	Ex Employee
Furniture & Fixtures	125	13	13	-	As per Service Rules	Mr. Muhammad Arif Shafi	Ex Employee
Furniture & Fixtures	150	40	40	-	As per Service Rules	Mr. Ijaz Ahmed	Ex Employee
Furniture & Fixtures	125	63	63	-	As per Service Rules	Mr. Saif Ahmed Saifi	Ex Employee
Furniture & Fixtures	125	50	50	-	As per Service Rules	Mr. S.M. Shoaib Athar	Ex Employee
Furniture & Fixtures	150	13	13	-	As per Service Rules	Mr. Liaquat Ali Shaikh	Ex Employee
Furniture & Fixtures	125	40	40	-	As per Service Rules	Mr. Muhammad Jamil	Ex Employee
Furniture & Fixtures	125	34	34	-	As per Service Rules	Mr. Syed Tariq Ahmed	Ex Employee
Furniture & Fixtures	150	50	50	-	As per Service Rules	Mr. Khurshid Anwar	Ex Employee
Furniture & Fixtures	125	10	10	-	As per Service Rules	Mr. Alamdar Hussain	Ex Employee
Furniture & Fixtures	500	207	207	-	As per Service Rules	Mr. Ziaullah Khan	Ex Employee
Furniture & Fixtures	175	91	91	-	As per Service Rules	Mr. Nake Ahmed Khan	Ex Employee
Furniture & Fixtures	150	38	38	-	As per Service Rules	Mr. Abdul Ghaffoor Abid	Ex Employee
Furniture & Fixtures	175	86	86	-	As per Service Rules	Mr. Shahid Iqbal Qureshi	Ex Employee
Furniture & Fixtures	150	25	25	-	As per Service Rules	Mr. Zulfiqar Qasim	Ex Employee
Furniture & Fixtures	175	71	71	-	As per Service Rules	Mr. Ghulam Mohiyuddin Siddiqui	Ex Employee
Furniture & Fixtures	125	50	50	-	As per Service Rules	Late Abdul Salam	Ex Employee
Furniture & Fixtures	125	39	39	-	As per Service Rules	Mr. Aqeel Ahmed	Ex Employee
Furniture & Fixtures	125	39	39	-	As per Service Rules	Mr. Sarfaraz Ahmed Hashmi	Ex Employee
Furniture & Fixtures	125	10	10	-	As per Service Rules	Mr. Mousa Bux Soomro	Ex Employee
Furniture & Fixtures	125	9	9	-	As per Service Rules	Mr. Muhammad Arshad	Ex Employee
Furniture & Fixtures	150	41	41	-	As per Service Rules	Mr. Muhammad Shaheen Saeed	Ex Employee
Furniture & Fixtures	125	24	24	-	As per Service Rules	Late Fakhar Aziz Khan	Ex Employee
Furniture & Fixtures	125	20	20	-	As per Service Rules	Mr. Sardar Ghulam Rabbani	Ex Employee
Furniture & Fixtures	125	10	10	-	As per Service Rules	Mr. Abdul Qayyum	Ex Employee
Furniture & Fixtures	125	9	9	-	As per Service Rules	Mr. Muhammad Tariq Ghous	Ex Employee
Furniture & Fixtures	125	4	4	-	As per Service Rules	Mr. Khadim Nabi	Ex Employee
Furniture & Fixtures	150	13	13	-	As per Service Rules	Mr. Muhammad Arshad	Ex Employee
Furniture & Fixtures	150	57	57	-	As per Service Rules	Mr. Muhammad Saleem Ch	Ex Employee
Furniture & Fixtures	125	38	38	-	As per Service Rules	Mr. Gulmat Ali Khan	Ex Employee
Furniture & Fixtures	125	19	19	-	As per Service Rules	Mr. Muhammad Irshad	Ex Employee
Furniture & Fixtures	125	18	18	-	As per Service Rules	Mr. Qazi Muhammad Ariq	Ex Employee
Furniture & Fixtures	150	16	16	-	As per Service Rules	Late Ali Ahmed	Ex Employee
Furniture & Fixtures	125	13	13	-	As per Service Rules	Mr. Siraj Ghulam Ali	Ex Employee
Furniture & Fixtures	125	10	10	-	As per Service Rules	Mr. Abdul Malik	Ex Employee
Furniture & Fixtures	125	8	8	-	As per Service Rules	Mr. Shafiqat Mehmood	Ex Employee
Furniture & Fixtures	125	8	8	-	As per Service Rules	Mr. Muhammad Jamil Akbar	Ex Employee
Furniture & Fixtures	125	10	10	-	As per Service Rules	Mr. Muhammad Tanveer	Ex Employee
Furniture & Fixtures	125	8	8	-	As per Service Rules	Mr. Rahim Said	Ex Employee
Furniture & Fixtures	150	10	10	-	As per Service Rules	Mr. Zaheer Ahmed Qureshi	Ex Employee
Furniture & Fixtures	175	67	67	-	As per Service Rules	Mr. Nayyar Sami	Ex Employee
Furniture & Fixtures	300	120	120	-	As per Service Rules	Mr. Tahir Yaqub	Ex Employee
Furniture & Fixtures	150	59	59	-	As per Service Rules	Mr. Saeed Ahmad Jan	Ex Employee
Furniture & Fixtures	125	18	18	-	As per Service Rules	Mr. Hussain Bux Memon	Ex Employee
Furniture & Fixtures	150	41	41	-	As per Service Rules	Mr. Naseem Pervez	Ex Employee
Furniture & Fixtures	150	23	23	-	As per Service Rules	Mr. Javed Iqbal Khattak	Ex Employee
Furniture & Fixtures	125	18	18	-	As per Service Rules	Mr. Muhammad Mehfooz	Ex Employee
Furniture & Fixtures	125	18	18	-	As per Service Rules	Mr. Mirza Amjad Baig	Ex Employee
Furniture & Fixtures	125	8	8	-	As per Service Rules	Mr. Muhammad Nasir Masood	Ex Employee
Furniture & Fixtures	125	19	19	-	As per Service Rules	Mr. Tanveer Khan	Ex Employee
Furniture & Fixtures	125	19	19	-	As per Service Rules	Mr. Muhammad Aslam Bhatti	Ex Employee
Furniture & Fixtures	125	9	9	-	As per Service Rules	Mr. Abdul Qadir Solangi	Ex Employee
Furniture & Fixtures	125	8	8	-	As per Service Rules	Mr. Muhammad Nasarullah Butt	Ex Employee
Furniture & Fixtures	125	8	8	-	As per Service Rules	Mr. Muhammad Pervez Khan	Ex Employee
Furniture & Fixtures	125	8	8	-	As per Service Rules	Mr. Khawaja Ifikhar Ahmed	Ex Employee
Furniture & Fixtures	125	8	8	-	As per Service Rules	Mr. Khalid Mehmood Abbasi	Ex Employee
Furniture & Fixtures	150	8	8	-	As per Service Rules	Mr. Ch. Muhammad Akram	Ex Employee
Furniture & Fixtures	125	8	8	-	As per Service Rules	Mr. Ifikhar Hussain	Ex Employee
Furniture & Fixtures	125	7	7	-	As per Service Rules	Mr. Zafar Ahmed	Ex Employee
Furniture & Fixtures	125	47	47	-	As per Service Rules	Mr. Riaz Hussain Shah	Ex Employee
Furniture & Fixtures	125	18	18	-	As per Service Rules	Mr. Muhammad Iqbal Hussain	Ex Employee
Furniture & Fixtures	150	56	56	-	As per Service Rules	Mr. Ikram Ul Haq	Ex Employee
Furniture & Fixtures	125	7	7	-	As per Service Rules	Mr. Ahmed Hassan	Ex Employee
Furniture & Fixtures	125	53	53	-	As per Service Rules	Mr. Khadim Hussain	Ex Employee



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

Particulars of property and equipment	Original Cost	Book Value	Sale Proceeds	Gain / Loss on disposal	Mode of disposal	Particulars of Purchaser	
	(Rupees in '000)						
Furniture & Fixtures	125	45	45	-	As per Service Rules	Mr. Javaid Ahmed Khan	Ex Employee
Furniture & Fixtures	125	44	44	-	As per Service Rules	Mr. Abdul Saleem	Ex Employee
Furniture & Fixtures	125	8	8	-	As per Service Rules	Mr. Syed Majaz Hussain Kazmi	Ex Employee
Furniture & Fixtures	125	50	50	-	As per Service Rules	Mr. Mumtaz Farooq Paracha	Ex Employee
Furniture & Fixtures	150	13	13	-	As per Service Rules	Mr. Khalid Hussain	Ex Employee
Furniture & Fixtures	125	57	57	-	As per Service Rules	Mr. Abdul Ghaffar Khan	Ex Employee
Furniture & Fixtures	125	46	46	-	As per Service Rules	Mr. Syed Meraj- Ur -Rasul	Ex Employee
Furniture & Fixtures	125	35	35	-	As per Service Rules	Mr. Sikandar Ali Qureshi	Ex Employee
Furniture & Fixtures	125	31	31	-	As per Service Rules	Mr. Kamran Mufti	Ex Employee
Furniture & Fixtures	125	25	25	-	As per Service Rules	Mr. Muhammad Asghar Pasha	Ex Employee
Furniture & Fixtures	125	18	18	-	As per Service Rules	Ms. Fariha Kulsoom	Ex Employee
Furniture & Fixtures	125	7	7	-	As per Service Rules	Mr. Ikram Ul Haq	Ex Employee
Furniture & Fixtures	125	44	44	-	As per Service Rules	Mr. Abdul Qayoom	Ex Employee
Furniture & Fixtures	125	8	8	-	As per Service Rules	Mr. Arshad Iqbal	Ex Employee
Furniture & Fixtures	125	5	5	-	As per Service Rules	Mr. Imtiaz Alam	Ex Employee
Furniture & Fixtures	125	44	44	-	As per Service Rules	Mr. S. Aamir Hasan	Ex Employee
Furniture & Fixtures	125	5	5	-	As per Service Rules	Mr. Muhammad Nasim Ejaz	Ex Employee
Furniture & Fixtures	150	53	53	-	As per Service Rules	Mr. Iqbal Ahmed Baloch	Ex Employee
Furniture & Fixtures	125	45	45	-	As per Service Rules	Mr. Khalid Mehmood	Ex Employee
Furniture & Fixtures	125	44	44	-	As per Service Rules	Mr. Imtiaz Ahmed Siddiaqui	Ex Employee
Furniture & Fixtures	125	35	35	-	As per Service Rules	Mr. S.M. Tasleem	Ex Employee
Furniture & Fixtures	125	22	22	-	As per Service Rules	Mr. Zafar Iqbal	Ex Employee
Furniture & Fixtures	125	16	16	-	As per Service Rules	Mr. Muhammad Yusuf	Ex Employee
Furniture & Fixtures	150	44	44	-	As per Service Rules	Mr. Habeeb Ullah Khan	Ex Employee
Furniture & Fixtures	125	10	10	-	As per Service Rules	Mr. Muhammad Iqbal Nusrat	Ex Employee
Furniture & Fixtures	125	15	15	-	As per Service Rules	Mr. Muhammad Nisar	Ex Employee
Furniture & Fixtures	125	5	5	-	As per Service Rules	Mr. Mushtaq Ahmed Baig	Ex Employee
Furniture & Fixtures	125	36	36	-	As per Service Rules	Mr. Muhammad Khalid Dar	Ex Employee
Furniture & Fixtures	150	23	23	-	As per Service Rules	Mr. Muhammad Najeeb Luni	Ex Employee
Furniture & Fixtures	125	55	55	-	As per Service Rules	Mr. Abdul Waheed	Ex Employee
Furniture & Fixtures	150	35	35	-	As per Service Rules	Mr. Mubarak Hussain	Ex Employee
Furniture & Fixtures	125	8	8	-	As per Service Rules	Mr. Kamran Ahmed	Ex Employee
Furniture & Fixtures	125	15	15	-	As per Service Rules	Mr. Muhammad Ali	Ex Employee
Furniture & Fixtures	125	34	34	-	As per Service Rules	Mr. Muhammad Anis Shaikh	Ex Employee
Furniture & Fixtures	150	68	68	-	As per Service Rules	Mr. Suleman Shamsuddin Nanji	Ex Employee
Furniture & Fixtures	175	66	66	-	As per Service Rules	Mr. Atif Hassan Khan	Ex Employee
Furniture & Fixtures	125	20	20	-	As per Service Rules	Mst. Talat Saeed	Ex Employee
Furniture & Fixtures	150	17	17	-	As per Service Rules	Mr. Zahid Mehmood	Ex Employee
Furniture & Fixtures	125	14	14	-	As per Service Rules	Mr. Muhammad Bux	Ex Employee
Furniture & Fixtures	125	14	14	-	As per Service Rules	Mr. Muhammad Razzaq	Ex Employee
Furniture & Fixtures	125	44	44	-	As per Service Rules	Mr. Sikandar Hayat	Ex Employee
Furniture & Fixtures	125	44	44	-	As per Service Rules	Mr. Syed Matlub Uz Zafar	Ex Employee
Furniture & Fixtures	125	8	8	-	As per Service Rules	Mr. Muhammad Imtiaz Ahmed	Ex Employee
Furniture & Fixtures	125	4	4	-	As per Service Rules	Mr. Muhammad Sharif Tahir	Ex Employee
Furniture & Fixtures	125	16	16	-	As per Service Rules	Mr. Muhammad Nasim Afzal	Ex Employee
Furniture & Fixtures	125	3	3	-	As per Service Rules	Mr. Syed Mustafa Haider	Ex Employee
Furniture & Fixtures	125	3	3	-	As per Service Rules	Mr. Ahmed Viqar	Ex Employee
Furniture & Fixtures	125	42	42	-	As per Service Rules	Mr. Sadaqat Ullah Siddiqui	Ex Employee
Furniture & Fixtures	125	3	3	-	As per Service Rules	Mr. Faiz-Ul-Hassan	Ex Employee
Furniture & Fixtures	125	17	17	-	As per Service Rules	Mr. Basit Javed	Ex Employee
Furniture & Fixtures	150	13	13	-	As per Service Rules	Mr. Muhammad Riaz Ahmed	Ex Employee
Furniture & Fixtures	300	-	-	-	As per Service Rules	Mr. Khalid Mehmood	Ex Employee
Furniture & Fixtures	175	39	39	-	As per Service Rules	Mr. Mustadar Ul Islam	Ex Employee
Furniture & Fixtures	125	16	16	-	As per Service Rules	Mr. Tahir Yousuf	Ex Employee
Furniture & Fixtures	125	13	13	-	As per Service Rules	Mr. Muhammad Saleem Khan	Ex Employee
Furniture & Fixtures	125	2	2	-	As per Service Rules	Mr. Amjad Hussain	Ex Employee
Furniture & Fixtures	125	23	23	-	As per Service Rules	Mr. Syed Tanvir Ahmed	Ex Employee
Furniture & Fixtures	125	16	16	-	As per Service Rules	Mr. Mushtaq Ahmed	Ex Employee
Furniture & Fixtures	125	39	39	-	As per Service Rules	Mr. A.J. Zafar Qizilbash	Ex Employee
Furniture & Fixtures	175	23	23	-	As per Service Rules	Mr. Amanat Ali Khan	Ex Employee
Furniture & Fixtures	125	13	13	-	As per Service Rules	Mr. Shah Dost Bugti	Ex Employee
Furniture & Fixtures	175	60	60	-	As per Service Rules	Mr. Muhammad Riaz	Ex Employee
Furniture & Fixtures	300	135	135	-	As per Service Rules	Mr. Pervaz Taj Bhatti	Ex Employee
Furniture & Fixtures	125	2	2	-	As per Service Rules	Ms. Shadmi Choghai	Ex Employee
	19,100	3,991	3,991	-			
Machinery	50,000	-	-	-	As per Agreement	Bashir Saddiq Logistics	
Machinery	25,625	-	-	-	As per Agreement	Hillpark General Hospital	
Machinery	250,000	-	-	-	As per Agreement	DG Khan Cement Co. Ltd.	
	325,625	-	-	-			
Total Amount Rs.	439,432	14,783	24,007	9,224			

Note: Book value of Furniture & Fixture have been adjusted for the balance 50% amount written-off by the bank as per service rules.



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED FROM JANUARY TO DECEMBER 2015

Annexure II as referred to in  
Note 10.6 to the financial statements

(Rupees in Millions)

Sr. No.	Name & Address of the borrower	Name of Individuals/Partners/Directors with NIC No.	Fathers/Husband's name.	Outstanding liabilities at beginning of year				Principal written-Off	Interest/Mark-up written off.	Other financial relief/waiver provided.	Total (9+10+11)
				Principal	Interest/mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1	Muhammad Mushtaq House No.5, St. No.7, NBP Street Kahna Nau, Lahore.	Muhammad Mushtaq 35201-1426741-1	Taj Din	0.495	0.519	0.066	1.080	-	-	0.519	0.519
2	Pacific Export Corporation (Sole Proprietorship Concern) Project location:- 5/38, Sant Nagar, Bela Mohallah, Lahore.	Mr. Mahmood Alam 35202-4500752-9	Abdul Hameed	0.136	2.212	0.211	2.559	-	-	2.212	2.212
3	Premier Ltd. G.T Road, Baghban Pura, Lahore.	1. Sh. Muhammad Khalid 35202-2647108-9 2. Sh. Muhammad Arif 35202-3310049-9 3. Mrs. Noor Begum 35202-4155942-4 4. Mrs. Samina Begum 35202-8408631-0	1. Sh Nawab Din 2. Sh Nawab ud Din 3. Muhammad Arif 4. Muhammad Khalid	0.326	1.414	0.086	1.826	-	-	1.414	1.414
4	Waqar Corporation 22-B, Gulshan Park, Muntaz Street, Ghari Shahu, Lahore.	Mr. Muhammad Akbar Butt (Late) 276-93-182035	Muhammad Aslam Butt	-	3.414	0.127	3.541	-	-	2.005	2.005
5	W.G. Munawar and Sons Plot #9, Block 11, Sector C, Near Lajna Chowk College Road, Township, Lahore.	1. Munawar Ahmad Javaid 35202-7929572-3 2. Muhammad Shahid Javaid 35202-2743530-1 3. Muhammad Majid Javaid 35202-2743489-7	1. Nizam ud Din 2. Munawar Ahmad Javaid. 3. Munawar Ahmad Javaid.	12.982	5.559	0.105	18.646	-	-	3.646	3.646
6	Alpha Mian Stationers 110 - Alpha House, Alama Iqbal Road, Garhi Shahu, Lahore.	Mian Masroor Ahmed 35202-2107778-7	Mian Manzoor Ahmed	6.471	2.811	0.150	9.432	-	-	2.009	2.009
7	Hameed Yousaf 15 A, Al-Noor Street Maqbool Road Ichra, Lahore.	Hameed Yousaf 35202-4208599-5	Mian Muhammad Yousaf	0.414	0.541	0.053	1.008	-	-	0.541	0.541
8	Amir Iqbal H#35, ST#3 Amin Park Qaiser Town, Shahdra, Lahore	Amir Iqbal 35202-2340312-5	Muhammad Amin	0.465	0.511	0.101	1.077	-	-	0.511	0.511
9	Bajwa Leather Garments 66-Small Industrial Estate Sialkot	Muhammad Asghar Bajwa 34603-8113687-1	Muhammad Hussain	10.948	-	-	10.948	10.948	-	-	10.948
10	M. M. Beverages (Pvt) Ltd. 24- KM Multan Road, Lahore	1. Moin ud Din Haider 61101-1881315-3 2. Noman Uddin Haider 42000-3174177-7 3. Burhan Uddin haider 42301-5965169-9 4. Asma Haider 61101-1812776-6	1. Muhammad Hussain 2. Moin ud Din Haider 3. Moin ud Din Haider 4. Muhammad Ali	113.504	47.034	-	160.538	-	-	47.034	47.034
11	Ghaffar Petroleum Service Mirpurkhas Road, Khipro	Abdul Ghaffar 44202-9080241-7	Atta Mohammad	0.050	1.089	-	1.139	-	-	1.089	1.089
12	Shahza Hameed Khan H.No.155, St.15, E-7, Islamabad	Shahza Hameed 611016276385-8	Abdul Hameed Khan	0.417	0.257	0.316	0.990	-	-	0.573	0.573
13	Muhammad Asim, House # 56/2-C, Sector G-7/2, Sitara Market, Islamabad	Muhammad Asim 611011945986-9	Mian Muhammad Mansha	7.104	1.307	0.285	8.696	-	-	1.592	1.592
14	Ghauri Brothers 176-Shamsabad Colony Multan	1. Zahid Rasool Ghauri 322-90-649652 2. Nasir Rasool Ghauri 36302-2941980-7 3. Ms. Amna Ghauri	1. Rasool Bux Ghauri 2. Rasool Bux Ghauri 3. Rasool Bux Ghauri	2.200	1.903	0.061	4.164	-	-	0.926	0.926
15	Nizam Trading Corporation Chak No.427/EB, Chichawatni Road, Burewala, Distt: Vehari	1. Maryam Bibi 36601-8772195-7 2. Khalid Pervaiz 36601-3321814-6 3. Abdul Hameed 36601-9242733-7	1. Abdul Hameed 2. Habib Ahmed 3. Muhammad Saeed	-	1.691	0.064	1.755	-	-	1.124	1.124
16	Javed Cloth & Dupatta House Hussain Agahi Chowk Bazar, Multan	Arshad Javed 36302-0406347-3	Karim Nawaz Qureshi	0.500	1.055	0.016	1.571	-	-	0.645	0.645
17	Malik Abdul Karim & Sons House No. 55/17, Ward No. 3, Galli No. 1, Al-Karim Manzil, Rasool Pura, Mailsi	1. Malik Abdul Karim 36602-4688811-9 2. Habib ur Rehman 3. Saib ur Rehman 4. Aziz ur Rehman 5. Atta ur Rehman 6. Fayyaz ur Rehman 7. Ms. Ailiah Wasay 8. Ms. Sajida Kouser 9. Ms. Sueya bano	1. Haji Fateh Muhammad 2. Malik Abdul Karim 3. Malik Abdul Karim 4. Malik Abdul Karim 5. Malik Abdul Karim 6. Malik Abdul Karim 7. Malik Abdul Karim 8. Habib ur Rehman 9. Aziz ur Rehman	0.113	0.767	0.032	0.912	-	-	0.799	0.799
18	Muhammad Nasir Near Moon Chowk, New Multan Colony Multan	Muhammad Nasir 36302-8671139-9	Sheikh Anwar Ali	0.479	1.239	0.909	2.627	-	-	1.343	1.343
19	Zaheer Ahmed Quarshi Mahallah Chitti Sheikhan Khas, Teh. & Distt. Satlkot	Zaheer Ahmed Quarshi 34603-4517452-7	Naseer Ahmed Quarshi	1.459	1.768	0.088	3.315	-	-	1.315	1.315
20	Muhammad Rafiq House#15/208, Daska Road, Haji Pura, Siakot	Muhammad Rafiq 34603-8490311-1	Barkat Ali	1.297	3.415	0.091	4.803	-	-	3.306	3.306
21	Mubarik Ahmed & Saaveda Butt Mahalla Nayi Abadi, Circular Road, Soana Stop, Daska, Distt. Sialkot	Mubarik Ahmed 34601-5389370-1	Noor Ahmed	1.79	1.297	0.045	3.132	-	-	1.132	1.132



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

Annexure II as referred to in  
Note 10.6 to the financial statements

(Rupees in Millions)

Sr. No.	Name & Address of the borrower	Name of Individuals/Partners/Directors with NIC No.	Fathers/Husband's name.	Outstanding liabilities at beginning of year				Principal written-Off	Interest/Mark-up written off.	Other financial relief/waiver provided.	Total (9+10+11)
				Principal	Interest/mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
22	Lat Abdul Rahim Ghorī H. No. 14-Street No. 4, Agra Taj Colony Karachi	Lat Abdul Rahim Ghorī 42301-1062230-5	Haji Muhammad Ismil Ghorī	-	-	-	-	0.480	-	0.361	0.841
23	Mudassir Zaman H.No. 1841 Block 14 F.B.Arae Karachi	Mudassir Zaman 42101-1874155-5	Hamid Zaman	-	-	0.516	0.516	-	-	0.619	0.619
24	Shaber Hussain H. No. 177, Block 9 Liaquatabad Karachi	Shaber Hussain 42101-9492419-7	Ahmed Hussain	-	-	0.512	0.512	-	-	0.524	0.524
25	Khalid Mehmood Plot #.845 B, Behar Colony Layari Qtr Karachi.	Khalid Mehmood 508-75-399922	Ch. Nabi Ahmed	-	-	0.020	0.020	0.479	-	0.260	0.739
26	Ashfaq Ahmed 153-3, Lines Area Karachi.	Ashfaq Ahmed 42201-72160884-9	Maqsood Ahmed	-	-	0.496	0.496	-	-	0.524	0.524
27	Glacier Oil Mill	Suhail Ahmed 38403-7948962-1	Rasheed Ahmed	-	-	0.347	0.347	-	-	0.709	0.709
28	Umer Fertilizer	Mushtaq Ahmad 31201-0221122-9	Muhammad Amin	-	-	0.034	0.034	-	-	0.664	0.664
28			<b>GRAND TOTAL:</b>	<b>161.15</b>	<b>79.803</b>	<b>4.731</b>	<b>245.684</b>	<b>11.907</b>	<b>0</b>	<b>77.396</b>	<b>89.303</b>



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

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# CONSOLIDATED

FINANCIAL STATEMENTS OF NBP  
AND ITS SUBSIDIARY COMPANIES 2015





## DIRECTORS' REPORT TO THE SHAREHOLDERS

### Consolidated Financial Statements - 2015

I am pleased to present to the shareholders, on behalf of the Board of Directors, the consolidated financial statements of the Group for the year ended December 31, 2015.

These consolidated financial statements have been prepared in accordance with approved International Financial Reporting Standards and Islamic Financial Accounting Standards and such other applicable directives as detailed in note 3.1 of the financial statements. The SECP, vide its notification dated January 28, 2016, has stated that the consolidation requirement under section 237 of Companies Ordinance 1984 and IFRS 10 would not be applicable in case investment held by a company in mutual fund established under trust arrangement. Accordingly, the Bank has not consolidated the said funds in its financial statements.

It is worth noticing that most of our local subsidiaries have shown significant progress during the year through growth in profit contribution. Our local subsidiaries ended the year with a 448% growth in cumulative net profit contribution, taking the same to Rs. 193.48 million compared to Rs. 43.15 million for the previous year. United National Bank Limited (UNBL) is a 45% owned joint venture of NBP with United Bank Limited. UNBL has witnessed 85% growth in profit over last year, with NBP share of Rs. 560 million compared to Rs. 302 million for previous year. The main contributors to this growth were capital gains, recoveries in non-performing loans and gains on sale of non-banking assets. The core income also continued its growth with a 5% rise in overall net interest income. UNBL deposits grew by 16% with higher focus on retail deposits, while the deployment of funds remained mainly in investments, with advances remaining relatively flat. Our subsidiaries cumulatively add up Rs. 5,513 million to our total assets and Rs. 3,303 million to our net assets. Share of losses from the associates reduced by 22% to Rs. 923 million compared to Rs. 1,061 million for the previous year.

The operating results and appropriations as recommended by the Board of Directors are given below:

	Rs in millions
Pre-tax profit	34,173
Taxation	
- Current	14,669
- Prior year (s)	2,299
- Deferred	(2,872)
	<u>14,096</u>
After Tax Profit	20,077
Non-controlling interest	(34)
Un-appropriated profit brought forward	59,752
Other comprehensive income - net of tax	(1,567)
Transfer from surplus on revaluation of fixed assets	120
Profit available for appropriations	<u>78,348</u>
Transfer to Statutory Reserve (10% of after tax profit)	(1,922)
Cash dividend paid	(11,701)
Transfer to general loan loss reserve	(12,000)
Un-appropriated profit carried forward	<u>52,725</u>
Basic & diluted earnings per share	Rs. 9.44

For and on behalf of the Board of Directors

**Syed Ahmed Iqbal Ashraf**  
President

Date: February 19, 2016



## AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

**Ernst & Young Ford Rhodes Sidat Hyder**

Chartered Accountants  
Progressive Plaza,  
Beaumont Road  
Karachi 75530, Pakistan

**KPMG Taseer Hadi & Co.**

Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi 75530, Pakistan

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of National Bank of Pakistan and its subsidiary companies (the Group) as at December 31, 2015 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also audited / reviewed the financial statements of National Bank of Pakistan and its subsidiary companies namely Taurus Securities Limited, NBP Exchange Limited, NBP Fullerton Asset Management Limited, NBP Leasing Limited, NBP Modaraba Management Company Limited and CJSC Subsidiary Bank of NBP in Tajikistan. The subsidiaries CJSC Subsidiary Bank of NBP in Kazakhstan and First National Bank Modaraba have been consolidated based on un-audited financial information of the subsidiaries. These financial statements are responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of National Bank of Pakistan and its subsidiary companies as at December 31, 2015 and the results of their operations for the year then ended.

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**Ernst & Young Ford Rhodes Sidat Hyder**

Chartered Accountants

**Engagement Partner:**

Arslan Khalid

Karachi

Date: February 19, 2016

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**KPMG Taseer Hadi & Co.**

Chartered Accountants

**Engagement Partner:**

Syed Iftikhar Anjum

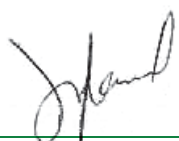


## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

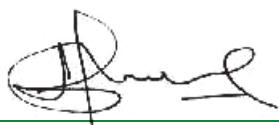
As at December 31, 2015

2014	2015		Note	2015	2014
US Dollars in '000				Rupees in '000	
<b>ASSETS</b>					
936,830	1,441,677	Cash and balances with treasury banks	6	151,190,845	98,246,783
119,613	196,807	Balances with other banks	7	20,639,421	12,543,964
1,066,011	101,443	Lendings to financial institutions	8	10,638,524	111,794,127
5,356,723	7,878,659	Investments	9	826,246,755	561,767,518
6,009,542	5,531,474	Advances	10	580,093,986	630,229,649
318,042	317,538	Operating fixed assets	11	33,300,674	33,353,526
94,251	92,230	Deferred tax assets	12	9,672,251	9,884,256
875,731	763,713	Other assets	13	80,091,712	91,839,258
14,776,743	16,323,541			1,711,874,168	1,549,659,081
<b>LIABILITIES</b>					
105,003	87,456	Bills payable	14	9,171,616	11,011,827
364,336	213,450	Borrowings	15	22,384,853	38,208,413
11,770,644	13,650,376	Deposits and other accounts	16	1,431,535,397	1,234,405,050
-	-	Sub-ordinated loans		-	-
18	870	Liabilities against assets subject to finance lease	17	91,188	1,691
-	-	Deferred tax liabilities		-	-
795,632	734,575	Other liabilities	18	77,036,022	83,439,108
13,035,633	14,686,727			1,540,219,076	1,367,066,089
1,741,110	1,636,814	<b>NET ASSETS</b>		171,655,092	182,592,992
<b>REPRESENTED BY</b>					
202,869	202,869	Share capital	19	21,275,131	21,275,131
314,637	431,026	Reserves		45,202,342	32,996,496
569,758	502,754	Unappropriated profit		52,724,525	59,751,578
1,087,264	1,136,649			119,201,998	114,023,205
6,837	6,882	Non-controlling interest		721,816	717,017
1,094,101	1,143,531			119,923,814	114,740,222
647,009	493,283	Surplus on revaluation of assets - net	20	51,731,278	67,852,770
1,741,110	1,636,814			171,655,092	182,592,992
<b>CONTINGENCIES AND COMMITMENTS</b>					
21					

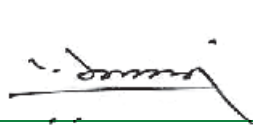
The annexed notes 1 to 45 and Annexure I to IV form an integral part of these consolidated financial statements.



**Muneer Kamal**  
Chairman



**Syed Ahmed Iqbal Ashraf**  
President



**Muhammad Naeem**  
Director



**Iftikhar A. Allawala**  
Director



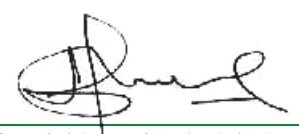
# CONSOLIDATED PROFIT AND LOSS ACCOUNT

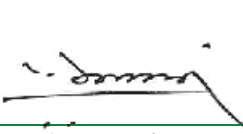
For the year ended December 31, 2015

2014	2015		Note	2015	2014
				Rupees in '000	
1,098,981	1,090,729	Mark-up / return / interest earned	23	114,386,364	115,251,748
652,817	572,123	Mark-up / return / interest expensed	24	59,999,374	68,461,921
446,164	518,606	Net mark-up / interest income		54,386,990	46,789,827
105,691	103,589	Provision against non-performing advances - net	10.3	10,863,528	11,083,973
(13,748)	(7,593)	Provision for diminution in the value of investments - net	9.9	(796,300)	(1,441,758)
-	-	Bad debts written off directly		-	-
(3,235)	(1,170)	Reversal of provision against off balance sheet obligations	18.1	(122,686)	(339,200)
88,708	94,826			9,944,542	9,303,015
357,456	423,780	Net mark-up / interest income after provisions		44,442,448	37,486,812
		<b>NON MARK-UP / INTEREST INCOME</b>			
123,305	128,352	Fee, commission and brokerage income		13,460,415	12,931,130
19,802	25,811	Dividend income		2,706,794	2,076,669
34,718	45,714	Income from dealing in foreign currencies	25	4,794,070	3,640,889
82,579	117,122	Gain on sale and redemption of securities - net	26	12,282,801	8,660,224
		Unrealized gain on revaluation of investments classified as held-for-trading	9.10	5,924	145,454
1,387	56	Share of profit from joint venture - net of tax		560,031	301,989
2,880	5,340	Share of loss from associates - net of tax		(922,747)	(1,060,287)
(10,110)	(8,799)	Other income	27	2,111,119	3,608,540
34,409	20,131	Total non mark-up / interest income		34,998,407	30,304,608
288,970	333,727			79,440,855	67,791,420
646,426	757,507				
		<b>NON MARK-UP / INTEREST EXPENSES</b>			
395,898	416,893	Administrative expenses	28	43,720,204	41,518,462
13,354	14,059	Other provisions / write offs	13.5 / 18.2	1,474,345	1,400,434
16,560	703	Other charges	29	73,749	1,736,674
425,812	431,655	Total non mark-up / interest expenses		45,268,298	44,655,570
220,614	325,852			34,172,557	23,135,850
-	-	Extra ordinary / unusual items		-	-
220,614	325,852	<b>PROFIT BEFORE TAXATION</b>		34,172,557	23,135,850
91,254	139,907	Taxation - Current		14,672,221	9,569,928
(40)	21,917	- Prior year(s)		2,298,465	(4,204)
(23,849)	(27,413)	- Deferred		(2,874,712)	(2,501,058)
67,365	134,411		30	14,095,974	7,064,666
153,249	191,441	<b>PROFIT AFTER TAXATION</b>		20,076,583	16,071,184
153,376	191,120	Attributable to:			
(127)	322	Shareholders of the bank		20,043,034	16,084,763
153,249	191,442	Non-controlling interest		33,549	(13,579)
				20,076,583	16,071,184
----- US Dollar -----		----- Rupees -----			
0.07	0.09	Basic and diluted earnings per share	31	9.44	7.56

The annexed notes 1 to 45 and Annexure I to IV form an integral part of these consolidated financial statements.

  
Muneer Kamal  
Chairman

  
Syed Ahmed Iqbal Ashraf  
President

  
Muhammad Naeem  
Director

  
Iftikhar A. Allawala  
Director

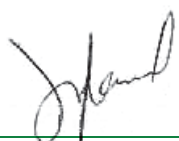


## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

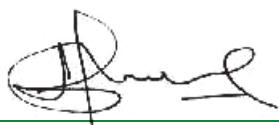
For the year ended December 31, 2015

2014 US Dollars in '000	2015		Note	2015 Rupees in '000	2014
153,249	191,442	Profit after taxation		20,076,583	16,071,184
		<b>Other comprehensive income:</b>			
		<i>Items to be reclassified to profit and loss in subsequent periods:</i>			
(19,484)	(16,366)	Exchange (loss) on translation of net assets of foreign branches, subsidiaries and joint venture		(1,716,040)	(2,043,040)
		<i>Items not to be reclassified to profit and loss in subsequent periods:</i>			
(6,390)	(22,985)	Actuarial (loss) on remeasurements of defined benefit (liability) / asset	34.1	(2,410,482)	(670,374)
2,236	8,045	Related tax impact	12.1	843,669	234,631
(4,154)	(14,940)			(1,566,813)	(435,743)
(23,638)	(31,306)	<b>Other comprehensive income - net of tax</b>		(3,282,853)	(2,478,783)
129,611	160,136	<b>Comprehensive income transferred to equity</b>		16,793,730	13,592,401
		Attributable to:			
129,740	159,816	Shareholders of the bank		16,760,181	13,605,980
(129)	320	Non-controlling interest		33,549	(13,579)
129,611	160,136			16,793,730	13,592,401
		<b>Components of comprehensive income not reflected in equity:</b>			
		<i>Items to be reclassified to profit and loss in subsequent periods:</i>			
154,566	(110,449)	Surplus on revaluation of available-for-sale securities		(11,582,989)	16,209,584
(36,324)	(37,478)	Related tax impact		(3,930,386)	(3,809,319)
118,242	(147,927)			(15,513,375)	12,400,265

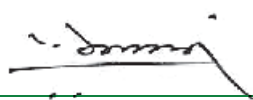
The annexed notes 1 to 45 and Annexure I to IV form an integral part of these consolidated financial statements.



**Muneer Kamal**  
Chairman



**Syed Ahmed Iqbal Ashraf**  
President



**Muhammad Naeem**  
Director



**Iftikhar A. Allawala**  
Director



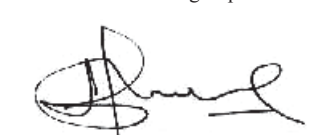
# CONSOLIDATED CASH FLOW STATEMENT


For the year ended December 31, 2015

2014	2015		Note	2015	2014
US Dollars in '000				Rupees in '000	
220,614	325,852	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		34,172,557	23,135,850
(19,802)	(25,811)	Profit before taxation		(2,706,794)	(2,076,669)
200,812	300,041	Less: Dividend income		31,465,763	21,059,181
		Adjustments:			
23,614	15,714	Depreciation	11.2	1,647,993	2,476,454
4,162	6,051	Amortization	11.3	634,555	436,476
105,691	103,589	Provision against non-performing advances - net	10.3	10,863,528	11,083,973
(13,748)	(7,593)	Provision for diminution in the value of investments - net	9.9	(796,300)	(1,441,758)
(3,234)	(1,170)	(Reversal) / provision against off balance sheet obligations	18.1	(122,686)	(339,200)
(1,387)	(56)	Unrealized (gain) / loss on revaluation of investments classified as held-for-trading	9.10	(5,924)	(145,454)
(2,880)	(5,340)	Gain on sale of associates		(506,224)	
10,110	8,798	Share of profit from joint venture - net of tax	27	(560,031)	(301,989)
(317)	(143)	Share of loss from associates - net of tax		922,747	1,060,287
112	91	Gain on sale of operating fixed assets		(15,009)	(33,292)
13,354	14,059	Financial charges on leased assets		9,590	11,745
135,477	134,000	Other provisions / write offs		1,474,345	1,400,434
336,289	434,041			13,546,584	14,207,676
		(Increase) / decrease in operating assets		45,012,347	35,266,857
(478,226)	876,841	Lendings to financial institutions - gross		91,955,603	(50,152,261)
(73,110)	72,690	Net investment in trading securities		7,623,059	(7,667,192)
(201,681)	374,479	Advances - net		39,272,135	(21,150,593)
(112,785)	27,247	Other assets (excluding advance tax)		2,857,446	(11,827,941)
(865,802)	1,351,257			141,708,243	(90,797,987)
		Increase in operating liabilities			
(27,489)	(17,547)	Bills payable		(1,840,211)	(2,882,840)
129,716	(148,565)	Borrowings		(15,580,224)	13,603,545
1,264,021	1,879,732	Deposits and other accounts		197,130,348	132,559,767
84,715	(41,169)	Other liabilities (excluding current taxation)		(4,317,449)	8,884,152
1,450,963	1,672,451			175,392,464	152,164,624
(81,564)	(136,960)	Income tax paid		(14,363,166)	(8,553,719)
(112)	(91)	Financial charges paid		(9,590)	(11,745)
(81,676)	(137,051)			(14,372,756)	(8,565,464)
839,774	3,320,698	Net cash generated from operating activities		347,740,298	88,068,030
		<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
(477,116)	(2,633,828)	Net investment in available-for-sale securities		(276,213,499)	(50,035,840)
(876,495)	(163,618)	Net investment in held-to-maturity securities		(17,158,838)	(91,919,394)
19,802	25,811	Dividend income received		2,706,794	2,076,669
(8,199)	(23,501)	Investment in operating fixed assets (including intangible)		(2,464,634)	(859,826)
(19,481)	(16,363)	Effects of exchange differences on translation of net assets of foreign branches		(1,716,040)	(2,043,040)
13,719	103,021	Investment in associates		10,803,927	1,438,725
772	960	Sale proceeds of operating fixed assets disposed off		100,686	81,058
(1,346,998)	(2,707,518)	Net cash used in investing activities		(283,941,604)	(141,261,648)
		<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(383)	(470)	Payments of lease obligations		(49,246)	(40,130)
(40,432)	(111,247)	Dividend paid		(11,666,593)	(4,240,173)
(40,815)	(111,717)	Net cash used in financing activities		(11,715,839)	(4,280,303)
(548,039)	501,463	<b>Increase / (Decrease) in cash and cash equivalents</b>		52,082,855	(57,473,921)
1,683,775	1,135,736	Cash and cash equivalents at beginning of the year		119,106,104	176,580,025
1,135,736	1,637,199	<b>Cash and cash equivalents at end of the year</b>	32	171,188,959	119,106,104

The annexed notes 1 to 45 and Annexure I to IV form an integral part of these consolidated financial statements.

  
Muneer Kamal  
Chairman

  
Syed Ahmed Iqbal Ashraf  
President

  
Muhammad Naeem  
Director

  
Iftikhar A. Allawala  
Director

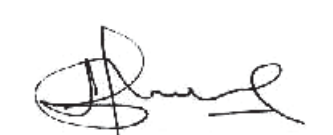
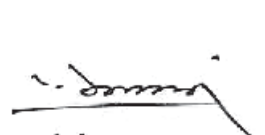


# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2015

	Share capital	Reserves (refer note 19.4)				Unappropriated Profit	Sub Total	Non Controlling Interest	Total
		Capital		Revenue					
		Exchange Translation	Statutory	General Loan Loss Reserve	General				
Rupees in '000									
Balance as at December 31, 2013	21,275,131	11,431,750	21,583,625	-	521,338	49,734,161	104,546,005	820,663	105,366,668
Total comprehensive income for the year									
Profit after tax for the year ended December 31, 2014	-	-	-	-	-	16,084,763	16,084,763	(13,579)	16,071,184
Other comprehensive income - net of tax	-	(2,043,040)	-	-	-	(435,743)	(2,478,783)	-	(2,478,783)
	-	(2,043,040)	-	-	-	15,649,020	13,605,980	(13,579)	13,592,401
Transferred from surplus on revaluation of operating fixed assets	-	-	-	-	-	126,246	126,246	-	126,246
Transfer to statutory reserve	-	-	1,502,823	-	-	(1,502,823)	-	-	-
Transactions with owners, recorded directly in equity									
Cash dividend paid for the year ended December 31, 2013 (Rs. 2 per share)	-	-	-	-	-	(4,255,026)	(4,255,026)	-	(4,255,026)
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	(90,067)	(90,067)
Balance as at December 31, 2014	21,275,131	9,388,710	23,086,448	-	521,338	59,751,578	114,023,205	717,017	114,740,222
Total comprehensive income for the year									
Profit after tax for the year ended December 31, 2015	-	-	-	-	-	20,043,034	20,043,034	33,549	20,076,583
Other comprehensive income - net of tax	-	(1,716,040)	-	-	-	(1,566,813)	(3,282,853)	-	(3,282,853)
	-	(1,716,040)	-	-	-	18,476,221	16,760,181	33,549	16,793,730
Transferred from surplus on revaluation of operating fixed assets	-	-	-	-	-	119,934	119,934	-	119,934
Transfer to statutory reserve	-	-	1,921,886	-	-	(1,921,886)	-	-	-
Transfer to general loan loss reserve	-	-	-	12,000,000	-	(12,000,000)	-	-	-
Transactions with owners, recorded directly in equity									
Cash dividend paid for the year ended December 31, 2014 (Rs. 5.5 per share)	-	-	-	-	-	(11,701,322)	(11,701,322)	(28,750)	(11,730,072)
Balance as at December 31, 2015	21,275,131	7,672,670	25,008,334	12,000,000	521,338	52,724,525	119,201,998	721,816	119,923,814

The annexed notes 1 to 45 and Annexure I to IV form an integral part of these consolidated financial statements.

  
**Muneer Kamal**  
*Chairman*
  
**Syed Ahmed Iqbal Ashraf**  
*President*
  
**Muhammad Naeem**  
*Director*
  
**Iftikhar A. Allawala**  
*Director*



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

## 1. THE GROUP AND ITS OPERATIONS

### 1.1 The "Group" consists of:

Holding Company

- National Bank of Pakistan (the Bank)

Subsidiary Companies

	Percentage Holding	
	2015 %	2014 %
- NBP Leasing Limited, Pakistan	100	100
- CJSC Subsidiary Bank of NBP in Kazakhstan	100	100
- CJSC Subsidiary Bank of NBP in Tajikistan	100	100
- First National Bank Modaraba, Pakistan	30	30
- NBP Exchange Company Limited, Pakistan	100	100
- NBP Modaraba Management Company Limited, Pakistan	100	100
- Taurus Securities Limited, Pakistan	58.32	58.32
- NBP Fullerton Asset Management Limited, Pakistan	54	54
- Cast-N-Link Products Limited (Note 9.8)	76.51	76.51

The subsidiary company of the Group, NBP Modaraba Management Company Limited exercises control over First National Bank Modaraba, Pakistan as its management company and also has a direct economic interest in it. The Group has consolidated the financial statements of the modaraba as the ultimate holding company.

The Group is principally engaged in commercial banking, modaraba management, brokerage, leasing, foreign currency remittances, asset management, exchange transactions and investment advisory services. Brief profile of the holding company and subsidiaries is as follows:

### National Bank of Pakistan

National Bank of Pakistan (the Bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on Pakistan Stock Exchange Limited. It's registered and head office is situated at I.I. Chundrigar Road, Karachi. The Bank is engaged in providing commercial banking and related services in Pakistan and overseas. The Bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The Bank operates 1,403 (2014: 1,354) branches in Pakistan and 21 (2014: 23) overseas branches (including the Export Processing Zone branch, Karachi). The Bank also provides services as trustee to Long-Term Credit Fund (LTCF) and Endowment Fund for student loans scheme.

### NBP Leasing Limited, Pakistan

NBP Leasing Limited (NBPLL) was incorporated in Pakistan on November 7, 1995 as a public limited unquoted company under the Companies Ordinance, 1984. The registered office of NBPLL is situated at 4th Floor, P.R.C. Towers, M.T. Khan Road, Karachi. NBPLL is principally engaged in the business of leasing as licensed under the Non-Banking Finance Companies Rules, 2003 (the NBFC Rules).

### CJSC Subsidiary Bank of NBP in Kazakhstan

CJSC Subsidiary Bank of NBP in Kazakhstan (JSCK) is a joint-stock bank, which was incorporated in the Republic of Kazakhstan in 2001. JSCK conducts its business under license number 25 dated October 29, 2005 (initial license was dated December 14, 2001) and is engaged in providing commercial banking services. The registered office of JSCK is located at 105, Dostyk Ave, 050051, Almaty.

### CJSC Subsidiary Bank of NBP in Tajikistan

CJSC Subsidiary Bank of NBP in Tajikistan (JSCT) is a joint-stock bank, which was incorporated in the Republic of Tajikistan in 2012. JSCT obtained its license on March 20, 2012 and is engaged in providing commercial banking services. The registered office of JSCT is located at 48, Ainy Street, Dushanbe, Republic of Tajikistan.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

## First National Bank Modaraba, Pakistan

First National Bank Modaraba ("the Modaraba") is a multi-purpose, perpetual and multi-dimensional Modaraba formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Rules framed thereunder. The Modaraba is managed by National Bank Modaraba Management Company Limited (a wholly owned subsidiary of National Bank of Pakistan), incorporated in Pakistan under the Companies Ordinance, 1984 and registered with the Registrar of Modaraba Companies. The registered office of the Modaraba is situated at 5th Floor, National Bank of Pakistan, Regional Headquarters Building, 26-Mc Lagon Road, Lahore. The Modaraba is listed at Pakistan Stock Exchange Limited. It commenced its operations on December 04, 2003 and is currently engaged in various Islamic modes of financing and operations including ijarah, musharikhah and murabaha arrangements.

## NBP Exchange Company Limited, Pakistan

NBP Exchange Company Limited (NBPECL) is a public unlisted company, incorporated in Pakistan on September 24, 2002 under the Companies Ordinance, 1984. NBPECL obtained license for commencement of operations from State Bank of Pakistan (SBP) on November 25, 2002 and commencement of business certificate on December 26, 2003 from the Securities and Exchange Commission of Pakistan (SECP). The registered office of NBPECL is situated at Shaheen Complex, M.R. Kiryani Road, Karachi. NBPECL is engaged in foreign currency remittances and exchange transactions. NBPECL has 19 branches (2014: 17 branches).

## Taurus Securities Limited, Pakistan

Taurus Securities Limited (TSLP) is a public unquoted company, incorporated in Pakistan on June 27, 1993 under the Companies Ordinance, 1984. The registered office of TSLP is situated at 6th Floor, Progressive Plaza, Beaumont Road, Civil Lines, Karachi. TSLP is engaged in the business of stock brokerage, investment counselling and fund placements. TSLP holds a Trading Rights Entitlement (TRE) Certificate from Pakistan Stock Exchange Limited.

## NBP Fullerton Asset Management Limited, Pakistan

NBP Fullerton Asset Management Limited (NBP Fullerton), was incorporated in Pakistan as a public limited Company on August 24, 2005 under the Companies Ordinance, 1984 and obtained certificate for commencement of business on December 19, 2005. The main sponsors of NBP Fullerton are National Bank of Pakistan and Alexandra Fund Management Pte. Ltd. (a member of Fullerton Fund Management Group, Singapore). NBP Fullerton is mainly involved in the business of asset management and investment advisory services. NBP Fullerton has been issued license by the Securities and Exchange Commission of Pakistan (SECP) to carry on business of asset management services and investment advisory services as a Non-Banking Finance Company (NBFC) under section 282C of the Companies Ordinance, 1984 and under the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The registered/principal office of the company is situated at 7th Floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi.

The Pakistan Credit Rating Agency Limited has assigned management quality rating AM2+ to NBP Fullerton Asset Management Limited.

As at December 31, 2015, NBP Fullerton is managing the following funds and discretionary portfolio:

	Type of Fund
- NAFA Income Opportunity Fund	Open end Fund
- NAFA Income Fund	Open end Fund
- NAFA Islamic Aggressive Income Fund	Open end Fund
- NAFA Islamic Asset Allocation Fund	Open end Fund
- NAFA Multi Asset Fund	Open end Fund
- NAFA Stock Fund	Open end Fund
- NAFA Government Securities Liquid Fund	Open end Fund
- NAFA Savings Plus Fund	Open end Fund
- NAFA Riba Free Savings Fund	Open end Fund
- NAFA Asset Allocation Fund	Open end Fund
- NAFA Financial Sector Income Fund	Open end Fund
- NAFA Money Market Fund	Open end Fund
- NAFA Pension Fund	Open end Fund
- NAFA Islamic Pension Fund	Open end Fund
- NAFA Islamic Stock Fund	Open end Fund
- Discretionary portfolios	



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

## 1.2 Basis of Consolidation

- The consolidated financial statements include the financial statements of the Bank (holding company) and its subsidiary companies together - "the Group".
- Subsidiary companies are consolidated from the date on which more than 50% of voting rights are transferred to the Group or power to control the company is established and excluded from consolidation from the date of disposal or when the control is lost.
- The assets, liabilities, income and expenses of subsidiary companies have been consolidated on a line by line basis.
- Income and expenses of subsidiaries acquired during the year are included in the consolidated profit and loss account from the effective date of acquisition.
- Non-Controlling interest / (minority interest) in equity of the subsidiary companies are measured at fair value for all the subsidiaries acquired from period beginning on or after January 1, 2010 whereas minority interest of previously acquired subsidiaries are measured at the proportionate net assets of subsidiary companies attributable to interest which is not owned by holding company.
- Material intra-group balances and transactions have been eliminated.

## 2. BASIS OF PRESENTATION

- 2.1 In accordance with the directives of the Federal Government of Pakistan regarding shifting of banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible form of trade related mode of financing includes purchase of goods by the Group from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

Key financial figures of the Islamic banking branches of the Bank have been disclosed in note 42 of these consolidated financial statements.

- 2.2 The US Dollar amounts shown on the consolidated statement of financial position, consolidated profit and loss account, consolidated statement of comprehensive income and consolidated cash flow statement are stated as additional information solely for the convenience of readers. For the purpose of conversion to US Dollars, the rate of Rs. 104.8715 to 1 US Dollar has been used for 2014 and 2015 as it was the prevalent rate as on December 31, 2015.

## 3. STATEMENT OF COMPLIANCE

- 3.1 These consolidated 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 and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan 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 directives issued by the State Bank of Pakistan (SBP) and Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by SBP or SECP differ with the requirements of IFRSs or IFASs, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives shall prevail.
- 3.2 SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 3.3 Application of new and revised International Financial Reporting Standards (IFRSs)

Following new standards became effective during the year:

IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IFRS 13 'Fair Value Measurements'. These standards became applicable from January 1, 2015, as per the adoption status of IFRS in Pakistan.

- IFRS 10 replaces the current guidance on consolidation in IAS 27 Consolidated and Separate Financial Statements. It introduces a single model of assessing control whereby an investor controls an investee when it has the power, exposure to variable returns and the ability to use its power to influence the returns of the investee. IFRS 10 also includes specific guidance on de facto control, protective rights and the determination of whether a decision maker is acting as principal or agent, all of which influence the assessment of control. The application of IFRS 10 did not result in any investee being in control of the Group except for certain mutual funds in previous year. However, SECP vide its notification dated January 28, 2016 has stated that the requirements of consolidation under section 237 of Companies Ordinance 1984 and IFRS 10 is not applicable in case investment by companies in mutual fund established under trust structure. Accordingly, the Group has not consolidated the said funds in its financial statements.
- IFRS 11 replaces IAS 31 Interests in Joint Ventures. It requires all joint ventures to be equity accounted thereby removing the option in IAS 31 for proportionate consolidation. It also removes the IAS 31 concept of jointly controlled assets. The application of IFRS 11 did not result in identification of any associate as a joint venture.
- IFRS 12 prescribes additional disclosures around significant judgements and assumptions made in determining whether an entity controls another entity and has joint control or significant influence over another entity. The standard also requires disclosures on the nature and risks associated with interests in unconsolidated structured entities.
- IFRS 13 Fair Value Measurement, consolidates the guidance on how to measure fair value, which was spread across various IFRS, into one comprehensive standard. It introduces the use of an exit price, as well as extensive disclosure requirements, particularly the inclusion of non-financial instruments into the fair value hierarchy. The application of IFRS 13 does not have an impact on the consolidated financial statements of the Group except for certain new disclosures as presented in note 36.

IAS 19 'Employee Benefits' requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. IAS 19 requires such contributions that are linked to service to be attributed to periods of service as a negative benefit. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendment became applicable for annual periods starting on or after July 1, 2014. The application of this amendment did not have any impact on these consolidated financial statements.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2013 that became effective during the year. These improvements to the standards did not have any material impact on the these consolidated financial statements.

### 3.4 New and revised approved accounting standards not yet effective

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

- Amendments to IAS 38 'Intangible Assets' and IAS 16 'Property, Plant and Equipment' (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on the Group's consolidated financial statements.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – 'Consolidated Financial Statements' and IAS 28 – 'Investments in Associates and Joint Ventures' effective for annual periods beginning on or after 1 January 2016) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on the Group's consolidated financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on the Group's consolidated financial statements.
- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Currently, SBP circulars for accounting for investments in subsidiaries, joint ventures and associate, require these investments to be accounted for at cost.
- Agriculture: Bearer Plants [Amendment to IAS 16 'Property, Plant & Equipment' and IAS 41 'Agriculture'] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on the Group's consolidated financial statements.
- The amendments to IAS 1 'Presentation of Financial Statements' clarify the materiality requirements in IAS 1 and the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.
- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:
  - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
  - IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
  - IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The above amendments are not likely to have an impact on the Group's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or interpretation	IASB Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers	January 01, 2018
IFRS 16 – Leases	January 01, 2019

## 4. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except for revaluation of land and buildings which are stated at revalued amount and certain investments and derivative financial instruments that are carried at fair value.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year, except for the changes in disclosure due to standards that became effective during the year as described in note 3.3.

### 5.1 Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit and loss account as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the fair value of the identifiable assets acquired and the liabilities assumed. If, after reassessment, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the Group's net assets in the event of liquidation are measured at fair value at the date of the acquisition.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss account.

### 5.2 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the subsidiary company.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or entities of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit and loss account. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### 5.3 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks and balances with other banks in current and deposit accounts and call money lendings, less call money borrowings and overdrawn nostro accounts.

### 5.4 Investments

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

All regular way purchases / sales of investment are recognised on the trade date, i.e., the date the Group commits to purchase / sell the investments. Regular way purchases or sales of investment require delivery of securities within the time frame generally established by regulation or convention in the market place.

The Group has classified its investment portfolio, except for investments in subsidiaries, associates and joint ventures, into 'held-for-trading', 'held-to-maturity' and 'available-for-sale' as follows:

- Held-for-trading – These are securities which are acquired with the intention to trade by taking advantage of short-term market / interest rate movements and are to be sold within 90 days. These are carried at market value, with the related unrealized gain / (loss) on revaluation being taken to profit and loss account.
- Held-to-maturity – These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortised cost.
- Available-for-sale – These are investments that do not fall under the held-for-trading or held-to-maturity categories. These are carried at market value except in case of unquoted securities where market value is not available, which are carried at cost less provision for diminution in value, if any. Surplus / (deficit) on revaluation is taken to 'surplus / (deficit) on revaluation of assets' account shown below equity. Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to book value of the same. On derecognition or impairment in quoted available-for-sale investments, the cumulative gain or loss previously reported as 'surplus / (deficit) on revaluation of assets' below equity is included in the profit and loss account for the period.
- Provision for diminution in value of investments in unquoted debt securities is calculated as per the SBP's Prudential Regulations.

Held-for-trading and quoted available-for-sale securities are marked to market with reference to ready quotes on Reuters page (PKRV/ PKISRV) or MUFAP or the Pakistan Stock Exchange Limited, as the case may be.

Associates – Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for under the equity method of accounting. However, in case where associates are considered as fully impaired and financial statements are not available these investments are stated at cost less provision.

Under the equity method, the Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated profit and loss account, its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Joint venture - The Group has interests in joint venture which is jointly controlled entity. A joint venture is contractual arrangement whereby two or more parties undertake in economic activity that is subject to a joint control and includes a jointly controlled entity that involves the establishment of separate entity in which each venturer has an interest. The Group accounts for its interest in joint venture using the equity method of accounting.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

The carrying values of investments are reviewed for impairment when indications exist that the carrying values may exceed the estimated recoverable amounts.

### 5.5 Repurchase and resale agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of consolidated financial position and are measured in accordance with accounting policies for investment securities. The counterparty liability for amounts received under these agreements is included in borrowings. The difference between sale and repurchase price is treated as mark-up / return / interest expense and accrued over the life of the repo agreement using effective yield method.

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the consolidated statement of financial position, as the Group does not obtain control over the securities. Amounts paid under these agreements are included in lendings to financial institutions. The difference between purchase and resale price is treated as mark-up / return / interest income and accrued over the life of the reverse repo agreement using effective yield method.

### 5.6 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the dates on which the derivative contracts are entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative instruments is taken to the profit and loss account.

### 5.7 Financial instruments

All financial assets and financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. A financial asset is derecognised where (a) the rights to receive cash flows from the asset have expired; or (b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) the Group has neither transferred nor retained substantially all the risk and rewards of the asset, but has transferred control of the asset. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

### 5.8 Advances

Advances are stated net of specific and general provisions. Provisions are made in accordance with the requirements of Prudential Regulations 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 by the banks) for classification of non-performing loans and advances and computing provision / allowance there against. Such regulations also require the Group to maintain general provision / allowance against consumer and SME advances at specified percentage of such portfolio. General provision for loan losses of overseas branches is made as per the requirements of the respective central banks. Advances are written off where there are no realistic prospects of recovery.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

### 5.9 Operating fixed assets and depreciation

#### Property and equipment

##### Owned assets

Property and equipment except land and buildings are stated at cost less accumulated depreciation and impairment losses, if any. Land is stated at revalued amount. Buildings are stated at revalued amount less accumulated depreciation and impairment, if any. Cost of operating fixed assets of foreign branches include exchange differences arising on translation at year-end rates. Depreciation is charged to profit and loss account applying the straight line method except buildings, which are depreciated on diminishing balance method at the rates stated in note 11.2. Depreciation is charged from the month in which the assets are brought into use and no depreciation is charged for the month the assets are deleted.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

Assets are derecognised when disposed off or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property and equipment are included in profit and loss account currently.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Land and buildings' valuations are carried out by professionally qualified valuers with sufficient regularity to ensure that their carrying amount does not differ materially from their fair value.

The surplus arising on revaluation of fixed assets is credited to the "Surplus on Revaluation of Assets account" shown below equity. The Group has adopted the following accounting treatment of depreciation on revalued assets, keeping in view the requirements of the Companies Ordinance, 1984 and SECP's SRO 45(1)/2003 dated January 13, 2003:

- depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and
- an amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Fixed Assets account" to unappropriated profit through statement of changes in equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

##### Leased assets (as lessee)

Assets subject to finance lease are accounted for by recording the asset and the related liability. These are recorded at lower of fair value and the present value of minimum lease payments at the inception of lease and subsequently stated net of accumulated depreciation. Depreciation is charged on the basis similar to the owned assets. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

### **Ijarah (as lessor)**

Assets leased out under 'Ijarah' are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Assets under Ijarah are depreciated over the period of lease term. However, in the event the asset is expected to be available for re-Ijarah, depreciation is charged over the economic life of the asset using straight line basis.

Ijarah income is recognised on a straight line basis over the period of Ijarah contract.

### **Intangible assets**

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any. Amortization is charged to income applying the straight-line method at the rates stated in note 11.3. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful life are carried at cost less impairment losses, if any.

### **Capital work-in-progress**

Capital work-in-progress is stated at cost. These are transferred to specific assets as and when assets are available for use.

### **Impairment**

The carrying values of operating fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, operating fixed assets are written down to their recoverable amounts.

The resulting impairment loss is taken to profit and loss account except for impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of assets. Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognized as income.

### **5.10 Deposits and their cost**

Deposits are recorded at the fair value of proceeds received.

Deposit costs are recognised as an expense in the period in which these are incurred using effective yield method.

### **5.11 Taxation**

#### **Current**

Provision of current taxation is based on taxable income for the year determined in accordance with the prevailing laws of taxation on income earned for local as well as foreign operations, as applicable to the respective jurisdictions. The charge for the current tax also includes adjustments wherever considered necessary relating to prior years, arising from assessments framed during the year.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

### Deferred

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised. Deferred tax is not recognised on differences relating to investment in subsidiaries, branches and associates and interests in joint arrangements to the extent the deductible temporary difference probably will not reverse in the foreseeable future.

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit or deductible temporary differences will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to gain / loss recognized on surplus on revaluation of assets is charged / credited to such account.

### 5.12 Employee benefits

#### 5.12.1 Defined benefit plans

The Group operates an approved funded pension scheme, an un-funded post retirement medical benefits scheme and an un-funded benevolent scheme for its eligible employees. The Group also operates an un-funded gratuity scheme for its eligible contractual employees. An actuarial valuation of all defined benefit schemes is conducted every year. The valuation uses the Projected Unit Credit method. Remeasurements of the net defined benefit liability / assets which comprise actuarial gains and losses, return on plan assets (excluding interest) and the effect of asset ceiling (if any, excluding interest) are recognized immediately in other comprehensive income. Past-service costs are recognized immediately in profit and loss account when the plan amendment occurs.

#### 5.12.2 Other employee benefits

##### Employees' compensated absences

The Group also makes provision in the financial statements for its liability towards compensated absences. This liability is estimated on the basis of actuarial advice under the Projected Unit Credit method.

#### 5.12.3 Defined contribution plan

The Group operates an approved funded provident fund scheme covering all its employees. Equal monthly contributions are made by the Group and employees to the fund in accordance with the fund rules.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

### **5.12.4 Retirement and other benefit obligations - In respect of CJSC Subsidiary Bank of NBP in Kazakhstan (CJSC)**

The CJSC withholds amounts of pension contributions from employee salaries and pays them to state pension fund. The requirements of the Kazakhstan's legislation state pension system provides for the calculation of current payments by the employer as a percentage of current total payments to staff. This expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by pension funds selected by employees.

### **5.13 Revenue recognition**

Income on loans and advances and debt security investments are recognized on a time proportion basis that takes into account effective yield on the asset. In case of advances and investments classified under the Prudential Regulations, interest / mark-up is recognized on receipt basis.

Interest / mark-up on rescheduled / restructured advances and investments is recognized in accordance with the Prudential Regulations of SBP.

Fee, brokerage and commission income other than commission on letter of credit and guarantees and remuneration for trustee services are recognized upon performance of services.

Commission on letters of credit and guarantees is recognized on time proportion basis.

Dividend income on equity investments and mutual funds is recognized when right to receive is established.

Premium or discount on debt securities classified as held-for-trading, available-for-sale and held-to-maturity securities is amortised using the effective interest method and taken to profit and loss account.

Gains and losses on disposal of investments and operating fixed assets are dealt with through the profit and loss account in the year in which they arise.

The Group follows the 'financing method' in accounting for recognition of finance lease. At the commencement of a lease, the total unearned finance income i.e. the excess of aggregate instalment contract receivables plus residual value over the cost of the leased asset is amortized over the term of the lease, applying the effective yield method, so as to produce a constant periodic rate of return on the net investment in finance leases. Initial direct costs are deferred and amortized over the lease term as a yield adjustment.

Processing, front end and commitment fees and commission are recognized as income when received.

Rental income from operating leases / Ijarah is recognized on a straight-line basis over the term of the relevant lease.

Profit on trading and revaluation of financial instruments is recognised on trade date basis and is taken to profit and loss account.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

## 5.14 Net investment in lease finance

Leases where the Group transfers substantially all the risk and rewards incidental to ownership of the assets to the lessee are classified as finance leases. Net investment in lease finance is recognised at an amount equal to the aggregate of minimum lease payment including any guaranteed residual value and excluding unearned finance income, write-offs and provision for doubtful lease finances, if any. The provision against lease finance is made in accordance with the requirements of the NBFC Regulations and the internal criteria as approved by the Board of Directors of NBPLL.

## 5.15 Foreign currencies translation

The Group's financial statements are presented in Pak Rupees (Rs.) which is the Group's functional and presentation currency.

Foreign currency transactions are converted into Rupees applying the exchange rate at the date of the respective transactions. Monetary assets and liabilities in foreign currencies and assets / liabilities of foreign branches are translated into Rupees at the rates of exchange prevailing at the statement of financial position date. Forward foreign exchange contracts are valued at the rates applicable to their respective maturities. All gains or losses on dealing in foreign currencies are taken to profit and loss account currently.

Profit and loss account balances of foreign branches and Subsidiaries are translated at average exchange rate prevailing during the year. Gains and losses on translation are included in the profit and loss account except gains / losses arising on translation of net assets of foreign branches and subsidiaries, which is credited to other comprehensive income.

Items included in the consolidated financial statements of the Group's foreign branches and subsidiaries are measured using the currency of the primary economic environment in which the Group operates (the functional currency).

Commitments for outstanding forward foreign exchange contracts are disclosed in these financial statements at committed amounts. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the consolidated statement of financial position date.

## 5.16 Provision for off balance sheet obligations

Provision for guarantees, claims and other off balance sheet obligations is made when the Group has legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of amount can be made. Charge to profit and loss account is stated net of expected recoveries.

## 5.17 Off setting

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

## 5.18 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Group in the consolidated statement of financial position.

## 5.19 Dividend and other appropriations

Dividend and appropriation to reserves, except appropriations which are required by the law, are recognised in the Groups' consolidated financial statements in the year in which these are approved.

## 5.20 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no dilutive potential ordinary shares in issue at December 31, 2015.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

### 5.21 Related party transactions

Transactions between the Group and its related parties are carried out on an arm's length basis other than pension fund and other staff loans.

### 5.22 Accounting estimates and judgments

The preparation of consolidated financial statements in conformity with Approved Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas of estimates and judgments in relation to these consolidated financial statements are as follows:

#### a) Provision against non-performing loans and advances

The Group reviews its loan portfolio to assess amount of non-performing loans and determines provision required there against on a quarterly basis. While assessing this requirement various factors including the past dues, delinquency in the account, financial position of the borrower, value of collateral held and requirements of Prudential Regulations are considered except for loans and advances where relaxation has been allowed by SBP. General provision for loan losses of overseas branches is made as per the requirements of the respective central banks.

The amount of general provision against consumer and SME advances is determined in accordance with the relevant Prudential Regulations and SBP directives.

#### b) Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant interest and exchange rates over the term of the contract.

#### c) Impairment of available-for-sale investments

The Group considers that available-for-sale equity investments and mutual funds are impaired when there has been a significant or prolonged decline in the fair value below its cost except for investments where relaxation has been allowed by SBP. This determination of what is significant or prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

Further the Group has developed internal criteria according to which a decline of 30% in the market value of any scrip below its cost shall constitute as a significant decline and where market value remains below the cost for a period of one year shall constitute as a prolonged decline.

#### d) Held-to-maturity investments

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

#### e) Income taxes

In making the estimates for current and deferred taxes, the management looks at the income tax law and the decisions of appellate authorities on certain issues in the past. There are certain matters where the Group's view differs with the view taken by the income tax department and such amounts are shown as contingent liability.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

## f) Operating fixed assets, revaluation, depreciation and amortization

In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Group. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern.

The Group also revalues its properties on a periodic basis. Such revaluations are carried out by independent valuer and involves estimates / assumptions and various market factors and conditions.

## g) Employees' benefit plans

The liabilities for employees' benefits plans are determined using actuarial valuations. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets, future salary increases, future inflation rates and future pension increases as disclosed in note 34. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

## h) Provision against contingencies

Provision against contingencies is determined based on the management judgement regarding the probability of future out flows of resources embodying economic benefits to settle an obligation arising from past events.

## i) Determination of control over investees

The Group's management applies its judgement to determine whether the control exists over the investee entities. The mutual funds are not consolidated in these financial statements in pursuance of notification of SECP as indicated in the note 3.3.

	Note	2015 Rupees in '000	2014
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
Local currency		22,164,971	24,588,314
Foreign currency		3,036,469	3,228,256
		25,201,440	27,816,570
With State Bank of Pakistan in			
Local currency current accounts	6.1	58,230,669	30,540,787
Local currency deposit account		-	-
		58,230,669	30,540,787
Foreign currency current account	6.2	3,992,844	4,634,783
Foreign currency deposit account	6.2	11,940,474	13,866,668
Foreign currency collection account		181,959	449,283
		16,115,277	18,950,734
With other central banks in			
Foreign currency current accounts	6.3	49,400,312	12,607,419
Foreign currency deposit accounts	6.3	2,243,147	8,331,273
		51,643,459	20,938,692
	32	151,190,845	98,246,783

**6.1** This includes statutory liquidity reserves maintained with the SBP under Section 22 of the Banking Companies Ordinance, 1962.

**6.2** These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

**6.3** These balances pertain to the foreign branches and are held with central banks of respective countries. These include balances to meet the statutory and regulatory requirements in respect of liquidity and capital requirements of respective countries. The deposit accounts carry interest at the rate of 0.01% to 6.70% per annum (2014: 0.072% to 0.08% per annum).

**2015**                      **2014**  
**Note**                      **Rupees in '000**

## 7. BALANCES WITH OTHER BANKS

In Pakistan

On current account

On deposit account

Outside Pakistan

On current accounts

On deposit accounts

		16,272	146,137
		7,054,244	129,320
		7,070,516	275,457
		6,016,033	2,684,686
7.1		7,552,872	9,583,821
		13,568,905	12,268,507
32		20,639,421	12,543,964

**7.1** These include various deposits with correspondent banks and carry interest at rates ranging from 0.01% to 1.85% per annum (2014: 0.01% to 7.5% per annum).

**2015**                      **2014**  
**Note**                      **Rupees in '000**

## 8. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings

Repurchase agreement lendings (Reverse Repo)

Bai Muajjal

Letters of placement

8.3	3,061,200	12,261,200
8.4	4,633,316	99,532,927
8.5	2,944,008	-
8.6	173,500	173,500
8.1	10,812,024	111,967,627

Less: Provision held against lendings

8.2	(173,500)	(173,500)
	10,638,524	111,794,127

### 8.1 Particulars of lendings - gross

In local currency

In foreign currencies

10,812,024	111,967,627
-	-
10,812,024	111,967,627

### 8.2 Movement in provision held against lendings is as follows:

Opening balance

Charge for the year

Closing balance

173,500	173,500
-	-
173,500	173,500

**8.3** These carry mark-up [excluding zero rate lending to a financial institution amounting to Rs. 61.200 million (2014: Rs. 61.200 million) which is guaranteed by the SBP] at 6.25% per annum (2014: 7% to 10.50% per annum) with maturity on January 05, 2016.

**8.4** These carry mark-up at rates ranging from 6.3% to 6.4% per annum (2014: 7% to 10.50% per annum) with maturities ranging from January 4, 2016 to January 6, 2016.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 8.4.1 Securities held as collateral against lendings to financial institutions

	2015			2014		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	Rupees in '000			Rupees in '000		
Market Treasury Bills	3,908,316	-	3,908,316	72,187,927	-	72,187,927
Pakistan Investment Bonds	725,000	-	725,000	27,345,000	-	27,345,000
	4,633,316	-	4,633,316	99,532,927	-	99,532,927

8.4.2 Market value of the securities under repurchase agreement lendings amounts to Rs. 4,653 million (2014: Rs. 106,165 million).

8.5 This represents Bai Muajjal agreements entered into with Ministry of Finance, Government of Pakistan through SBP, whereby the Bank sold sukuk having carrying value of Rs. 2,917 million on deferred payment basis. The average return on these transactions is 6% per annum. The balances are due to mature by November 2016.

8.6 These are overdue placements and full provision has been made against these placements at year-end.

## 9. INVESTMENTS

### 9.1 Investments by type:

#### Held-for-trading securities

	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	Rupees in '000			Rupees in '000		
Market Treasury Bills	631,277	-	631,277	4,644,243	-	4,644,243
Pakistan Investment Bonds	1,439,315	-	1,439,315	5,142,298	-	5,142,298
Investment In mutual funds	320,352	-	320,352	144,368	-	144,368
Ordinary shares of listed companies	167,271	-	167,271	110,835	-	110,835
<b>Total held-for-trading securities</b>	2,558,215	-	2,558,215	10,041,744	-	10,041,744

#### Available-for-sale securities

	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	Rupees in '000			Rupees in '000		
Ordinary shares of listed companies	23,056,382	-	23,056,382	24,653,741	-	24,653,741
Ordinary shares of unlisted companies	1,129,263	-	1,129,263	1,374,080	-	1,374,080
Investments in mutual funds	1,143,984	-	1,143,984	2,561,608	-	2,561,608
Ordinary shares of a bank outside Pakistan	463,295	-	463,295	463,295	-	463,295
Preference shares	846,660	-	846,660	869,160	-	869,160
Market Treasury Bills	402,985,122	10,214,352	413,199,474	111,752,989	5,906,690	117,659,679
Pakistan Investment Bonds	161,777,009	93,031	161,870,040	194,478,241	-	194,478,241
GoP Foreign Currency Bonds	9,479,391	-	9,479,391	7,674,171	-	7,674,171
Foreign Currency Debt Securities	2,690,496	-	2,690,496	2,235,557	-	2,235,557
Foreign Government Securities	520,093	-	520,093	197,706	-	197,706
Term Finance Certificates / Musharika and Sukuk Bonds	33,672,956	-	33,672,956	19,109,924	-	19,109,924
<b>Total available-for-sale securities</b>	637,764,651	10,307,383	648,072,034	365,370,472	5,906,690	371,277,162

#### Held-to-maturity securities

	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	Rupees in '000			Rupees in '000		
Pakistan Investment Bonds	107,575,573	-	107,575,573	106,838,847	-	106,838,847
Market Treasury Bills	8,307,581	-	8,307,581	1,622,262	-	1,622,262
GoP Foreign Currency Bonds	1,610,375	-	1,610,375	1,540,658	-	1,540,658
Foreign Government Securities	20,863,694	-	20,863,694	8,959,455	-	8,959,455
Foreign Currency Debt Securities	406	-	406	389	-	389
Debentures, Bonds, Sukuk, Participation Term Certificates and Term Finance Certificates	811,144	-	811,144	3,048,324	-	3,048,324
<b>Total held-to-maturity securities</b>	139,168,773	-	139,168,773	122,009,935	-	122,009,935

#### Investments in associates

	1,751,323	-	1,751,323	12,210,482	-	12,210,482
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#### Investments in joint venture

	4,507,135	-	4,507,135	4,489,187	-	4,489,187
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#### Investments in subsidiaries

	1,245	-	1,245	1,245	-	1,245
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#### Investments at cost

	785,751,342	10,307,383	796,058,725	514,123,065	5,906,690	520,029,755
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#### Less: Provision for diminution in value of investments

	(15,453,451)	-	(15,453,451)	(15,668,377)	-	(15,668,377)
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#### Investments (cost net of provisions)

	770,297,891	10,307,383	780,605,274	498,454,688	5,906,690	504,361,378
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#### Unrealized gain on revaluation of investments classified as held-for-trading

	5,924	-	5,924	145,454	-	145,454
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#### Surplus / (deficit) on revaluation of available-for-sale securities

	45,632,555	3,002	45,635,557	57,261,787	(1,101)	57,260,686
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#### Total investments - at carrying value

	815,936,370	10,310,385	826,246,755	555,861,929	5,905,589	561,767,518
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

	Note	2015 Rupees in '000	2014
<b>9.2 Investments by segments</b>			
<b>Federal Government Securities</b>			
- Market Treasury Bills		422,138,332	123,926,184
- Pakistan Investment Bonds	9.2.1	270,884,928	306,459,386
- GoP Foreign Currency Bonds		11,089,766	9,214,829
- Ijarah Sukuk bonds		980,684	2,024,349
		<u>705,093,710</u>	<u>441,624,748</u>
<b>Foreign Government Securities</b>		21,383,787	9,157,161
<b>Fully Paid up Ordinary Shares</b>	9.11 / 9.12		
- Listed Companies		23,223,653	24,764,576
- Unlisted Companies		1,129,263	1,374,080
- Ordinary shares of a bank listed outside Pakistan	9.4	463,295	463,295
		<u>24,816,211</u>	<u>26,601,951</u>
<b>Debentures, Bonds, Participation Term Certificates, Term Finance Certificates, Musharika and Sukuk Bonds</b>			
- Listed		2,471,051	2,542,543
- Unlisted		31,032,365	17,591,356
		<u>33,503,416</u>	<u>20,133,899</u>
<b>Foreign Currency Debt Securities</b>		2,690,902	2,235,946
<b>Other Investments</b>			
- Investments in mutual funds		1,464,336	2,705,976
- Preference Shares		846,660	869,160
<b>Investments in associates</b>	9.5	1,751,323	12,210,482
<b>Investments in joint ventures</b>	9.6	4,507,135	4,489,187
<b>Investments in subsidiaries</b>	9.8	1,245	1,245
<b>Total investments at cost</b>		<u>796,058,725</u>	<u>520,029,755</u>
Provision for diminution in value of investments	9.9	(15,453,451)	(15,668,377)
<b>Investments (cost net of provisions)</b>		<u>780,605,274</u>	<u>504,361,378</u>
Unrealized gain on revaluation of investments classified as held-for-trading	9.10	5,924	145,454
Surplus on revaluation of available-for-sale securities	20.1	45,635,557	57,260,686
<b>Total investments - at carrying value</b>		<u><u>826,246,755</u></u>	<u><u>561,767,518</u></u>

**9.2.1** These carry fixed coupon rate ranging from 8.75% to 12% per annum (December 31, 2014: 8 to 12% per annum).

**9.3** Market value of held-to-maturity investments is Rs. 147,047 million (2014: Rs. 128,440 million).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

## 9.4 Investment in shares of a bank incorporated outside Pakistan - Bank Al-Jazira

The Group holds 23,333,333 (2014: 23,333,333) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 5.83% (2014: 5.83%) holding in total equity of BAJ. The investment has been marked to market using closing price as quoted on the Saudi Stock Exchange in accordance with SBP concurrence vide letter No. BSD/SU-13/331/685/2006 dated February 17, 2006. BAJ's Viability Rating is BB+ with short term and long term IDR at F2 and A-by Fitch Rating Agency.

			Note	2015 Rupees in '000	2014 Rupees in '000
<b>9.5 Investments in associates</b>					
<b>Unlisted Shares</b>	<b>Number of shares</b>	<b>Percentage of holding</b>			
Pakistan Emerging Venture Limited	12,500,000	33.33		50,565	50,565
Information System Associates Limited	2,300,000	21.89		1,719	1,719
National Fructose Company Limited	1,300,000	39.50		6,500	6,500
Venture Capital Fund Management	33,333	33.33		-	-
Kamal Enterprises Limited	11,000	20.37		-	-
Mehran Industries Limited	37,500	32.05		-	-
National Assets Insurance Company Limited	4,481,500	8.96		44,815	44,815
Tharparkar Sugar Mills Limited	2,500,000	21.52		-	-
Youth Investment Promotion Society	644,508	25.00		-	-
Dadabhoy Energy Supply Company Limited	9,900,000	23.11		32,105	32,105
K-Agricole Limited	5,000	20.00		-	-
New Pak Limited	200,000	20.00		-	-
Pakistan Mercantile Exchange Limited	9,000,000	32.65		90,000	90,000
Prudential Fund Management Limited	150,000	20.00		-	-
				225,704	225,704
<b>Listed Shares</b>					
First Credit and Investment Bank Limited	20,000,000	30.77		204,086	199,732
National Fibres Limited	17,030,231	20.19		-	-
Taha Spinning Mills Limited	-	-		-	2,501
Land Mark Spinning Mills Limited	3,970,859	32.79		39,710	39,710
S.G. Fibres Limited	3,754,900	25.03		218,535	218,535
Nina Industries Limited	4,906,000	20.27		49,060	49,060
Agritech Limited	131,925,432	33.62	9.5.1 / 9.5.2 / 9.5.3	1,014,228	1,862,079
				1,525,619	2,371,617
<b>Listed Mutual Funds</b>					
NAFA Income Opportunity Fund	-	-		-	44,978
NAFA Multi Asset Fund	-	-		-	72,271
NAFA Financial Sector Income Fund	-	-		-	737,307
NAFA Islamic Aggressive Income Fund	-	-		-	78,409
NAFA Islamic Multi Asset Fund	-	-		-	126,050
NAFA Government Securities Liquid Fund	-	-		-	4,022,605
NAFA Money Market Fund	-	-		-	3,542,657
NAFA Riba Free Savings Fund	-	-		-	512,350
NAFA Savings Plus Fund	-	-		-	476,534
			9.5.6	-	9,613,161
				1,751,323	12,210,482
Less: Provision for diminution in value of investments			9.9.1 / 9.9.2	(609,530)	(1,452,591)
				1,141,793	10,757,891



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

- 9.5.1** The 120,426,432 shares (2014: 120,426,432) of Agritech Limited were acquired from Azgard Nine Limited as part of multiple agreements including the Master Restructuring Agreement (MRA). These shares were acquired at an agreed price of Rs. 35 per share. These carrying value of the investment in Agritech Limited as at December 31, 2015 under equity method was tested for impairment based on recoverable amount of Rs. 9.35 per share (based on market value) resulting in reversal of previously recognised impairment of Rs. 825 million due to recording of share of loss in current year.

The Bank holds a put option in respect of 26,152,922 ordinary shares of Agritech Limited which is exercisable within 3 months starting from February 1, 2016. Under this put option, the Bank has a right to put these shares to the consortium banks at a price of Rs. 35 per share. The Bank has exercised this option subsequent to the year end.

There is also a put option available to Azgard Nine Limited, under which Azgard Nine Limited has the right to sell 58.29 million preference shares of Agritech Limited to the Bank at a price of Rs. 5.25 per share subject to the occurrence of certain events under the agreement.

Both these options have been valued and the resultant net gain of Rs. 364 million has been recognized in these financial statements.

- 9.5.2** The Group is holding 33.62% of the shares in Agritech Limited which is in excess of limit of 30% set out in Regulation R-6(2) of Prudential Regulations and section 23(2) of Banking Companies Ordinance 1962. SBP has allowed the Bank exemption from R-6(2) of Prudential Regulations.

- 9.5.3** Aggregate market value of investments in associates (quoted) on the basis of latest available quoted prices amounts to Rs. 1,432 million (2014: Rs. 10,540 million).

- 9.5.4** Associates with zero carrying amount, represent the investments acquired from former NDFC which have negative equity or whose operations were closed at the time of amalgamation.

- 9.5.5** The details of break-up value based on latest available financial statements of unlisted investments in associates are as follows:

	Year / Period ended	Break-up value Rupees in '000
National Assets Insurance Limited	December 31, 2013	49,375
Pakistan Emerging Venture Limited	June 30, 2011	1,694
Information System Associates Limited	June 30, 2015	12,164
Dadabhoy Energy Supply Company Limited	June 30, 2007	103,952
Pakistan Mercantile Exchange Limited	June 30, 2015	(28,342)

- 9.5.6** During the year, the Group has redeemed its investment in mutual funds managed by NBP Fullerton Asset Management Limited amounting to Rs. 8,516 million which has resulted in capital gain of Rs. 506 million.

	Note	2015 Rupees in '000	2014 Rupees in '000
<b>9.6 Investments in joint venture</b>			
United National Bank Limited (UNBL) (incorporated in United Kingdom)	9.6.1	<u>2,362,433</u>	<u>2,362,433</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

- 9.6.1** Under a joint venture agreement, the Bank holds 20.25 million ordinary shares (45%) and United Bank Limited (UBL) holds 23.25 million ordinary shares (55%) in UNBL. In addition to ordinary shares, four preference shares categories as "A", "B", "C" and "D" have been issued and allotted. The "B" and "D" category shares are held by the Group and category "A" and "C" are held by UBL. Dividends payable on "A" and "B" shares are related to the ability of the venture to utilize tax losses that have been surrendered to it on transfer of business from the Group or UBL as appropriate. Dividends payable on "C" and "D" shares are related to loans transferred to the venture by the Group or UBL that have been written-off or provided for at the point of transfer and the ability of the venture to realize in excess of such loan value.

## 9.7 Summary of financial information of associates and joint venture

		2015				
	Based on the financial statements as on	Assets	Liabilities	Equity	Revenue	Profit / (loss)
		Rupees in '000				
United National Bank Limited	December 31, 2015	71,978,338	44,706,143	11,727,616	3,355,003	2,040,780
First Credit and Investment Bank Limited	September 30, 2015	677,261	13,956	663,305	42,157	(611)
Agriotech Limited	September 30, 2015	49,349,923	41,686,908	7,663,015	1,667,212	(2,122,870)
		2014				
	Based on the financial statements as on	Assets	Liabilities	Equity	Revenue	Profit / (loss)
		Rupees in '000				
United National Bank Limited	December 31, 2013	66,091,688	58,204,343	7,887,345	3,257,921	1,083,395
First Credit and Investment Bank Limited	December 31, 2013	766,270	121,982	644,288	29,615	2,120
Agriotech Limited	December 31, 2013	44,239,183	34,999,150	9,240,033	8,627,668	(3,382,156)
NAFA Riba Free Saving Fund	December 31, 2014	1,297,833	25,231	1,272,602	219,464	171,672
NAFA Income Opportunity Fund	December 31, 2014	5,944,559	525,437	5,419,122	583,413	627,369
NAFA Multi Asset Fund	December 31, 2014	1,463,930	49,630	1,414,300	317,252	288,303
NAFA Financial Sector Income Fund	December 31, 2014	1,986,626	46,344	1,940,282	278,084	218,564
NAFA Islamic Aggressive Income Fund	December 31, 2014	821,697	86,178	735,519	46,684	51,332
NAFA Islamic Asset Allocation Fund	December 31, 2014	1,126,816	24,987	1,101,829	176,058	174,469
NAFA Government Securities Liquid Fund	December 31, 2014	9,771,120	195,630	9,575,490	1,270,812	1,051,549
NAFA Money Market Fund	December 31, 2014	14,533,668	186,134	14,347,534	1,219,650	1,015,959
NAFA Savings Plus Fund	December 31, 2014	1,275,680	26,897	1,248,783	225,049	167,324



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

## 9.7.1 Movement Schedule for Associate and Joint Ventures

	2015						
	Opening Balance	Addition	Disposal	Dividend paid	Share of profit / (loss) for the year - net of tax	Exchange Translation Reserve	Closing Balance
<b>Joint Venture</b>							
United National Bank Limited	4,489,187	-	-	(107,723)	560,031	(22,617)	4,507,135
<b>Associates</b>							
<b>Unlisted</b>							
Pakistan Emerging Venture Limited	50,565	-	-	-	-	-	50,565
Information System Associates Limited	1,719	-	-	-	-	-	1,719
National Fructose Company Limited	6,500	-	-	-	-	-	6,500
National Assets Insurance Company	44,815	-	-	-	-	-	44,815
Dadabhai Energy Supply Company Limited	32,105	-	-	-	-	-	32,105
Pakistan Mercantile Exchange Limited	90,000	-	-	-	-	-	90,000
<b>Listed Shares</b>							
First Credit and Investment Bank Limited	199,732	-	-	-	7,425	-	204,086
Taha Spinning Mills Limited	2,501	-	(2,501)	-	-	-	-
Land Mark Spinning Mills Limited	39,710	-	-	-	-	-	39,710
S.G. Fibres Limited	218,535	-	-	-	-	-	218,535
Nina Industries Limited	49,060	-	-	-	-	-	49,060
Agritech Limited	1,862,079	-	-	-	(847,851)	-	1,014,228
<b>Listed Mutual Funds</b>							
NAFA Income Opportunity Fund	44,978	-	(44,459)	(1,166)	647	-	-
NAFA Multi Asset Fund	72,271	-	(77,082)	(2,128)	6,939	-	-
NAFA Financial Sector Income Fund	737,307	-	(692,415)	(53,508)	8,616	-	-
NAFA Islamic Aggressive Income Fund	78,409	-	(74,926)	(5,701)	2,218	-	-
NAFA Islamic Multi Asset Fund	126,050	-	(136,430)	(11,618)	21,998	-	-
NAFA Government Securities Liquid Fund	4,022,605	-	(3,738,261)	(271,389)	(12,955)	-	-
NAFA Money Market Fund	3,542,657	-	(3,425,785)	-	(116,872)	-	-
NAFA Riba Free Saving Fund	512,350	-	(481,238)	(33,390)	2,278	-	-
NAFA Savings Plus Fund	476,534	-	(444,783)	(36,559)	4,808	-	-
	12,210,482	-	(9,117,880)	(415,459)	(922,749)	-	1,751,323

Movement Schedule for Investment in Associates and Joint Ventures



For the year ended December 31, 2015

2014									
	Opening Balance	Addition	Disposal	Dividend paid	Share of profit / (loss) for the year - net of tax	Exchange Translation Reserve	Surplus (Deficit) on Revaluation Properties	Surplus (Deficit) on Revaluation Securities	Closing Balance
	Rupees in '000								
<b>Joint Venture</b>									
United National Bank Limited	3,378,076	1,117,598	-	-	301,989	(298,426)	-	(10,050)	4,489,187
<b>Associates</b>									
<b>Unlisted</b>									
Pakistan Emerging Venture Limited	50,565	-	-	-	-	-	-	-	50,565
Information System Associates Limited	1,719	-	-	-	-	-	-	-	1,719
National Fructose Company Limited	6,500	-	-	-	-	-	-	-	6,500
National Assets Insurance Company	44,815	-	-	-	-	-	-	-	44,815
Dadabhoj Energy Supply Company Limited	32,105	-	-	-	-	-	-	-	32,105
Pakistan Mercantile Exchange Limited	90,000	-	-	-	-	-	-	-	90,000
<b>Listed Shares</b>									
First Credit and Investment Bank Limited	198,248	-	-	-	1,484	-	-	-	199,732
Taha Spinning Mills Limited	2,501	-	-	-	-	-	-	-	2,501
Land Mark Spining Mills Limited	39,710	-	-	-	-	-	-	-	39,710
S.G. Fibres Limited	218,535	-	-	-	-	-	-	-	218,535
Nina Industries Limited	49,060	-	-	-	-	-	-	-	49,060
Agritech Limited	2,635,257	700,773	-	-	(1,471,357)	-	(2,594)	-	1,862,079
<b>Listed Mutual Funds</b>									
AKD Opportunity Fund	218,800	-	(218,800)	-	-	-	-	-	-
NAFA Income Opportunity Fund	38,216	-	-	-	6,283	-	-	479	44,978
NAFA Multi Asset Fund	55,906	-	-	-	9,628	-	-	6,737	72,271
NAFA Financial Sector Income Fund	1,032,800	576,043	(899,077)	-	26,254	-	-	1,287	737,307
NAFA Islamic Aggressive Income Fund	68,455	-	-	-	10,074	-	-	(120)	78,409
NAFA Islamic Multi Asset Fund	97,059	-	-	-	16,962	-	-	12,029	126,050
NAFA Government Securities Liquid Fund	6,551,413	3,015,458	(5,664,702)	-	118,563	-	-	1,873	4,022,605
NAFA Money Market Fund	978,355	3,210,015	(814,180)	-	168,476	-	-	(9)	3,542,657
NAFA Riba Free Saving Fund	1,572,827	426,353	(1,512,055)	-	25,368	-	-	(143)	512,350
NAFA Savings Plus Fund	1,535,770	355,765	(1,442,995)	-	27,978	-	-	16	476,534
	15,518,616	8,284,407	(10,551,809)	-	(1,060,287)	-	(2,594)	22,149	12,210,482



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

9.8	Investments in subsidiaries	Percentage holding	2015	2014
			Rupees in '000	
	Cast-N-Link Products Limited	76.51	1,245	1,245
			1,245	1,245
	Less: Provision for diminution in value of investments		(1,245)	(1,245)
			-	-
9.8.1 The consolidated financial statements of Cast-N-Link Products Limited (CNL) are not available since the year 1997. Accordingly, the management of the Group had applied to the Securities and Exchange Commission of Pakistan (SECP) for the exemption from the requirements of section 237 of the Companies Ordinance, 1984 in respect of consolidating its subsidiary CNL. The SECP, vide its letter EMD/233/627/2002-539 dated November 05, 2014 under Section 237(8) of the Companies Ordinance, 1984, based on the fact that investments of the Group in CNL are not material and comprise of 0.00015% of the total assets of the Bank and the investment have been fully provided for, granted the exemption from consolidation of CNL in its consolidated financial statements for the year ended December 31, 2015.				
9.9	Particulars of provision for diminution in value of investments		2015	2014
			Rupees in '000	
	Opening balance		15,668,377	15,445,884
	Charge for the year		1,055,831	1,641,247
	Reversals for the year		(1,852,131)	(3,083,005)
			(796,300)	(1,441,758)
	Transfer from provision against non-performing advances	10.3	595,227	1,366,790
	Transfer from suspended interest		-	292,127
	Others		(13,853)	5,334
	Closing balance	9.9.1 / 9.9.2	15,453,451	15,668,377
9.9.1 Particulars of provision in respect of type				
<b>Available-for-sale securities</b>				
	Ordinary shares of listed companies and mutual funds		3,394,043	3,781,567
	Ordinary shares of unlisted companies		398,923	376,135
	Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds		9,983,942	8,978,475
	Preference shares		446,444	446,444
<b>Held-to-maturity securities</b>				
	Debentures, Bonds, Participation Term Certificates, and Term Finance Certificates		619,324	631,920
	<b>Investments in associates</b>	9.5	609,530	1,452,591
	<b>Investments in subsidiaries</b>	9.8	1,245	1,245
			15,453,451	15,668,377
9.9.2 Particulars of provision in respect of segments				
	Fully Paid up Ordinary Shares		3,735,090	4,063,236
	Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	9.9.3 / 9.9.4	10,603,266	9,610,395
	Other investments		504,320	540,910
	Investments in associates	9.5	609,530	1,452,591
	Investments in subsidiaries	9.8	1,245	1,245
			15,453,451	15,668,377



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

- 9.9.3** In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Group has availed the benefit of Forced Sale Value (FSV) against non-performing investments, which resulted in decrease in provision for diminution in value of investments by Rs. 858 million (2014: Rs. 1,191 million). Accordingly, as of December 31, 2015, the accumulated increase in profit after tax of Rs. 558 million (2014: Rs. 774 million) shall not be available for payment of cash or stock dividend / bonus to employees as required by aforementioned SBP directive.

	2015	2014
	Rupees in '000	
<b>9.10 Unrealized gain / (loss) on revaluation of investments classified as held-for-trading</b>		
Federal Government securities	5,924	145,454

- 9.11** The investments in shares include shares of Pakistan State Oil Company Limited, Sui Northern Gas Pipeline Limited and Pakistan Engineering Company with cost of Rs. 4,603 million (2014: Rs. 4,165 million) that have been frozen by the Government of Pakistan for sale in the equity market due to their proposed privatization.

- 9.12** The investments also include shares acquired under tri-partite consent agreement dated June 29, 2011. These strategic investments comprise of the shares of Pakistan State Oil (22,022,713 shares) and shares of Sui Northern Gas Pipeline Limited (18,805,318 shares). The cost of these shares amounts to Rs. 4,602 million and market value as at December 31, 2015 amounts to Rs. 7,626 million. These shares cannot be sold without concurrence of privatization commission.

- 9.13** Detailed information relating to investments in shares of listed and unlisted companies, Preference Shares, Mutual Funds, Government Securities, Bonds, Debentures, Term Finance Certificates, Participation Term Certificate, Sukuks etc. including quality of available-for-sale securities is given in Annexure-I to the financial statements.

10. ADVANCES		2015	2014
	Note	Rupees in '000	
Loans, cash credits, running finances, etc.			
In Pakistan		622,412,738	648,754,799
Outside Pakistan		54,635,448	55,841,400
		677,048,186	704,596,199
Net investment in finance lease			
In Pakistan	10.2	1,270,081	1,399,731
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		8,678,788	15,434,441
Payable outside Pakistan		7,387,939	10,549,928
		16,066,727	25,984,369
Advances - gross	10.1	694,384,994	731,980,299
Less: Provision against non-performing advances	10.3	114,291,008	101,750,650
Advances - net of provision		580,093,986	630,229,649



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

		2015	2014
		Rupees in '000	
<b>10.1</b>	<b>Particulars of advances - gross</b>		
<b>10.1.1</b>	In local currency	615,250,590	659,796,729
	In foreign currencies	79,134,404	72,183,570
		<u>694,384,994</u>	<u>731,980,299</u>
<b>10.1.2</b>	Short-term (for upto one year)	500,116,328	483,695,031
	Long-term (for over one year)	194,268,666	248,285,268
		<u>694,384,994</u>	<u>731,980,299</u>

## 10.2 Net investment in finance lease

	2015				2014			
	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	629,224	487,422	-	1,116,646	591,931	711,160	-	1,303,091
Residual value	172,738	151,716	-	324,454	139,196	209,174	-	348,370
Minimum lease payments	801,962	639,138	-	1,441,100	731,127	920,334	-	1,651,461
Financial charges for future periods	118,617	52,402	-	171,019	154,681	97,049	-	251,730
	<u>683,345</u>	<u>586,736</u>	<u>-</u>	<u>1,270,081</u>	<u>576,446</u>	<u>823,285</u>	<u>-</u>	<u>1,399,731</u>

The leases executed are for a term of 3 to 5 years. Security deposit is generally obtained upto 10% of the cost of leased assets at the time disbursement. The Group requires the lessees to insure the leased assets in favour of the Group and maintained financial ratios, as required under the SECP Prudential Regulations for Non-Banking Finance Companies. Additional surcharge is charged on delayed rentals. The fixed return implicit in these ranges from 12.53% to 15.70% (2014: 12.59% to 15.39%) per annum.

## 10.3 Advances include Rs. 128,277 million (2014: Rs. 121,680 million) which have been placed under non-performing status (refer note 10.4.4) as detailed below:

Category of Classification	2015								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other Assets Especially									
Mentioned	2,069,365	-	2,069,365	19,476	-	19,476	19,476	-	19,476
Substandard	7,057,274	83,227	7,140,501	1,582,057	20,807	1,602,864	1,582,057	20,807	1,602,864
Doubtful	2,610,175	152,627	2,762,802	997,687	76,358	1,074,045	997,687	76,358	1,074,045
Loss	84,644,181	31,660,021	116,304,202	78,694,872	29,935,390	108,630,262	78,694,872	29,935,390	108,630,262
	<u>96,380,995</u>	<u>31,895,875</u>	<u>128,276,870</u>	<u>81,294,092</u>	<u>30,032,555</u>	<u>111,326,647</u>	<u>81,294,092</u>	<u>30,032,555</u>	<u>111,326,647</u>
Category of Classification	2014								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other Assets Especially									
Mentioned	1,228,018	-	1,228,018	1,347	-	1,347	1,347	-	1,347
Substandard	9,892,979	62,851	9,955,830	2,219,876	14,522	2,234,398	2,219,876	14,522	2,234,398
Doubtful	4,613,073	10,887,971	15,501,044	1,330,143	5,319,533	6,649,676	1,330,143	5,319,533	6,649,676
Loss	75,741,089	19,253,958	94,995,047	72,775,835	16,887,929	89,663,764	72,775,835	16,887,929	89,663,764
	<u>91,475,159</u>	<u>30,204,780</u>	<u>121,679,939</u>	<u>76,327,201</u>	<u>22,221,984</u>	<u>98,549,185</u>	<u>76,327,201</u>	<u>22,221,984</u>	<u>98,549,185</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 10.4 Particulars of provision against non-performing advances

		2015			2014		
		Specific	General	Total	Specific	General	Total
Note		Rupees in '000					
Opening balance		98,549,185	3,201,465	101,750,650	90,003,586	2,875,887	92,879,473
Foreign exchange adjustments		859,521	16,854	876,375	(495,074)	(25,919)	(520,993)
Charge for the year		16,062,482	227,540	16,290,022	14,902,032	368,937	15,270,969
Reversal during the year		(4,944,996)	(481,498)	(5,426,494)	(4,185,832)	(1,164)	(4,186,996)
		11,117,486	(253,958)	10,863,528	10,716,200	367,773	11,083,973
Transfer (out) / in	9.9 / 18.1	899,465	-	899,465	(1,650,189)	-	(1,650,189)
Amount charged off	10.4.5	(18,228)	-	(18,228)	(32,623)	-	(32,623)
Amounts written off	10.5	(12,690)	-	(12,690)	(5,272)	-	(5,272)
Other adjustments		(68,092)	-	(68,092)	12,557	(16,276)	(3,719)
Closing balance		111,326,647	2,964,361	114,291,008	98,549,185	3,201,465	101,750,650
In local currency		81,294,092	2,747,891	84,041,983	76,327,201	2,685,728	79,012,929
In foreign currencies		30,032,555	216,470	30,249,025	22,221,984	515,737	22,737,721
		111,326,647	2,964,361	114,291,008	98,549,185	3,201,465	101,750,650

**10.4.1** In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Group has availed the benefit of Forced Sale Value (FSV) against non-performing advances which resulted in decrease in provision against NPLs by Rs. 3,598 million (2014: Rs. 3,542 million). Accordingly, as of December 31, 2015, the accumulated profit after tax of Rs. 2,338 million (2014: Rs. 2,302 million) shall not be available for payment of cash or stock dividend / bonus to employees as required by aforementioned SBP directive.

**10.4.2** General provision against consumer and SME loans represents provision maintained at an amount ranging from 1% to 5% of the performing portfolio as required by the Prudential Regulations issued by the SBP.

**10.4.3** The SBP has allowed specific relaxation to the Group for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan.

**10.4.4** The SBP has allowed specific relaxation to the Group for non-classification of overdue loans of ASG Metals Private Limited and its associated companies till September 30, 2017. Had that relaxation not provided, the amount of non-performing loans would have been higher by Rs. 1,654 million and provision would have been higher by Rs. 923 million.

**10.4.5** These represent non-performing advances for agriculture finance which have been classified as loss and fully provided for more than 3 years. These non-performing advances have been charged off by extinguishing them against the provision held in accordance with Prudential Regulations for Agriculture Financing issued by the SBP. This charge off does not, in any way, prejudice the Group's right of recovery from these customers.

	Note	2015	2014
		Rupees in '000	
<b>10.5 Particulars of write-offs</b>			
<b>10.5.1</b> Against provisions	10.3	12,690	32,623
<b>10.5.2</b> Write offs of Rs. 500,000 and above	10.6	10,948	32,403
Write offs of below Rs. 500,000		1,742	220
		12,690	32,623

### 10.6 Details of loans written-off of Rs. 500,000 and above

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2015 is given in Annexure II.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

2015                      2014  
Rupees in '000

## 10.7 Particulars of loans and advances to directors, associated companies, etc.

Debts due by directors, executives, officers and staff of the Bank or any of them either severally or jointly with any other person:

Balance at beginning of the year	30,839,116	26,782,505
Loans granted / additions during the year	4,341,870	7,347,684
Repayments	(3,808,466)	(3,291,073)
Balance at end of the year	<u>31,372,520</u>	<u>30,839,116</u>

Debts due by companies or firms in which the directors of the Group are interested as directors, partners or in the case of private companies as members:

Balance at beginning of the year	9,115,000	9,613,756
Adjustment due to retirement / appointment of directors	(1,154,000)	347,962
Loans granted / additions during the year	62,566,778	11,577,858
Repayments / other adjustments	(64,507,666)	(12,424,576)
Balance at end of the year	<u>6,020,112</u>	<u>9,115,000</u>

Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties:

Balance at beginning of the year	6,014,168	6,252,841
Repayments	(458,494)	(238,673)
Balance at end of year	<u>5,555,674</u>	<u>6,014,168</u>

## 11. OPERATING FIXED ASSETS

Capital work-in-progress	11.1	1,365,006	1,215,686
Property and equipment	11.2	30,720,112	30,658,251
Intangible assets	11.3	1,215,556	1,479,589
		<u>33,300,674</u>	<u>33,353,526</u>

### 11.1 Capital work-in-progress

Civil works	1,291,008	1,166,828
Equipment	16,304	9,321
Advances to suppliers and contractors	57,694	39,537
	<u>1,365,006</u>	<u>1,215,686</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 11.2 Property and equipment

	Cost/revalued		Cost / revalued amount		Accumulated depreciation			Book	
	At January 1, 2015	Revaluation	Additions / (deletions) / (adjustments)*	At December 31, 2015	At January 1, 2015	Charge for the year / (deletions)	At December 31, 2015	Value at December 31, 2015	Rate of depreciation
Rupees in '000									
<b>Owned</b>									
<b>Land</b>									
- freehold	11,203,348	-	11,463	11,214,811	-	-	-	11,214,811	Nil
			-						
- leasehold	10,338,464	-	34,278	10,372,742	-	-	-	10,372,742	Nil
			-						
<b>Buildings on land:</b>									
- freehold	2,867,306	-	37,113	2,904,419	148,001	145,513	293,514	2,610,905	5% on book value
			-						
- leasehold	2,681,061	-	67,398 (516)	2,747,943	112,688	117,916 (133)	230,471	2,517,472	5% on book value
			-						
Furniture and fixtures	3,433,918	-	416,740 (25,082) (1,101,501)	2,724,075	2,499,573	295,829 (18,031) (1,005,713)	1,771,658	952,417	20% on cost
Computer and peripheral equipment	3,874,422	-	269,952 (7,546) (1,111,803)	3,025,025	3,447,606	334,000 (6,906) (1,123,297)	2,651,403	373,622	33.33% on cost
Electrical and office equipment	3,956,737	-	485,709 (5,220) (769,680)	3,667,546	2,795,242	261,979 (3,975) (732,449)	2,320,797	1,346,749	20% on cost
Vehicles	1,518,258	-	191,377 (79,204) (667,101)	963,330	850,089	135,574 (65,544) (629,833)	290,286	673,044	20% on cost
	39,873,514	-	1,514,030 (117,568) (3,650,085)	37,619,891	9,853,199	1,290,811 (94,589) (3,491,292)	7,558,129	30,061,762	
<b>Assets held under finance lease</b>									
Vehicles	317,903	-	68,717 (50,763) 6,800	342,657	228,011	26,073 (40,532)	213,552	129,105	20% on cost
Office equipment	13,304	-	-	13,304	12,131	305	12,436	868	20% on Book Value
<b>Assets given under Ijarah</b>									
Machinery	1,722,322	-	362,045 (378,510) -	1,705,857	1,175,453	330,804 (326,044) (2,733)	1,177,480	528,377	25-33% on cost
Vehicles	792,565	-	- (77,971)	714,594	792,565	- (77,971)	714,594	-	20% on book Value
<b>2015</b>	42,719,608	-	1,944,792 (624,812) (3,643,285)	40,396,303	12,061,359	1,647,993 (539,136) (3,494,025)	9,676,191	30,720,112	

\* These adjustments resulted from reconciliation of subsidiary control records of the Group. These adjustments have a net impact of Rs. 155 million on net book value.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

	Cost / revalued amount				Accumulated depreciation				Book	Rate of depreciation
	At January 1, 2014	Revaluation	Additions / (deletions)/ (adjustments)	At December 31, 2014	At January 1, 2014	Charge for the year / (deletions)	Revaluation / (adjustments)	At December 31, 2014	Value at December 31, 2014	
----- Rupees in '000 -----										
Owned										
Land										
- freehold	11,110,151	93,547	- - (350)	11,203,348	-	-	-	-	11,203,348	Nil
- leasehold	10,124,953	170,624	42,967 - (80)	10,338,464	-	-	-	-	10,338,464	Nil
Buildings on land:										
- freehold	2,752,531	7,010	107,765 -	2,867,306	160	147,841	- -	148,001	2,719,305	5% on book value
- leasehold	2,484,435	24,240	172,386	2,681,061	-	112,688 -	- -	112,688	2,568,373	5% on book value
Furniture and fixtures	3,234,252	-	232,908 (12,507) (20,735)	3,433,918	1,887,154	619,658 (7,239)	-	2,499,573	934,345	20% on cost
Computer and peripheral equipment	3,289,991	-	210,659 (755) 374,527	3,874,422	2,980,786	467,326 (506)	-	3,447,606	426,816	33.33% on cost
Electrical and office equipment	3,580,824	-	172,235 (1,095) 204,773	3,956,737	2,348,959	447,064 (781)	-	2,795,242	1,161,495	20% on book
Vehicles	1,856,905	-	7,172 (125,506) (220,313)	1,518,258	790,817	160,696 (101,424)	-	850,089 -	668,169	20% on cost
	38,434,042	295,421	946,092 (139,863) 337,822	39,873,514	8,007,876	1,955,273 (109,950) -	-	9,853,199	30,020,315	
Assets held under finance lease										
Vehicles	349,377	-	38,185 (69,659)	317,903	233,560	46,257 (51,806)	-	228,011	89,892	20% on cost
Office equipment	13,304	-	-	13,304	11,826	305	-	12,131	1,173	20% on cost
Assets given under Ijarah										
Machinery	1,343,281	-	145,915 - 233,126	1,722,322	895,345	280,106 -	-	1,175,451	546,871	25-33% on cost
Vehicles	773,404	-	- - 19,161	792,565	598,051	194,513	-	792,565	-	25-33% on cost
2014	40,913,408	295,421	1,130,192 (209,522) 590,109	42,719,608	9,746,658	2,476,454 (161,756)	-	12,061,357	30,658,251	



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 11.3 Intangible assets

	Cost		Accumulated amortization			Book value at December 31, 2015	Rate of amortization	
	At		At	At	At			
	January 1, 2015	Additions / (disposals)	December 31, 2015	January 1, 2015	Charge for the year			December 31, 2015
	----- Rupees in '000 -----							
Computer software	154,990	(1,107)	153,883	149,928	724	150,652	3,231	33.33 % on cost
Core Banking Application	1,328,910	371,629	1,700,539	418,447	633,831	1,052,278	648,261	33.33 % on cost
Website	1,041	-	1,041	1,041	-	1,041	-	33.33 % on cost
Room and Membership Card	-	-	-	-	-	-	-	
Trading right entitlement certificate (TREC) - Note 11.8	-	-	-	-	-	-	-	
Goodwill on NAFA Acquisition	655,146	-	655,146	92,593	-	92,593	562,553	
Others	4,192	-	4,192	2,681	-	2,681	1,511	
	2,144,279	370,522	2,514,801	664,690	634,555	1,299,245	1,215,556	

	Cost		Accumulated amortization			Book value at December 31, 2014	Rate of amortization	
	At January 1, 2014	Additions / (disposals)	At December 31, 2014	At January 1, 2014	Charge for the year			At December 31, 2014
	-----Rupees in '000-----							
Computer software	153,541	1,449	154,990	131,899	18,029	149,928	5,062	33.33 % on cost
Core Banking Application	-	1,328,910	1,328,910	-	418,447	418,447	910,463	33.33 % on cost
Website	1,041	-	1,041	1,041	-	1,041	-	33.33 % on cost
Room and Membership Card	-	-	-	-	-	-	-	
Trading right entitlement certificate (TREC) - Note 11.8	-	-	-	-	-	-	-	
Goodwill on NAFA Acquisition	655,146	-	655,146	92,593	-	92,593	562,553	
Others	4,192	-	4,192	2,681	-	2,681	1,511	
	813,920	1,330,359	2,144,279	228,214	436,476	664,690	1,479,589	

11.4 Had there been no revaluation, the carrying amount of revalued assets at December 31, 2015 would have been as follows:

	Rupees in '000
Land	
freehold	1,132,637
leasehold	915,584
Building	
freehold	653,243
leasehold	706,126



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

- 11.5** The Ijarah payments receivable from customers for each of the following periods under the terms of the respective agreements are given below:

	2015	2014
	Rupees in '000	
Not later than one year	83,926	76,594
Later than one year but not later than five years	180,236	128,880
	<u>264,162</u>	<u>205,474</u>

The rate of profit is 6 months KIBOR + 2.5% (2014: 6 months KIBOR + 2.5%).

## 11.6 Details of disposals of property and equipment

Details of disposals of property and equipment made to chief executive or a director or an executive or a shareholder holding not less than ten percent of the voting shares of the Group or any related party, irrespective of the value, or where original cost or the book value exceeds rupees one million or two hundred fifty thousand rupees respectively, whichever is lower are given in Annexure III.

- 11.7** The recoverable amount of goodwill on acquisition of NAFA was tested for impairment based on value in use, in accordance with IAS-36. The value in use calculations are based on cash flow projection based on the budget and forecast approved by management from 2014 - 2018. The terminal value is determined based on a growth rate of 8%. The cash flows are discounted using a pre-tax discount rate of 16%.

- 11.8** The TRE Certificate acquired on surrender of Stock Exchange Membership Card is stated at Nil value.

According to the Stock Exchanges (Corporatisation, Demutualization and Integration) Act 2012, the TRE Certificate may only be transferred once to a company intending to carry out shares brokerage business in the manner to be prescribed. Upto December 31, 2019, a Stock Exchange shall offer for issuance of 15 TRE Certificate each year in the manner prescribed. After 2019, no restriction shall be placed on issuance of TRE Certificate.

	Note	2015	2014
		Rupees in '000	
<b>12. DEFERRED TAX ASSETS - net</b>			
<b>Deductible temporary difference on:</b>			
Provision for diminution in the value of investments		4,117,499	3,636,653
Provision against non-performing advances		8,000,570	7,092,841
Other provision		2,262,569	1,769,167
Provision against defined benefits plans		10,807,811	9,031,229
Unrealised loss on derivatives		691,907	691,907
Provision against off-balance sheet obligation		116,622	116,622
		<u>25,996,978</u>	<u>22,338,419</u>
<b>Taxable temporary differences on:</b>			
Excess of accounting book value of leased assets over lease liabilities		(8,097)	(3,720)
Revaluation of securities	20.1	(15,104,136)	(11,173,750)
Revaluation of operating fixed assets	20.2	(1,212,494)	(1,276,693)
		<u>(16,324,727)</u>	<u>(12,454,163)</u>
Net deferred tax assets		<u>9,672,251</u>	<u>9,884,256</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 12.1 Reconciliation of deferred tax

	January 1, 2014	Recognized in Profit and Loss Account	Recognized in Other Comprehensive Income / Surplus on revaluation of assets	December 31, 2014	Recognized in Profit and Loss Account	Recognized in Other Comprehensive Income / Surplus on revaluation of assets	December 31, 2015
<b>Rupees in '000</b>							
<b>Deferred tax assets arising in respect of:</b>							
Provision for diminution in the value of investments	3,481,832	154,821	-	3,636,653	480,846	-	4,117,499
Provision against advances	6,634,726	458,115	-	7,092,841	907,729	-	8,000,570
Other provision	1,281,478	487,689	-	1,769,167	493,402	-	2,262,569
Provision against defined benefits plans	7,745,875	1,050,723	234,631	9,031,229	932,913	843,669	10,807,811
Unrealised loss / (gain) on derivatives	691,907	-	-	691,907	-	-	691,907
Provision against off-balance sheet obligations	116,622	-	-	116,622	-	-	116,622
	19,952,440	2,151,348	234,631	22,338,419	2,814,890	843,669	25,996,978
<b>Less: Deferred tax (liabilities) arising in respect of:</b>							
Excess of accounting book value of leased assets over lease liabilities	(16,202)	12,482	-	(3,720)	(4,377)	-	(8,097)
Revaluation of securities	(7,364,431)	-	(3,809,319)	(11,173,750)	-	(3,930,386)	(15,104,136)
Revaluation of fixed assets	(1,602,983)	337,228	(10,938)	(1,276,693)	64,199	-	(1,212,494)
	(8,983,616)	349,710	(3,820,257)	(12,454,163)	59,822	(3,930,386)	(16,324,727)
Net deferred tax assets	10,968,824	2,501,058	(3,585,626)	9,884,256	2,874,712	(3,086,717)	9,672,251

### 13. OTHER ASSETS

	Note	2015 Rupees in '000	2014 Rupees in '000
Income / mark-up accrued in local currencies		28,528,306	34,009,111
Income / mark-up accrued in foreign currencies		1,573,224	1,648,165
Advances, deposits, advance rent and other prepayments	13.1	4,885,085	4,095,002
Advance taxation (payments less provisions)		10,980,767	13,585,228
Income tax refunds receivable		22,237,149	25,462,171
Compensation for delayed tax refunds	13.6	2,793,522	1,208,251
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)		271,040	273,650
Branch adjustment account - net		1,498,108	1,248,281
Unrealized gain on forward foreign exchange contracts		1,995,434	1,079,206
Unrealized gain on derivatives	9.5.1	364,800	-
Commission receivable on Govt. treasury transactions		5,145,471	5,676,197
Stationery and stamps on hand		281,133	290,829
Non-banking assets acquired in satisfaction of claims	13.2	1,419,746	1,419,377
Barter trade balances		195,399	195,399
Receivable on account of Government transactions	13.3	323,172	323,172
Receivable from Government under VHS scheme	13.4	418,834	418,834
Prize bonds in hand		234,578	294,731
Receivable against sale of shares		7,143	47,445
Others		3,015,959	6,121,700
		86,168,870	97,396,749
Less: Provision held against other assets	13.5	6,077,158	5,557,491
Other assets (net of provision)		80,091,712	91,839,258

**13.1** This includes Rs. 2,300 million (2014: Rs. 800 million) advance against Pre-IPO placement of Term Finance Certificates.

**13.2** The market value of non-banking assets acquired in satisfaction of claims is Rs. 2,713 million (2014: Rs. 2,358 million).

**13.3** This represents amount receivable from GoP on account of encashment of various instruments handled by the Group for GoP as an agent of the SBP. Due to uncertainty about its recoverability, full amount has been provided for.

**13.4** This represents payments made under the Voluntary Handshake Scheme (VHS), recoverable from GoP. Due to uncertainty about its recoverability, full amount has been provided for.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

	Note	2015 Rupees in '000	2014
<b>13.5 Provision against other assets</b>			
Opening balance		5,557,491	5,193,517
Charge for the year	13.5.1	389,917	378,776
Reversals for the year		(17,559)	-
		372,358	378,776
Write offs		(2,586)	(14,802)
Reclassifications		149,895	-
Closing balance		6,077,158	5,557,491
<b>13.5.1</b>			
This mainly includes provision made on account of financial improprieties and CIRC assets.			
<b>13.6 Reconciliation of compensation for delayed tax refunds</b>			
Opening balance		1,208,251	2,094,062
Accrued during the year		1,585,271	3,369,429
Received during the year		-	(4,255,240)
Closing balance		2,793,522	1,208,251
<b>14. BILLS PAYABLE</b>			
In Pakistan		8,958,569	10,724,230
Outside Pakistan		213,047	287,597
		9,171,616	11,011,827
<b>15. BORROWINGS</b>			
In Pakistan		19,008,803	34,680,322
Outside Pakistan		3,376,050	3,528,091
	15.1 & 15.2	22,384,853	38,208,413
<b>15.1 Particulars of borrowings with respect to currencies</b>			
In local currency		19,008,803	34,680,322
In foreign currencies		3,376,050	3,528,091
	15.2	22,384,853	38,208,413
<b>15.2 Details of borrowings</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan:			
Under Export Refinance Scheme		4,612,557	6,065,708
Under Export Refinance Scheme (New Scheme)		2,262,393	2,330,874
Under Long-Term Financing under Export Oriented Project (LTF-EOP)		-	63,889
Refinance Facility for Modernization of SMEs		20,940	7,880
Financing Facility for Revival of SMEs & Agricultural Activities in Flood affected areas		-	-
Financing Facility for storage of Agriculture Produce (FFSAP)		591,625	221,128
Under Long-Term Financing Facility (LTFF)		348,800	1,505,325
		7,836,315	10,194,804
Repurchase agreement borrowings		10,301,568	5,902,523
		18,137,883	16,097,327
<b>Unsecured</b>			
Call borrowings	32	3,376,063	3,528,147
Commodity Morabaha		-	17,427,527
Overdrawn nostro accounts	32	326,444	417,696
Others		544,463	737,716
		4,246,970	22,111,086
		22,384,853	38,208,413



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

## 15.3 Mark-up / interest rates and other terms are as follows:

- The Group has entered into agreements with the SBP for extending export finance to customers. As per the terms of the agreement, the Group has granted SBP the right to recover the outstanding amount from the Group at the date of maturity of finances by directly debiting the current account maintained by the Group with the SBP. These borrowings carry mark-up ranging from 4.5 % to 7.0 % (2014: 7.5 % to 8.4 %).
- Repurchase agreement borrowings carry mark-up at the rates ranging from 5.00% to 9.60% per annum (2014: 6.75% to 10.50% per annum) having maturity ranging from January 4, 2016 to April 21, 2016.
- Call borrowings carry interest ranging from 5% to 9.5% per annum (2014: 6.75% to 10.15% per annum).
- Unsecured borrowings "Others" carry interest at the rate of 10% per annum (2014: 10% per annum).

## 15.4 Borrowings from the SBP under export oriented projects refinance schemes of the SBP are secured by the Group's cash and security balances held by the SBP.

	Note	2015 Rupees in '000	2014 Rupees in '000
<b>16. DEPOSITS AND OTHER ACCOUNTS</b>			
<b>Customers</b>			
Fixed deposits		330,551,976	289,729,861
Savings deposits		382,255,071	348,098,999
Current accounts - remunerative		183,332,050	159,042,873
Current accounts - non-remunerative		332,225,875	268,081,544
		1,228,364,972	1,064,953,277
<b>Financial Institutions</b>			
Remunerative deposits		109,257,412	61,201,424
Non - remunerative deposits		93,913,013	108,250,349
		203,170,425	169,451,773
	16.1	1,431,535,397	1,234,405,050
<b>16.1 Particulars of deposits</b>			
In local currency		1,199,339,988	1,030,444,740
In foreign currencies [including deposits of foreign branches of Rs. 158,964 million (2014: Rs. 106,172 million)]		232,195,409	203,960,310
		1,431,535,397	1,234,405,050



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

## 17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2015			2014		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	Rupees in '000			Rupees in '000		
Not later than one year	33,779	6,232	27,547	1,691	-	1,691
Later than one year and but not later than five years	75,652	12,011	63,641	-	-	-
	109,431	18,243	91,188	1,691	-	1,691

The Group has entered into lease agreements with First National Bank Modaraba (a related party) for lease of vehicles. Lease rentals are payable in quarterly instalments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rates ranging from KIBOR + 2.95% to KIBOR + 3.3% per annum (2014: KIBOR + 3.00% to KIBOR + 3.50% per annum). At the end of lease term, the Bank has option to acquire the assets, subject to adjustment of security deposits.

## 18. OTHER LIABILITIES

	Note	2015 Rupees in '000	2014 Rupees in '000
Mark-up / return / interest payable in local currency		14,041,877	22,087,056
Mark-up / return / interest payable in foreign currencies		252,916	196,318
Unearned commission and income on bills discounted		392,023	154,667
Accrued expenses		5,114,789	6,034,917
Advance payments		56,960	233,836
Unclaimed dividends		164,414	129,685
Unrealized loss on forward foreign exchange contracts		1,572,385	3,356,570
Provision against off balance sheet obligations	18.1	627,494	2,244,872
Provision against contingencies	18.2	2,818,525	1,826,821
Employee benefits:			
Pension fund	34.1.2	8,435,332	7,531,649
Post retirement medical benefits	34.1.3	11,268,022	10,220,524
Benevolent fund	34.1.4	1,830,831	1,624,009
Gratuity scheme	34.1.5	1,067,622	892,157
Compensated absences	34.2.1	5,709,230	5,364,523
Staff welfare fund		371,257	371,257
Liabilities relating to:			
Barter trade agreements		14,282,581	13,776,432
Special separation package		-	78,422
Payable to brokers		610	2,203
Others		9,029,154	7,313,190
		<u>77,036,022</u>	<u>83,439,108</u>

### 18.1 Provision against off balance sheet obligations

Opening balance		2,244,872	1,162,256
Reversal for the year		(122,686)	(339,200)
Transfer from / (to) advances	10.3	(1,494,692)	283,399
Transfer from suspended interest		-	1,138,417
Closing balance	18.1.1	<u>627,494</u>	<u>2,244,872</u>

**18.1.1** This represents provision against non-funded exposure of borrowers where the Group considers that the borrowers will not be able to meet its contractual obligations at the time of amount becoming due.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

18.2	Provision against contingencies	2015	2014
		Rupees in '000	
	Opening balance	1,826,821	879,468
	Charge during the year	18.2.1 938,282	947,353
	Reclassification	53,422	-
	Closing balance	<u>2,818,525</u>	<u>1,826,821</u>

**18.2.1** This represents provision made on account of regulatory violations and reported instances of financial improprieties for which investigations are in progress.

## 19. SHARE CAPITAL

### 19.1 Authorized

2014	2015		2015	2014
Number of shares			Rupees in '000	
<u>2,500,000,000</u>	<u>2,500,000,000</u>	Ordinary shares of Rs.10 each	<u>25,000,000</u>	<u>25,000,000</u>

### 19.2 Issued, subscribed and paid-up

		Ordinary shares of Rs.10 each		
140,388,000	140,388,000	Fully paid in cash	1,403,880	1,403,880
1,987,125,100	1,987,125,100	Issued as fully paid bonus shares	19,871,251	19,871,251
<u>2,127,513,100</u>	<u>2,127,513,100</u>		<u>21,275,131</u>	<u>21,275,131</u>

The Federal Government and the SBP held 75.60% (2014: 75.60%) shares of the Group as at December 31, 2015.

19.3	Shares of the Bank held by subsidiary and associates	2015	2014
		Number of shares	
	Following shares were held by associates of the Bank as of year end:		
	First Credit & Investment Bank Limited	70,000	-
	NAFA Stock Fund	-	484
	NAFA Multi Asset Fund	-	164,071
	NAFA Asset Allocation Fund	-	24,000
		<u>70,000</u>	<u>188,555</u>

### 19.4 Reserves

#### 19.4.1 Exchange translation reserve

This comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

#### 19.4.2 Statutory reserve

Every Bank incorporated in Pakistan is required to transfer 20% of their profits to a statutory reserve until the reserve equals share capital, thereafter 10% of the profits of the Group are to be transferred to this reserve.

#### 19.4.3 General loan loss reserve

The Group is cognizant of the fact that a part of its credit or loan portfolio (funded and non-funded) which is not currently impaired as per the applicable Prudential Regulations is underperforming and therefore the potential for risk of credit losses on this part of portfolio is higher than the usual risk. Therefore, as a matter of abundant caution and in order to protect the equity base of the Group from future contingencies in respect of the credit portfolio, the Board of Directors in their meeting held on April 29, 2015 have decided to transfer an aggregate amount of Rs. 12 billion from the unappropriated profits to a "General Reserve for potential loan losses". This appropriation has been made on the basis of the management's best estimates and judgment regarding the inherent portfolio risks.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

## 20. SURPLUS ON REVALUATION OF ASSETS - net

2015  
2014  
Rupees in '000

Available-for-sale securities	20.1	29,562,898	45,564,456
Operating fixed assets	20.2	22,168,380	22,288,314
		<u>51,731,278</u>	<u>67,852,770</u>

### 20.1 Surplus / (deficit) on revaluation of available-for-sale securities - net of tax

Federal Government Securities		9,109,036	10,377,882
Term Finance Certificates and Sukus		59,167	(31,121)
Shares and mutual funds		26,047,519	29,556,505
GoP Foreign Currency Bonds		288,428	380,738
Foreign Currency debt security		39,306	81,092
Investment outside Pakistan	9.4	10,092,101	16,895,590
	9.1	45,635,557	57,260,686
Deferred tax liability	12	(15,104,136)	(11,173,750)
Share of revaluation loss on securities of associates		(968,523)	(522,480)
		<u>29,562,898</u>	<u>45,564,456</u>

### 20.2 Surplus on revaluation of operating fixed assets - net of tax

Surplus on revaluation on January 1,		23,187,017	23,085,821
Surplus on revaluation of the Group's properties during the year	11.2	-	295,421
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(119,934)	(126,246)
Related deferred tax liability		(64,580)	(67,979)
		<u>(184,514)</u>	<u>(194,225)</u>
		23,002,503	23,187,017
Less: Related deferred tax liability on:			
Revaluation as at January 1,		1,300,602	1,357,643
Revaluation of Group's properties during the year		-	10,938
Incremental depreciation charged during the year transferred to profit and loss account		(64,580)	(67,979)
	12	1,236,022	1,300,602
Share of surplus on revaluation of fixed assets of joint venture		401,899	401,899
Surplus on revaluation on December 31,		<u>22,168,380</u>	<u>22,288,314</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

## 21. CONTINGENCIES AND COMMITMENTS

### 21.1 Direct credit substitutes

Include general guarantees of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued on behalf of:

	2015	2014
	Rupees in '000	
- Government	7,422,663	5,110,261
- Financial institutions	6,329,462	11,135,929
- Others	21,583,972	32,227,405
	<u>35,336,097</u>	<u>48,473,595</u>

### 21.2 Transaction-related contingent liabilities

Includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credits related to particular transactions issued on behalf of:

	2015	2014
	Rupees in '000	
- Government	13,470,397	11,879,063
- Financial institutions	1,934,967	5,239,234
- Others	9,945,571	22,520,962
	<u>25,350,935</u>	<u>39,639,259</u>

### 21.3 Trade-related contingent liabilities

Letters of credit issued on behalf of:

- Government	221,145,520	129,493,436
- Financial institutions	-	-
- Others	48,844,025	27,137,972
	<u>269,989,545</u>	<u>156,631,408</u>

### 21.4 Other contingencies

- 21.4.1** Claims against the Bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs. 204 million (2014: Rs. 194 million), claims relating to former Mehran Bank Limited amounting to Rs. 1,597 million (2014: Rs. 1,597 million)].

	<u>17,262,022</u>	<u>13,407,883</u>
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#### 21.4.2 Taxation

- 21.4.2.1** The tax returns of the Bank have been filed and amended by the tax authorities up to Tax Year 2014. For Azad Kashmir Branches no amendment to returns filed u/s 120 of the Income Tax Ordinance, 2001 has been made, hence returns filed are deemed assessments for all the years till the tax year 2014.

- 21.4.2.2** During the year, the tax department amended and then rectified the original assessment order for the Tax Year 2014 which resulted in tax demand of Rs. 2.5 billion. Major issues include charge for bad debts, provision against investments, other provisions and un-realized gain on derivatives amounting to Rs 4,027 million. The Bank has paid this amount to the tax department and aggrieved by the decision of the CIR(A) on the matter, have filed an appeal before Appellate Tribunal Inland Revenue [ATIR].



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

The Bank has received show cause notices for the amendment of assessments for tax years 2009 to 2011 which were already assessed and finalized. The show cause notices involve additional tax demand. The Bank has obtained stay order from the Honourable High Court of Sindh against the proceedings initiated by the tax authorities.

During the year the orders for the assessment years 2001-02, 2003 and tax year 2007 raised by the department of income tax resulted in reduction in determined refunds to the tune of Rs. 901 million. These orders were further rectified on the issue of mistakes apparent and orders under section 221 of the Ordinance have been passed by the department. As a result of these rectified orders, the aggregate refund amounting to Rs. 767 million have been restored. However, the Bank considers that the balance amount of Rs. 134 million is contestable before the Appellate forum as the tax department neither has served proper notice nor has provided adequate opportunity of being heard. An appeal has already been filed before the CIR(A) which is pending.

No provision has been made in these financial statements for the above contingencies as the management is confident that the decision in this respect will be received in the favour of the Bank.

**21.4.2.3** Through Finance Act, 2015, for tax year 2015 and onwards, income from Dividend and income from Capital Gains shall be taxed at the rate of thirty five percent. As the chargeability of tax imposed is retrospectively, therefore, on legal grounds, the bank has filed Constitution Petition (CP) before the Honourable High court of Sindh which is pending. However, full provision has been made in these financial statements.

**21.4.2.4** The other matters under contingencies include interest credited to suspense account, allocation of common expenditure between taxable income and exempt / low tax rate income and reversal of bad debts expense. The aggregate effect of contingencies as on December 31, 2015 amounts to Rs. 14,622 million (2014: Rs. 10,461 million). No provision has been made against these contingencies based on the opinion of tax consultants of the Bank who expect favourable outcome upon decision of pending appeals.

**21.4.2.5** The Sindh Workers Welfare Fund Act, 2015 (Sindh WWF Act) has been promulgated in the month of May 2015. Earlier as per the Workers welfare Fund Ordinance, 1971, the Bank being Government owned entity remained exempt from levy of WWF. The Sindh WWF Act, 2015 is retrospective in its effect and it attempts to impose levy from the date even prior to its promulgation. As the chargeability of tax imposed is retrospective and the law is defective considering constitutional issues – Fee or Tax including geographical / territorial jurisdiction for bank operating in all the provinces of Pakistan as well as not falling of bank employees in the definition of workers, therefore, on legal grounds against the said levy bank has decided to file constitution petition before Honourable High Court of Sindh. Hence, no provision has been made for Sindh WWF in these financial statements based on the advice of the legal consultant.

**21.4.2.6** In case of Sales Tax / FED, appeals have been filed before various appellate forums including reference and constitutional petitions before High Court of Sindh; wherein apart from other legal grounds, the principal ground is levy of duty on service which are not specified in the First Schedule to the Customs Act, 1969 and specially for Tax year 2011 levy of duty by FBR on services provided in province of Sindh after promulgation of Sindh Sales Tax on Services Act, 2011.

## **21.4.3 Barter Trade Agreements**

In order to reduce pressure on the balance of payment, the GoP had entered into barter trade agreements with various countries and designated the Bank to handle the related transactions on behalf of GoP. Accordingly, the Bank executed banking arrangements with the designated banks of these countries and opened accounts in their names. In one of the barter agreement, repayments made to the Bank by the GoP could not be utilized due to non-finalization of Letter of Exchange for its utilization after 1994 at Government level, which was required under the relevant barter agreement. The concerned bank is now demanding payment of interest on the balances in its accounts with the Bank. Since these balances are maintained in current accounts and there is also no clause for payment of any interest in the relevant banking arrangement, therefore the Bank has strongly refused such claims.

## **21.4.4 Contingencies in respect of employees benefits and related matters**

The following are the details of the contingencies arising out of the various legal cases pending adjudication in respect of employees' benefits and related matters. The Bank considers that the financial impact of such matters is impracticable to determine with sufficient reliability.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

### 21.4.4.1 Pensionary benefits to retired employees

Till 1977 the Bank was paying pension to its retired employees as per Board's decisions and on its own rules and regulation with various increases from time to time. In 1977 the Government through Banking Council notified that henceforward pension would be paid to the bank employees by giving all the increases given by the Federal Government to its employees from time to time. Consequent upon this direction, the bank issued a Circular 228 (c) on 26-12-1977 which was made applicable from 01-05-1977. Under this arrangement pension was calculated at 70% of average emoluments on completion 30 years qualifying service. In para 10 of the circular of 26-12-1977 it was stated that the rates of pension and gratuity had been fixed by Pay Commission for the Banks and Financial Institution on the same lines as obtaining on the side of the Federal Government. Under the provision of IRO 1969 the Pay Commission was to remain valid for three years. In the meanwhile Bank's Nationalization Act was substantially amended in 1997, Pakistan Banking Council was dissolved, Bank's Board was empowered to determine personnel policies and the President of the Bank could determine the remuneration and benefits of the employees in accordance with policies determined by the Board. In 1999 the Board of Directors of the bank approved the revised pay structure for the bank employees w.e.f 01-01-1999. Basic salary was increased by 110 % to 140% and formula for revised monthly gross pension was determined as : basic pay x number of year x 1.10%. However the amount of gross pension on the basis of existing basic pay and exiting formula was protected. Even after 1999 the bank gave various increases of pension right upto 2012. The Peshawar High Court, Peshawar, in terms of order dated June 03, 2014, dismissed the Petitions while observing that the Petitions were hit by laches and that the Petitioners cannot claim the benefits to the similarly placed employees of other institutions who are governed through different Statute and Service Rules. The said order has been assailed by the Petitioners before the honorable Supreme Court of Pakistan where the matter is pending adjudication. During December 2015, the Lahore High Court accepted the writ petition of the retired employees and directed the bank to give increases in pension in line with the increases given by the Federal Government to its employees. The Bank has filed ICA to question the validity of the said judgment. Keeping in view the merits of the case, the Bank is confident about the favourable outcome of this matter.

### 21.4.4.2 Encashment of unavailed leave

Some of the employees of the Bank filed writ petitions before Lahore High Court after their retirement, in September 2012, praying the Court for issuance of directions to the bank for encashing their entire un-availed leave balance frozen in terms of Bank's Circular 37/1999 and 57/ 1999.

The Bank revised rules of leave encashment w.e.f January 1, 1999. As per revised rules, leave balances accumulated under old rules were marked as "Frozen Leave" to differentiate it with subsequent leaves to be accumulated. There was no bar on employee to avail these leaves, which would lapse on retirement.

The Lahore High Court dismissed the petitions of the subject ex-employees in April 2014 while observing that claim of the petitioners was hit by laches as the Petitions were filed in the year 2012 and that all the petitioners filed the petitions after having availed all retirement benefits when all outstanding dues were paid at the time of retirement at which point no claim for any amount was made. The Petitioners have filed Inter Court appeals against the aforesaid judgment which are pending adjudication. These nine petitions have not yet been fixed for hearing and are still pending.

### 21.4.4.3 Post retirement medical facilities

On 14 March 1995 on the instruction of Pakistan Banking Council the Bank issued Circular 19/95. In terms of the said Circular the Bank was to provide relief to the retired employees regarding increase of medical ceiling on the increase of salary, it was decided that the Bank would re-determine the monetary ceiling of retired officers/executives after every revision of pay scale on the basis of notional re-fixation in revised scale on point to point basis. In 2003 two retired employees moved to Federal Service Tribunal for increase of post retirement medical ceiling in the light of the said Circular of 14 March, 1995. The Bank contested the case but a representative of Establishment Division stated before the FST that Bank had adopted the said Circular and the two appeals were accepted by the FST. The Bank's appeals before the Supreme Court failed and even review petitions were dismissed.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

Later on in September, 2011 Ch. Muhammad Qasim and 5 others who had obtained separation from service under GHS/ VHS filed writ petition for availing similar relief of post retirement medical ceiling and cited the judgment of FST and Supreme Court as precedent. The Group contested the writ petition by pointing out that the petitioners had opted for GHS AND VHS for obtaining separation from service on payment of huge amount of compensation for such separation as contemplated under the said Schemes. With regard to medical ceiling for such optees, it was contended by the Group before the Court that option was given to such employees either to accept the present medical ceiling for 10 years in lump sum or to continue with the present payment as if they had retired on attaining the age of superannuation. The petitioners had opted for continuing with the present ceiling as prevalent at the time of the separation scheme floated by the Group therefore, that their cases were on a different footing. It was also urged by the Group that in view of judgment of Apex Court in Naseem Arif Abbasi case, the writ petitioners, after having signed a disclaimer at the time receipt of benefits under GHS, were not entitled to any further payment. The high court did not consider the defence pleas and awarded the medical ceilings at par with normal retirees. The Group has filed an ICA before the Division bench which is still pending.

### 21.4.4.4 Restoration of Commuted Pension

After passage of certain period for which pension of a retired employee is commuted, the Group restores the commuted portion of the pension. Some of the retired employees have filed writ petitions before Lahore High Court while praying the court for restoration of 50% pension after applying all the increments granted during the last 15 years i.e. double the pension they are already withdrawing.

In one of the writ petition filed, the Honorable Lahore High Court without issuing notices to the Group disposed of the same vide order dated January 13, 2015 observing that the Petitioner was also entitled to be treated at par with the pensioners whose cases had already been decided in a case titled as “Additional Accountant General Pakistan Revenue, Lahore vs. A.A.Zuberi” which had attained finality up to the level of Supreme Court of Pakistan.

The judgment referred in the case was decided by a Divisional Bench of Lahore High Court in which restoration of pension after period of commutation was directed to be paid at the rate prevailing at the time of restoration and not the rate of pension prevailing at the time of commutation. High Court in the above mentioned case came to the conclusion that an employee was given restored pension at the rate prevailing 15 years ago and that such an action on the part of the employer would be a violation of Article 9 of the Constitution and would also be contrary to the test of economic justice. In the above-mentioned case, the Group has filed an Intra Court Appeal as the matter was decided without summoning the Group. The Group is of the view that A.A. Zubari’s judgment pertains to Civil servants and the Group employees are not civil servants. The issue of petitions have not been fixed for hearing and are still pending.

### 21.4.4.5 Regularizing of temporary hires/outsourced workers

A practice was prevalent in the Group to hire temporary Godown keepers for keeping watch over the pledged stocks of the borrowers. Letters of appointment to be issued by the Group to such temporary employees for period of less than 90 days and after short break they would be rehired again for similar short period. In 2001-2002 the temporary godown staff filed appeals before the FST for regularization of their service. The Group pointed out that such employees were not on the pay roll of the Group and their temporary employment did not entitle them for regular absorption in the Group. On 01-08-2003 the Group issued circular No. 10/2003 whereby a formula was evolved that if such temporary employee had completed three years’ service as on the date of the circular with breaks of not more than 15 days, they would be eligible for the absorption on regular bases. This very criterion was adopted by the Tribunal and an order was passed accordingly. The Group had obtained the permission from Government to absorb 1500 godown staff in the Group. All who fulfilled the criteria were absorbed as the Honourable Supreme Court in 2005 SCMR 100 had upheld the tribunal’s judgment.

However under a policy decision the Group decided to outsource some of its noncore jobs and in this behalf entered into contracts with various service provider agencies for hiring such people. The persons employed by the such contractors are working in the Group as employees of the said contractors, and received their salaries from said contractors and are also under the administrative control of the said contractors. Some of such employees filed writ petitions before the Peshawar High Court, Abbottabad and Mingora benches. Some of the writ petition were accepted, the Group has filed appeals in the Supreme Court by taking the plea that there is no relationship of employer and employees between the parties. There is likelihood of the Group’s appeal being accepted by the Supreme Court. If the Group does not succeed, it may have to absorb such employees.



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## 21.4.4.6 Golden Handshake (GHS)

The Group had introduced the Golden Shake Hand Schemes in 1997. The cutoff date was prescribed in the scheme but some of the employees who had opted for separation under the scheme were not relieved on the said date and continued to perform duties thereafter, cases were filed in various high courts for additional payment beyond the cut off date and also for increase the salaries announced by the Group after cut of date of scheme but the Apex court held that after having received the payments and signed disclaimer no further payment could be claimed by such optees under the Scheme. Most of the cases have been disposed on the basis Naseem Arif Abbasi case Reported as 2011 SCMR 446.

	2015	2014
	Rupees in '000	
<b>21.5 Commitments in respect of forward exchange contracts</b>		
Purchase	273,199,134	233,021,148
Sale	183,645,395	120,265,758
<b>21.6 Commitments for the acquisition of operating fixed assets</b>	1,999,488	1,798,160
<b>21.7 Other commitments</b>		
Professional services to be received	81,095	99,450
Commitments for sale of quoted securities under future contracts under counter commitments	174,985	111,860

## 22. DERIVATIVE INSTRUMENTS

The Group has been involved forward foreign exchange contracts. The Group is also party to put options on ordinary and preference shares of Agritech Limited as disclosed in note 9.5.1. The un-realized gain and loss on such contracts are disclosed in notes 13 and 18.

Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions. These controls include appropriate segregation of duties, regular reconciliation of accounts, and the valuation of assets and positions. The Group has established operating controls and reporting requirements that are specifically designed to control risk of aggregate positions, assure compliance with accounting and regulatory standards and provide accurate management information regarding these activities.

## 23. MARK-UP / RETURN / INTEREST EARNED

	2015	2014
	Rupees in '000	
On loans and advances to:		
Customers	56,954,514	69,103,780
Financial institutions	68,209	141,308
	<u>57,022,723</u>	<u>69,245,088</u>
On investments in:		
Held-for-trading securities	450,240	357,726
Available-for-sale securities	38,925,217	33,251,478
Held-to-maturity securities	16,359,970	9,947,062
	<u>55,735,427</u>	<u>43,556,266</u>
On deposits with financial institutions	482,468	264,571
On securities purchased under resale agreements	1,145,745	2,185,823
	<u>114,386,364</u>	<u>115,251,748</u>

## 24. MARK-UP / RETURN / INTEREST EXPENSED

Deposits	53,275,394	63,683,205
Securities sold under repurchase agreements	5,551,365	2,250,072
Short-term borrowings	1,172,615	2,528,644
	<u>59,999,374</u>	<u>68,461,921</u>



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### 25. INCOME FROM DEALING IN FOREIGN CURRENCIES

This includes Rs. 6,614 million (2014: Rs. 7,270 million) on account of interest on Cross Currency Swap transactions charged by Foreign Exchange department to Treasury Department.

	Note	2015 Rupees in '000	2014
<b>26. GAIN ON SALE AND REDEMPTION OF SECURITIES - net</b>			
Federal government securities:			
Market Treasury Bills		189,081	24,088
Pakistan Investment Bonds		6,633,083	823,211
GoP Ijarah Sukuks		2,370	35,182
		<u>6,824,534</u>	<u>882,481</u>
National Investment Trust (NIT) units			1,052,380
Shares and mutual funds		4,922,735	6,088,635
Foreign Government / debt securities		24,734	13,996
Subsidiaries / Associates - mutual funds		510,798	622,732
		<u>12,282,801</u>	<u>8,660,224</u>
<b>27. OTHER INCOME</b>			
Rent on property / lockers		33,766	75,566
Gain on sale of property and equipment		15,009	33,292
Compensation for delayed tax refunds	13.6	1,585,271	3,369,429
Postal, SWIFT and other charges recovered		56,874	91,551
Net unrealised gain on derivatives - put option in respect of Agritech Limited (as associate)	9.5.1	364,800	-
Others		55,399	38,702
		<u>2,111,119</u>	<u>3,608,540</u>



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28. ADMINISTRATIVE EXPENSES	Note	2015 Rupees in '000	2014
Salaries and allowances		24,637,536	23,954,574
Charge for defined benefit plans		4,416,670	4,861,964
Non-executive directors' fee, allowances and		20,814	18,265
Non-executive directors' fee, allowances - Subsidiaries		4,567	3,788
Rent, taxes, insurance, electricity and other utilities	28.1	3,329,064	2,723,267
Legal and professional charges		314,997	152,194
Communications		942,385	879,829
Repairs and maintenance		1,067,320	886,762
Financial charges on leased assets		9,590	11,745
Books, stationery, printing and other computer accessories		848,112	704,724
Advertisement, sponsorship and publicity		809,914	413,356
Donations	28.2	931	750
Contributions for other Corporate and Social		58,659	83,948
Auditors' remuneration	28.3	162,623	147,879
Depreciation	11.2	1,647,993	2,476,454
Amortization	11.3	634,555	436,476
Conveyance		279,588	273,877
Entertainment		100,045	93,928
Travelling		558,207	413,427
Security services		1,994,719	1,740,428
Outsourcing and janitorial services		870,705	590,124
Clearing, verification, licence fee charges		238,507	275,153
Subscription		43,522	40,427
Brokerage		325,567	86,493
Training		72,704	48,712
Fixed assets charged off		133,793	-
Miscellaneous operating expenses		197,117	199,918
		<u>43,720,204</u>	<u>41,518,462</u>

**28.1** This includes Rs. 1.800 million (2014: Rs.1.800 million) insurance premium against directors' liability insurance.

**28.2** Donations and Contributions for Corporate & Social Responsibilities exceeding Rs. 0.1 million have been disclosed in Annexure IV.

Note : None of the directors / executives or their spouses have any interest in the donees, except Mr. Tariq Kirmani (director) who is member of the Board of Governors' of Marie Adelaide Leprosy Centre and director Professional Education Foundation and Mr. Muneer Kamal (Chairman) who is member Board of Trustees Shaukat Khanum Memorial Cancer Hospital and Research Centre.

28.3 Auditors' remuneration	KPMG Taseer Hadi & Co.	Ernst & Young Ford Rhodes Sidat Hyder	2015 Total	2014 Total
	----- Rupees in '000 -----			
Audit fee	6,226	6,226	12,452	11,320
Review of interim financial statements	2,178	2,178	4,356	3,960
Fee for audit of domestic branches	5,060	5,060	10,120	9,200
Fee for special certifications and sundry advisory services	8,735	8,735	17,470	25,656
Sales Tax	1,110	1,110	2,220	2,507
Out-of-pocket expenses	3,900	3,900	7,800	10,675
	<u>27,209</u>	<u>27,209</u>	<u>54,418</u>	<u>63,318</u>
Fee for audit of overseas branches including advisory services and Out-of-pocket expenses	-	-	102,152	79,469
Fee for audit of subsidiaries and out-of-pocket expenses	-	-	6,053	5,092
	<u>27,209</u>	<u>27,209</u>	<u>162,623</u>	<u>147,879</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

	Note	2015 Rupees in '000	2014 Rupees in '000
<b>29. OTHER CHARGES</b>			
Penalties imposed by the SBP / regulatory authorities		73,749	1,736,674
<b>30. TAXATION</b>			
For the year			
Current	30.1	14,672,221	9,569,928
Deferred		(2,874,712)	(2,501,058)
		11,797,509	7,068,870
For prior year			
Current	30.3	2,298,465	(4,204)
Deferred		-	-
		2,298,465	(4,204)
	30.2	14,095,974	7,064,666
<b>30.1</b>	Current taxation includes Rs. 267 million (2014: Rs. 179 million) of overseas branches.		
<b>30.2 Relationship between tax expense and accounting profit</b>			
Accounting profit before tax		34,172,557	23,135,850
Income tax at statutory rate @ 35% (2014: 35%)		11,960,395	8,097,548
Inadmissible items		25,359	607,836
Income taxed at reduced rate		-	(1,572,739)
Prior year tax effects		2,298,465	-
Others		(188,245)	(67,979)
Tax charge for current and prior years		14,095,974	7,064,666
<b>30.3</b>	The Federal Government vide Finance Act 2015 has imposed a onetime super tax at the rate of 4% on income of Group's for the year ended December 31, 2014 (Tax Year 2015). This tax has been levied for financing the rehabilitation of internally displaced persons affected by the ongoing war on terror. Further, the subsidized taxation rates on dividend income and capital gains of Group's have also been revised with effect from the tax year 2015 and a uniform tax rate of 35% is made applicable. Accordingly, provisions of Rs. 1.03 billion and Rs. 1.26 billion for super tax and dividend income / capital gains respectively have been made for the prior year.		
<b>31. BASIC AND DILUTED EARNINGS PER SHARE</b>			
Profit after tax for the year	Rupees in '000	20,076,583	16,084,763
Weighted average number of ordinary shares	Numbers in '000	2,127,513	2,127,513
Basic earnings per share	Rupees	9.44	7.56
Basic and diluted earnings per share are same.			
<b>32. CASH AND CASH EQUIVALENTS</b>	Note	2015 Rupees in '000	2014 Rupees in '000
Cash and balances with treasury banks	6	151,190,845	98,246,783
Balances with other banks	7	20,639,421	12,543,964
Call money lendings	8.3	3,061,200	12,261,200
Call borrowings	15.2	(3,376,063)	(3,528,147)
Overdrawn nostros	15.2	(326,444)	(417,696)
		171,188,959	119,106,104



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	2015	2014
	Numbers	
<b>33. STAFF STRENGTH</b>		
Permanent	13,289	13,877
Temporary / on contractual basis	2,882	2,870
Total Staff Strength	<u>16,171</u>	<u>16,747</u>

**33.1** In addition to the above, the Group is utilizing the services of other companies including security services and the number of persons deployed by such companies as at year end are 9,254 (2014: 8,674).

## 34. EMPLOYEE BENEFITS

### 34.1 Defined benefit plans

#### 34.1.1 General description

General description of the type of defined benefit plan and accounting policy for remeasurements of the net defined liability / asset is disclosed in note 5 to the consolidated financial statements.

#### Principal actuarial assumptions

The financial assumptions used in actuarial valuation at December 31, 2015 of pension fund, post retirement medical benefits, benevolent fund and gratuity scheme are as follows:

	2015	2014
	per annum	
Salary increase rate	10.00%	11.25%
Discount rate	10.00%	11.25%
Expected rate of return on plan assets	10.00%	11.25%
Pension indexation rate	5.50%	6.75%
Rate of inflation in the cost of medical benefits	8.00%	8.25%
Exposure inflation rate	0%	3.00%
Mortality table	Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005
Number of employees covered under retirement benefit plan	12,539	13,129

	Note	2015	2014
		Rupees in '000	
<b>34.1.2 Net defined benefit liability - pension fund</b>			
Present value of defined benefit obligation		46,819,562	43,052,539
Fair value of plan assets		(38,384,230)	(35,520,890)
	18	<u>8,435,332</u>	<u>7,531,649</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 34.1.2.1 Reconciliation of net defined benefit liability - pension fund

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit liability for pension fund and its components.

	Present value of defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2015	2014	2015	2014	2015	2014
	-----Rupees in '000-----					
Balance as at January 01,	43,052,540	37,912,427	35,520,891	31,011,262	7,531,649	6,901,164
<b>Included in profit and loss</b>						
Current service cost	1,145,592	1,017,280	-	-	1,145,592	1,017,280
Interest cost / income	4,727,058	4,783,961	3,931,706	3,949,988	795,352	833,973
	5,872,650	5,801,241	3,931,706	3,949,988	1,940,944	1,851,253
<b>Included in other comprehensive income</b>						
Remeasurment loss / (gain)						
- Actuarial loss / (gain) arising on						
financial assumptions	(37,127)	2,534,925	(2,387,548)	892,151	2,350,421	1,642,774
demographic assumptions	-	-	-	-	-	-
experience adjustments	-	(970,601)	-	920,962	-	(1,891,563)
- Return on plan assets excluding interest income	-	-	-	-	-	-
	(37,127)	1,564,324	(2,387,548)	1,813,113	2,350,421	(248,789)
<b>Others</b>						
Benefits paid	(2,068,503)	(2,225,452)	(2,068,503)	(2,225,452)	-	-
Benefits paid on behalf of fund	-	-	2,463,964	-	(2,463,964)	-
Contributions paid by the employer	-	-	923,719	971,979	(923,719)	(971,979)
	(2,068,503)	(2,225,452)	1,319,180	(1,253,473)	(3,387,683)	(971,979)
Balance as at December 31,	<b>46,819,560</b>	<b>43,052,540</b>	<b>38,384,230</b>	<b>35,520,890</b>	<b>8,435,332</b>	<b>7,531,649</b>

	Note	2015	2014
		Rupees in '000	
<b>34.1.2.2 Plan assets</b>			
The composition and the fair value of the plan assets of the fund are as follows:			
Pakistan Investment Bonds		6,693,178	6,695,464
Term Finance Certificates		641,445	791,781
Mutual Funds / Shares		10,758,737	10,346,505
Term Deposit Receipts		2,419,036	7,652,333
Defence Saving Certificates		16,740,033	9,760,187
Cash at Bank		1,131,801	274,621
		<b>38,384,230</b>	<b>35,520,891</b>
		<b>2015</b>	<b>2014</b>
		Rupees in '000	

### 34.1.3 Net defined benefit liability - post retirement medical scheme

Present value of defined benefit obligation  
Fair value of plan assets

18

11,268,022	10,220,524
-	-
<b>11,268,022</b>	<b>10,220,524</b>

### 34.1.3.1 Reconciliation of net defined benefit liability - post retirement medical scheme

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit liability for post retirement medical scheme and its components.

	Present value of defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2015	2014	2015	2014	2015	2014
	-----Rupees in '000-----					
Balance as at January 01,	10,220,524	8,601,209	-	-	10,220,524	8,601,209
<b>Included in profit and loss</b>						
Current service cost	183,580	163,372	-	-	183,580	163,372
Interest cost / (income)	1,130,492	1,090,443	-	-	1,130,492	1,090,443
	1,314,072	1,253,815	-	-	1,314,072	1,253,815
<b>Included in other comprehensive income</b>						
- Actuarial loss / (gain) arising on						
financial assumptions	76,834	553,979	-	-	76,834	553,979
demographic assumptions	-	-	-	-	-	-
experience adjustments	-	237,894	-	-	-	237,894
	76,834	791,873	-	-	76,834	791,873
<b>Others</b>						
Benefits paid	(343,408)	(426,373)	-	-	(343,408)	(426,373)
Balance as at December 31,	<b>11,268,022</b>	<b>10,220,524</b>	<b>-</b>	<b>-</b>	<b>11,268,022</b>	<b>10,220,524</b>



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	Note	2015 Rupees in '000	2014
<b>34.1.4 Net defined benefit liability - Benevolent Scheme</b>			
Present value of defined benefit obligation		1,830,831	1,624,009
Fair value of plan assets	18	-	-
		<u>1,830,831</u>	<u>1,624,009</u>

## 34.1.4.1 Reconciliation of net defined benefit liability - Benevolent Scheme

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit liability for Benevolent Scheme and its components.

	Present value of defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2015	2014	2015	2014	2015	2014
	Rupees in '000					
Balance as at January 01,	1,624,009	1,415,128	-	-	1,624,009	1,415,128
<b>Included in profit and loss</b>						
Current service cost	28,239	38,563	-	-	28,239	38,563
Interest cost / (income)	181,153	177,227	-	-	181,153	177,227
	209,392	215,790	-	-	209,392	215,790
<b>Included in other comprehensive income</b>						
- Actuarial loss / (gain) arising on						
financial assumptions	83,416	150,889	-	-	83,416	150,889
demographic assumptions	-	-	-	-	-	-
experience adjustments	-	(54,112)	-	-	-	(54,112)
	83,416	96,777	-	-	83,416	96,777
<b>Others</b>						
Benefits paid	(85,986)	(103,686)	-	-	(85,986)	(103,686)
Balance as at December 31,	<u>1,830,831</u>	<u>1,624,009</u>	<u>-</u>	<u>-</u>	<u>1,830,831</u>	<u>1,624,009</u>

	Note	2015 Rupees in '000	2014
<b>34.1.5 Net defined benefit liability - Gratuity scheme</b>			
Present value of defined benefit obligation		1,001,423	892,157
Fair value of plan assets	18	-	-
		<u>1,001,423</u>	<u>892,157</u>

## 34.1.5.1 Reconciliation of net defined benefit liability - Gratuity scheme

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit liability for gratuity scheme and its components.

	Present value of defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2015	2014	2015	2014	2015	2014
	Rupees in '000					
Balance as at January 01,	892,157	686,809	-	-	892,157	686,809
<b>Included in profit and loss</b>						
Current service cost	136,230	117,487	-	-	136,230	117,487
Interest cost / (income)	98,922	87,336	-	-	98,922	87,336
	235,152	204,823	-	-	235,152	204,823
<b>Included in other comprehensive income</b>						
- Actuarial loss / (gain) arising on						
financial assumptions	(100,189)	7,303	-	-	(100,189)	7,303
demographic assumptions	-	1,096	-	-	-	1,096
experience adjustments	-	22,114	-	-	-	22,114
	(100,189)	30,513	-	-	(100,189)	30,513
<b>Others</b>						
Benefits paid	(25,697)	(29,988)	-	-	(25,697)	(29,988)
Balance as at December 31,	<u>1,001,423</u>	<u>892,157</u>	<u>-</u>	<u>-</u>	<u>1,001,423</u>	<u>892,157</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 34.1.6 Duration

As at December 31, 2015, the weighted average duration of the defined benefit obligations was as follows:

	Years
Pension Fund	11.36
Post retirement medical fund	12.36
Benevolent fund	6.97
Gratuity fund	12.55

### 34.1.7 Sensitivity Analysis

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

Effect of discount rate on present value of defined benefit obligation	Increase by 1%	Original Liability	Decrease by 1%
Discount rate (%)	11.00%	10.00%	9.00%
----- Rupees in '000 -----			
Pension Fund	42,028,188	46,819,562	52,661,576
Post Retirement Medical Scheme	10,049,329	11,268,022	12,833,954
Benevolent Scheme	1,720,615	1,830,831	1,975,650
Gratuity Scheme	887,586	1,001,423	1,138,894
Effect of salary increase rate on present value of defined benefit obligation	Increase by 1%	Original Liability	Decrease by 1%
Salary increase rate (%)	11.00%	10.00%	9.00%
----- Rupees in '000 -----			
Pension Fund	49,456,614	46,819,562	44,472,470
Post Retirement Medical Scheme	12,244,039	11,268,022	10,503,323
Benevolent Scheme	1,830,831	1,830,831	1,830,831
Gratuity Scheme	1,142,407	1,001,423	882,882
Effect of medical inflation rate on present value of defined benefit obligation	Increase by 1%	Original Liability	Decrease by 1%
Medical inflation rate (%)	9.00%	8.00%	7.00%
----- Rupees in '000 -----			
Post Retirement Medical Scheme	11,921,787	11,268,022	10,705,571

### 34.1.8 Expected contributions for 2016

The expected contributions to be paid to the funds in the next financial year are as follows:

	Rupees in '000
- Pension Fund	1,818,851

The expected expense to be recognized for the schemes in the next financial year are as follows:

- Post Retirement Medical Scheme	1,335,388
- Benevolent Scheme	234,886
- Gratuity Scheme	246,728



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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34.2	Other employee benefits	Note	2015 Rupees in '000	2014
34.2.1	Reconciliation of net liability recognized for compensated absences			
	Opening net liability		5,364,523	4,341,871
	Charge for the year		669,143	1,299,818
	Benefits paid during the year		(324,436)	(277,166)
	Closing net liability	18	<u>5,709,230</u>	<u>5,364,523</u>

Reconciliation of net liability recognized for compensated absences for the five years is as follows:

	2015	2014	2013	2012	2011
	----- Rupees in '000 -----				
Opening net liability	5,364,523	4,341,871	3,795,006	3,148,005	2,572,878
Net charge for the year	344,707	1,022,652	546,865	647,001	575,127
Closing net liability	<u>5,709,230</u>	<u>5,364,523</u>	<u>4,341,871</u>	<u>3,795,006</u>	<u>3,148,005</u>

34.2.1.1	Experience adjustment on obligation		2015 Rupees in '000	2014
	Present value of defined benefit obligations		5,709,230	5,364,523
	Fair value of plan assets		-	-
	Deficit		<u>5,709,230</u>	<u>5,364,523</u>

34.2.1.2	Working of sensitivity analysis (Discount rate effect)		1% Increase	Original Liability	1% Decrease
	Discount rate		<u>11.00%</u>	<u>10.00%</u>	<u>9.00%</u>
			----- Rupees in '000 -----		
	Present value of defined benefit obligations		<u>5,302,601</u>	<u>5,709,230</u>	<u>6,180,775</u>

34.2.1.3	Working of sensitivity analysis (Salary increase rate effect)		1% Increase	Original Liability	1% Decrease
	Salary increase rate		<u>11.00%</u>	<u>10.00%</u>	<u>9.00%</u>
			----- Rupees in '000 -----		
	Present value of defined benefit obligations		<u>6,196,278</u>	<u>5,709,230</u>	<u>5,276,044</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

## 35. COMPENSATION OF DIRECTORS AND EXECUTIVES

	<b>President</b>		<b>Directors</b>		<b>Executives</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>Rupees in '000</b>					
Fees	-	-	20,814	18,265	-	-
Managerial remuneration	42,000	38,984	-	-	2,245,538	2,361,435
Charge for defined benefit plan	3,500	3,841	-	-	286,465	260,366
Rent and house maintenance	-	-	-	-	1,026,378	1,035,064
Utilities	2,304	1,742	-	-	335,373	339,073
Medical	295	106	-	-	404,492	411,299
Conveyance	-	-	-	-	503,061	669,419
Leave fare assistance	-	-	-	-	-	-
Bonus and others	22,994	2,464	-	-	564,830	546,623
	<b>71,093</b>	<b>47,137</b>	<b>20,814</b>	<b>18,265</b>	<b>5,366,137</b>	<b>5,623,279</b>
	<b>Number</b>					
Number of persons	<b>1</b>	<b>1</b>	<b>6</b>	<b>7</b>	<b>1,803</b>	<b>1,792</b>

The President and certain executives are also provided with free use of Bank's cars, household equipment, mobile phones and free membership of clubs.

Executives mean executives, other than the chief executive and directors, whose basic salary exceeds five hundred thousand rupees in the financial year.

The above information does not include particulars of directors, chief executives, and executives of subsidiaries.

## 36. FAIR VALUE OF ASSETS AND LIABILITIES

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The fair value of traded investments is based on quoted market prices, and have been disclosed in note 9.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Group's accounting policy as stated in note 5.

The maturity and re-pricing profile and effective rates are stated in notes 41.4.1, 41.4.2 and 41.3.3 respectively.

In the opinion of management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently repriced.



2015									
HFI	Available for Sale	Carrying Amount		Other financial liabilities	Total	Fair value			Total
		HIM	Loans and Receivables			Level 1	Level 2	Level 3	
Rupees in '000									
631,277	413,199,474	-	-	-	413,830,751	601,452	413,386,213	-	413,987,665
1,439,315	161,870,040	-	-	-	163,309,355	-	172,267,401	-	172,267,401
-	7,906,318	-	-	-	7,906,318	-	8,194,746	-	8,194,746
-	-	-	-	-	-	-	-	-	-
167,271	23,056,382	-	-	-	23,223,653	44,513,003	-	-	44,513,003
-	1,129,263	-	-	-	1,129,263	-	1,129,263	-	1,129,263
320,352	1,143,984	-	-	-	1,464,336	320,352	2,617,154	-	2,937,506
-	463,295	-	-	-	463,295	10,555,396	-	-	10,555,396
-	846,660	-	-	-	846,660	396,440	-	-	396,440
-	4,783,662	-	-	-	4,783,662	-	4,822,968	-	4,822,968
-	33,672,956	-	-	-	33,672,956	-	23,748,181	-	23,748,181
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	151,190,845	-	151,190,845	-	-	-	-
-	-	-	20,639,420	-	20,639,420	-	-	-	-
-	-	-	10,638,524	-	10,638,524	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	8,307,581	-	-	8,307,581	-	-	-	-
-	-	107,575,573	-	-	107,575,573	-	-	-	-
-	-	1,610,375	-	-	1,610,375	-	-	-	-
-	-	20,863,694	-	-	20,863,694	-	-	-	-
-	-	406	-	-	406	-	-	-	-
-	-	811,144	-	-	811,144	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	580,093,986	-	580,093,986	-	-	-	-
-	-	-	80,091,712	-	80,091,712	-	-	-	-
-	-	-	-	-	-	-	-	-	-
2,558,215	648,072,034	139,168,773	842,654,487	-	1,632,453,509	56,386,643	626,165,926	-	682,552,569
-	-	-	-	1,431,535,397	1,431,535,397	-	-	-	-
-	-	-	-	9,171,616	9,171,616	-	-	-	-
-	-	-	-	22,384,853	22,384,853	-	-	-	-
-	-	-	-	91,188	91,188	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	77,036,022	77,036,022	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	1,540,219,076	1,540,219,076	-	-	-	-



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

2014

2024									
Financial assets measured at fair value									
HFT	Carrying Amount			Other financial		Fair value			Total
	Available for Sale	HTM	Loans and Receivables	liabilities	Total	Level 1	Level 2	Level 3	
Rupees in '000									
Investments									
- Market Treasury Bills	4,644,243	117,659,679	-	-	122,303,922	-	122,475,739	-	122,475,739
- Pakistan Investment Bonds	5,142,298	194,478,241	-	-	199,620,539	-	209,972,057	-	209,972,057
- GoP Foreign Currency Bonds	-	6,166,924	-	-	6,166,924	-	6,547,662	-	6,547,662
- Ijarah Sukuk Bonds	-	-	-	-	-	-	-	-	-
- Ordinary shares of listed companies	110,835	24,653,741	-	-	24,764,576	48,939,923	-	-	48,939,923
- Ordinary shares of unlisted companies	-	1,374,080	-	-	1,374,080	-	1,374,080	-	1,374,080
- Investments in mutual funds	144,368	2,561,608	-	-	2,705,976	231,960	4,388,313	-	4,620,273
- Ordinary shares of a bank outside Pakistan	-	463,295	-	-	463,295	17,358,885	-	-	17,358,885
- Preference shares	-	869,160	-	-	869,160	396,158	-	22,500	418,658
- Foreign Currency Debt Securities	-	3,940,510	-	-	3,940,510	-	4,021,602	-	4,021,602
- Term Finance Certificates / Musharika and Sukuk Bonds	-	19,109,924	-	-	19,109,924	-	10,076,513	-	10,076,513
Financial assets not measured at fair value									
Cash and bank balances with SBP	-	-	-	98,246,783	98,246,783	-	-	-	-
Balances with other banks *	-	-	-	12,543,964	12,543,964	-	-	-	-
Lending to financial institutions	-	-	-	111,794,127	111,794,127	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-
- Market Treasury Bills	-	-	1,622,262	-	1,622,262	-	-	-	-
- Pakistan Investment Bonds	-	-	106,838,847	-	106,838,847	-	-	-	-
- GoP Foreign Currency Bonds	-	-	1,540,658	-	1,540,658	-	-	-	-
- Foreign Government Securities	-	-	8,959,455	-	8,959,455	-	-	-	-
- Foreign Currency Debt Securities	-	-	389	-	389	-	-	-	-
- Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	-	-	3,048,324	-	3,048,324	-	-	-	-
- Investments in associates	-	-	-	-	-	-	-	-	-
- Investments in joint venture	-	-	-	-	-	-	-	-	-
- Investments in subsidiaries	-	-	-	-	-	-	-	-	-
Advances	-	-	630,229,649	-	630,229,649	-	-	-	-
Other assets (excluding markup accrued)*	-	-	91,839,258	-	91,839,258	-	-	-	-
	10,041,744	371,277,162	122,009,935	944,653,781	1,447,982,022	66,926,926	358,855,966	22,500	425,805,392
Financial liabilities not measured at fair value									
Deposits and other accounts *	-	-	-	1,234,405,050	1,234,405,050	-	-	-	-
Bills payable	-	-	-	11,011,827	11,011,827	-	-	-	-
Borrowings	-	-	-	38,208,413	38,208,413	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	1,691	1,691	-	-	-	-
Other liabilities (excluding Liabilities against assets subject to finance lease) *	-	-	-	83,439,108	83,439,108	-	-	-	-
	-	-	-	1,367,066,089	1,367,066,089	-	-	-	-

\* The Company has not disclosed the fair value of these items because their carrying amounts are a reasonable approximation of fair value.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 37. Segment Details with respect to Business Activities

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Total
	-----Rupees in '000-----								
2015									
Total income	524,932	254,177	11,606,790	67,222,503	2,274,313	6,211,461	1,273,774	122,660	89,490,610
Inter segment revenue	-	(91,821)	10,769,393	(10,677,572)	-	-	-	-	-
Total expenses	24,930	-	14,171,954	32,255,169	1,829,924	5,786,862	1,150,406	98,808	55,318,053
Net income	500,002	162,356	8,204,229	24,289,762	444,389	424,599	123,368	23,852	34,172,557
Segment assets	-	1,469,140	254,733,701	1,427,546,756	-	25,116,852	2,530,715	477,004	1,711,874,168
Segment non-performing loans	-	-	11,292,671	116,984,199	-	-	-	-	128,276,870
Segment provision required	-	-	5,640,502	108,650,506	-	-	-	-	114,291,008
Segment liabilities	-	-	452,321,601	1,085,887,018	-	-	1,850,506	159,951	1,540,219,076
Segment return on assets (ROA) (%)	0.00%	11.05%	3.44%	1.65%	0.00%	3.32%	18.14%	7.52%	1.99%
Segment cost of funds (%)	0.00%	0.00%	3.65%	4.84%	0.00%	0.00%	16.68%	16.00%	4.48%
2014									
Total income	532,673	377,304	9,262,995	57,292,236	2,233,708	6,126,863	1,157,734	110,922	77,094,435
Inter segment revenue	-	(265,930)	17,103,845	(16,837,915)	-	-	-	-	-
Total expenses	25,047	-	18,896,621	26,211,570	1,818,262	5,755,541	1,159,847	91,697	53,958,585
Net income	507,626	111,374	7,470,219	14,242,751	415,446	371,322	(2,113)	19,225	23,135,850
Segment assets	-	9,765,931	253,263,932	1,264,194,107	-	19,580,689	2,384,538	469,884	1,549,659,081
Segment non-performing loans	-	-	10,391,431	111,288,508	-	-	-	-	121,679,939
Segment provision required	-	-	6,760,319	94,990,331	-	-	-	-	101,750,650
Segment liabilities	-	-	419,827,701	945,399,247	-	-	1,668,889	170,252	1,367,066,089
Segment return on assets (ROA) (%)	0.00%	10.42%	3.28%	1.12%	0.00%	2.92%	-0.30%	6.42%	1.58%
Segment cost of funds (%)	0.00%	0.00%	5.07%	6.14%	0.00%	0.00%	16.68%	16.00%	5.80%

#### 37.1 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing product 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.

##### 37.1.1 Business segments

##### Corporate finance

Corporate banking includes, services provided in connection with mergers and acquisition, underwriting, privatization, securitization, research, debts (government, high yield), equity, syndication, IPO and secondary private placements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### Trading and sales

It includes fixed income, equity, foreign exchanges, commodities, credit, funding, own position securities, lending and repos, brokerage debt and prime brokerage.

### Retail banking

It includes retail lending and deposits, banking services, trust and estates, private lending and deposits, trust and estates investment advice, merchant / commercial and private labels and retail.

### Commercial banking

Commercial banking includes project finance, real estate, export finance, trade finance, factoring, lending, guarantees, bills of exchange and deposits.

### Payment and settlement

It includes payments and collections, funds transfer, clearing and settlement.

### Agency services

It includes escrow, depository receipts, securities lending (customers), corporate actions, issuer and paying agents.

### Assets management

It includes asset and modaraba management and investment advisory services.

### Retail brokerage

It includes business of stock brokerage, investment counselling and fund placements.

## 38. TRUST ACTIVITIES

### 38.1 Long-Term Credit Fund (LTCF)

Consequent upon the NDFC's amalgamation, the Group manages on behalf of the GoP, LTCF established from the proceeds of loans disbursed by various international funding agencies for financing private sector energy development projects. Fund assets are accounted for separately from those of the Group and amounted to Rs. 54,516 million on December 31, 2015 (2014: Rs. 57,088 million).

### 38.2 Endowment Fund

Students Loan Scheme was launched by Government of Pakistan with collaboration with the major commercial banks with a view to extend financial help by way of mark-up free loan to the meritorious students without sufficient resources for pursuing scientific technical and professional education within Pakistan.

The Scheme is being administered by a high powered committee headed by the Deputy Governor, State Bank of Pakistan and the President of the Bank, HBL, UBL, MCB, and ABL and the Deputy Secretary, Ministry of Finance as member and Senior Director of SMEFD (Infra Housing & SME Finance Department) as a secretary of the Committee. The State Bank of Pakistan has assigned National Bank of Pakistan to operate the scheme.

The Committee in its meeting held on August 7, 2001 approved creation of Endowment Fund initially at an amount of Rs. 500 million, Rs. 396 million were transferred from the old Qarz-e-Hasna Fund, Rs. 50 million contributed by Government of Pakistan and Rs. 54 million were contributed by participating banks (HBL, NBP and UBL 25% each, MCB 17.5% and ABL 7.5%).

The amount of the endowment fund in investments stands at Rs. 667 million as at December 31, 2015 (2014 Rs. 548 million).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 39. RELATED PARTY TRANSACTIONS AND BALANCES

The Group has related party relationship with its associated undertakings, subsidiary companies, employee benefit plans, and its key management personnel (including their associates). The details of investments in subsidiary companies and associated undertakings are stated in note 9.

Transactions between the Group and its related parties are carried out under normal course of business, except employees staff loans, employees sale of assets and provident fund that are as per agreement.

Details of loans and advances to the companies or firms, in which the directors of the Group are interested as directors, partners or in case of private companies as members, are given in note 10.8. There are no transactions with key management personnel other than under advance salary. Contributions in respect of staff retirement and other benefit plans are disclosed in note 34. Remuneration to the executives and disposal of assets are disclosed in note 35 and annexure to the consolidated financial statements.

	2015				2014			
	At January 01,	Given during the year	Received during the year	At December 31,	At January 01,	Given during the year	Received during the year	At December 31,
----- Rupees in '000 -----								
<b>39.1 Balances</b>								
<b>Advances</b>								
Associates	5,410,612	-	(281,077)	5,129,535	5,433,806	-	(23,194)	5,410,612
Key management executives	186,667	-	(27,556)	159,111	144,607	115,044	(21,260)	238,391
*Adjustment	34,419			34,419	(51,724)	-	-	(51,724)
	221,086	-	(27,556)	193,530	92,883	115,044	(21,260)	186,667
	5,631,698	-	(308,633)	5,323,065	5,526,689	115,044	(44,454)	5,597,279
----- Rupees in '000 -----								
	2015				2014			
	At January 01,	Received during the year	Withdrawals during the year	At December 31,	At January 01,	Received during the year	Withdrawals during the year	At December 31,
----- Rupees in '000 -----								
<b>Deposits</b>								
Key management executives	19,309	303,945	(310,206)	13,048	13,402	303,914	(296,813)	20,503
*Adjustment	5,506			5,506	(1,194)	-	-	(1,194)
	24,815	303,945	(310,206)	18,554	12,208	303,914	(296,813)	19,309
Associates	26,038	-	(26,038)	-	12,038,914	-	(12,012,876)	26,038
Pension Fund (Current)	4,248	27,290,824	(27,291,701)	3,371	4,393	24,573,301	(24,573,446)	4,248
Pension Fund (Fixed Deposit)	7,300,000	2,300,000	(7,300,000)	2,300,000	11,500,000	7,300,000	(11,500,000)	7,300,000
Pension Fund (N.I.D.A A/c)	1,056,675	13,584,552	(13,512,790)	1,128,437	270,228	12,614,720	(11,828,273)	1,056,675
Provident Fund	13,123,803	2,400,226	(2,132,321)	13,391,708	12,886,715	2,749,149	(2,512,061)	13,123,803
	21,535,579	45,879,547	(50,573,056)	16,842,070	36,712,458	47,541,084	(62,723,469)	21,530,073

\* Adjustments due to retirement / appointment of directors and changes in key management executives.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

	2015	2014
	Rupees in '000	
<b>Placements with:</b>		
Joint venture	68,450	156,864
<b>Repo borrowing from:</b>		
Joint venture	399,496	73,695
<b>Off Balance Sheet items</b>	-	825,636
<b>39.2 Transactions during the year</b>		
<b>Investments in associates</b>	-	8,284,407
<b>Redemption / sale of investment in associates</b>	8,878,813	10,551,809
<b>Income for the year</b>		
On advances / placements with:		
Joint ventures	1,863	313
Key management executives	-	3,105
Companies in which directors of the Group are interested as director	812,534	1,440,591
<b>Expenses for the year</b>		
Remuneration to key management executives	284,564	258,950
Charge for defined benefit plan	40,843	41,341
<b>Mark-up on deposits of:</b>		
Associates	-	5
Provident fund	1,745,016	2,296,127
Pension fund	503,518	788,375
<b>Mark-up on Borrowing (Repo / Call):</b>		
Joint venture	106	527

### 39.3 Transactions with Government-related entities

The Federal Government through State Bank of Pakistan holds controlling interest (75.60% shareholding) in the Group and therefore entities which are owned and / or controlled by the Federal Government, or where the Federal Government may exercise significant influence, are related parties of the Group.

The Group in the ordinary course of business enters into transaction with Government-related entities. Such transactions include lending to, deposits from and provision of other banking service to Government-related entities.

The Group also earned commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs. 6,056 million for the year ended December 31, 2015. As at the Consolidated Statement of Financial Position date the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 232,134 million, Rs. 532,737 million and Rs. 242,039 million respectively and income earned on advances and profit paid on deposits (domestic only) amounted to Rs. 15,350 million and Rs. 17,720 million respectively.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 40. CAPITAL ASSESSMENT AND ADEQUACY

#### 40.1 Statutory minimum capital requirement and management of capital

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- to comply with the capital requirements set by the regulators of the banking markets where the group operates;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

The SBP has issued instructions for Basel-III Implementation vide BPRD Circular No. 06 of 2013 dated August 15, 2013. These instructions are effective from December 31, 2013 in a phased manner with full implementation intended by December 31, 2019.

Basel-III instructions comprises of the following three capital standards:

##### i. Minimum Capital Requirement (MCR):

The MCR standard sets the nominal amount of capital banks/ DFIs are required to hold. Currently the MCR for banks and DFIs is Rs. 10 billion as prescribed by SBP.

##### ii. Capital Adequacy Ratio:

The Capital Adequacy Ratio (CAR) assesses the capital requirement based on the risks faced by the banks/ DFIs. The banks/ DFIs are required to comply with the minimum requirements as specified by the SBP on standalone as well as consolidated basis. Currently the required CAR for banks is 10.25%.

##### iii. Leverage Ratio:

Tier-1 Leverage Ratio of 3% was introduced in response to the Basel III Accord as the third capital standard. Bank level disclosure of the leverage ratio and its components has started from December 31, 2015. The Group has a leverage ratio of 4.64% in the year December 31, 2015 (2014: 5.48%) and Tier-1 capital of Rs 95,874 Million (2014: Rs 95,840 Million).

The major changes under the Basel III reform package pertains to numerator of the Capital Adequacy Ratio (CAR) i.e., eligible capital. The SBP's regulatory capital as managed by the Group is analysed into following tiers:

#### 1. Tier 1 Capital (going-concern capital)

- Common Equity Tier 1
- Additional Tier 1

#### 2. Tier 2 Capital (gone-concern capital)

- Tier I capital, which comprises highest quality capital element and include fully paid up capital, balance in share premium account, reserve for issue of bonus shares, general reserves and un-appropriate profits (net of accumulated losses, if any).
- Tier II capital, which includes general reserve for loan losses, revaluation reserve, exchange translation reserve and subordinated debt.
- Tier III capital, has been eliminated in Basel III Capital requirements. Also the Basel III capital rules requires group to make certain deductions from the capital before arriving at the Capital Adequacy Ratio (CAR). These deductions are to be done in phased manner starting from 2014, with full deductions in 2018.

Risk weighted assets are measured according to the nature and reflect an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off balance sheet exposures, with some adjustments to reflect more contingent nature of potential losses.

The Group's policy is to maintain strong capital base so as to maintain, investor, creditor and market confidence and to sustain future development of the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the SBP. The ratios compare the amount of eligible capital with the total of risk-weighted assets. The Group monitors and reports its capital ratio under the SBP rules, which ultimately determines the regulatory capital, required to be maintained by Banks and DFIs.

The paid-up capital of the Bank for the year ended December 31, 2015 stood at Rs. 21,275 Million (2014: Rs. 21,275 Million) and is in compliance with the SBP requirement for the said year. In addition the Group has maintained minimum Capital Adequacy Ratio (CAR) of 18.38% (2014: 18.17%).

There have been no material changes in the Group's management of capital during the year.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

## 40.2 Capital Adequacy Ratio (CAR) disclosure:

### CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2015 CONSOLIDATED

		2015	2014
		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	21,275,131	21,275,131
2	Balance in Share Premium Account	-	-
3	Reserve for issue of Bonus Shares	-	-
4	Discount on Issue of shares	-	-
5	General/ Statutory Reserves	25,529,672	23,607,786
6	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7	Unappropriated/unremitted profits/ (losses)	52,724,525	59,751,578
8	Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	301,940	717,017
9	<b>CET 1 before Regulatory Adjustments</b>	99,831,268	105,351,512
10	Total regulatory adjustments applied to CET1 (Note 40.2.1)	3,957,576	9,511,445
11	<b>Common Equity Tier 1</b>	95,873,692	95,840,067
	<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 allowed in group AT 1)	-	-
16	of which: instrument issued by subsidiaries subject to phase out	-	-
17	<b>AT1 before regulatory adjustments</b>	-	-
18	Total regulatory adjustment applied to AT1 capital (Note 40.2.2)	-	-
19	Additional Tier 1 capital after regulatory adjustments	-	-
20	<b>Additional Tier 1 capital recognized for capital adequacy</b>	-	-
21	<b>Tier 1 Capital (CET1 + admissible AT1) (11+20)</b>	95,873,692	95,840,067
	<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 group tier 2)	-	-
25	of which: instruments issued by subsidiaries subject to phase out	-	-
26	General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	7,079,604	3,201,464
27	Revaluation Reserves (net of taxes)	-	-
28	of which: Revaluation reserves on fixed assets	14,917,268	10,434,158
29	of which: Unrealized gains/losses on AFS	24,307,519	25,532,193
30	Foreign Exchange Translation Reserves	7,672,670	9,388,710
31	Undisclosed/Other Reserves (if any)	-	-
32	<b>T2 before regulatory adjustments</b>	53,977,062	48,556,525
33	Total regulatory adjustment applied to T2 capital (Note 40.2.3)	1,405,867	2,305,339
34	Tier 2 capital (T2) after regulatory adjustments	52,571,195	46,251,186
35	Tier 2 capital recognized for capital adequacy	39,182,045	46,251,186
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37	<b>Total Tier 2 capital admissible for capital adequacy</b>	39,182,045	46,251,186
38	<b>TOTAL CAPITAL (T1 + admissible T2) (21+37)</b>	135,055,737	142,091,253
39	<b>Total Risk Weighted Assets (RWA) {for details refer Note 40.5}</b>	734,713,959	782,079,796
	<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>		
40	<b>CET1 to total RWA</b>	13.05%	12.25%
41	<b>Tier-1 capital to total RWA</b>	13.05%	12.25%
42	<b>Total capital to total RWA</b>	18.38%	18.17%
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	6.25%	5.50%
44	of which: capital conservation buffer requirement	0.25%	-
45	of which: countercyclical buffer requirement	-	-
46	of which: D-SIB or G-SIB buffer requirement	-	-
47	CET1 available to meet buffers (as a percentage of risk weighted assets)	6.80%	6.75%
	<b>National minimum capital requirements prescribed by SBP</b>		
48	<b>CET1 minimum ratio</b>	6.00%	5.50%
49	<b>Tier 1 minimum ratio</b>	7.50%	7.00%
50	<b>Total capital minimum ratio</b>	10.25%	10.00%



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## For the year ended December 31, 2015

		2015	2014
		Amount	Rupees in '000
Regulatory Adjustments and Additional Information		Amounts subject to Pre-Basel III treatment*	
<b>Note 40.2.1</b>	<b>Common Equity Tier 1 capital: Regulatory adjustments</b>		
1	Goodwill (net of related deferred tax liability)	562,553	
2	All other intangibles (net of any associated deferred tax liability)	653,003	1,479,589
3	Shortfall in provisions against classified assets	-	1,527,000
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	1,050,247	2,343,678
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)	227,256	568,140
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)	-	189,086
15	Amount exceeding 15% threshold	-	-
16	of which: significant investments in the common stocks of financial entities	-	399,316
17	of which: deferred tax assets arising from temporary differences	-	421,747
18	National specific regulatory adjustments applied to CET1 capital	-	-
19	Investments in TFCs of other banks exceeding the prescribed limit	58,650	-
20	Any other deduction specified by SBP (mention details)	-	-
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	1,405,867	2,305,339
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	3,957,576	9,511,446
<b>Note 40.2.2</b>	<b>Additional Tier-1 &amp; Tier-1 Capital: regulatory adjustments</b>		
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-	-
24	Investment in own AT1 capital instruments	-	-
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-
26	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
28	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	-	-
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	-	-
<b>Note 40.2.3</b>	<b>Tier 2 Capital: regulatory adjustments</b>		
31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	1,405,867	2,305,339
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-
33	Investment in own Tier 2 capital instrument	-	-
34	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
36	Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	1,405,867	2,305,339
<b>Note 40.2.4</b>	<b>Additional Information</b>	<b>2015</b>	<b>2014</b>
		<b>Rupees in '000</b>	<b>Rupees in '000</b>
		<b>Amount</b>	<b>Amount</b>
	<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)	-	-
(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	340,884	-
(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	9,741,759	7,333,155
39	Significant investments in the common stock of financial entities	2,074,475	6,464,901
40	Deferred tax assets arising from temporary differences (net of related tax liability)	9,672,251	6,829,327
	<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	-	-



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### NOTE 40.3 Capital Structure Reconciliation

Table: 40.3.1

(in thousand PKR)	Balance sheet of the published financial statements	Under regulatory scope of consolidation
<b>Assets</b> (1)	<b>As at period end</b> (2)	<b>As at period end</b> (3)
Cash and balances with treasury banks	151,190,845	
Balanced with other banks	20,639,421	
Lending to financial institutions	10,638,524	
Investments	826,246,755	
Advances	580,093,986	
Operating fixed assets	33,300,674	
Deferred tax assets	9,672,251	
Other assets	80,091,712	
<b>Total assets</b>	<b>1,711,874,168</b>	
<b>Liabilities &amp; Equity</b>		
Bills payable	9,171,616	
Borrowings	22,384,853	
Deposits and other accounts	1,431,535,397	
Sub-ordinated loans	-	
Liabilities against assets subject to finance lease	91,188	
Deferred tax liabilities	-	
Other liabilities	77,036,022	
<b>Total liabilities</b>	<b>1,540,219,076</b>	
Share capital/ Head office capital account	21,275,131	
Reserves	45,202,342	
Unappropriated/ Unremitted profit/ (losses)	52,724,525	
Minority Interest	721,816	
Surplus on revaluation of assets	51,731,278	
<b>Total liabilities &amp; equity</b>	<b>1,711,874,168</b>	

Table: 40.3.2

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
<b>Assets</b> (1)	<b>As at period end</b> (2)	<b>As at period end</b> (3)	<b>(4)</b>
Cash and balances with treasury banks	151,190,845		
Balanced with other banks	20,639,421		
Lending to financial institutions	10,638,524		
Investments	824,969,252		
<i>of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold</i>	227,256		a
<i>of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold</i>	-		b
<i>of which: Mutual Funds exceeding regulatory threshold</i>	-		c
<i>of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)</i>	1,050,247		d
<i>of which: others</i>	-		e
Advances	580,093,986		
<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>	7,079,604		g
Fixed Assets	32,085,117		
Deferred Tax Assets	9,672,251		
<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	80,091,712		
<i>of which: Goodwill</i>	562,553		j
<i>of which: Intangibles</i>	653,003		k
<i>of which: Defined-benefit pension fund net assets</i>	-		l
<b>Total assets</b>	<b>1,711,874,168</b>		



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

Table: 40.3.2

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period end (2)	As at period end (3)	(4)
<b>Liabilities &amp; Equity</b>			
Bills payable	9,171,616		
Borrowings	22,384,853		
Deposits and other accounts	1,431,535,397		
Sub-ordinated loans	-		
<i>of which: eligible for inclusion in AT1</i>	-		m
<i>of which: eligible for inclusion in Tier 2</i>	-		n
Liabilities against assets subject to finance lease	91,188		
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	77,036,022		
<b>Total liabilities</b>	<b>1,540,219,076</b>		
Share capital	21,275,131		
<i>of which: amount eligible for CET1</i>	21,275,131		s
<i>of which: amount eligible for AT1</i>	-		t
Reserves	45,202,342		
<i>of which: portion eligible for inclusion in CET1 (provide breakup)</i>	25,529,672		u
<i>of which: portion eligible for inclusion in Tier 2</i>	7,672,670		v
Unappropriated profit/ (losses)	52,724,525		w
Minority Interest	721,816		
<i>of which: portion eligible for inclusion in CET1</i>	301,940		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	51,731,278		
<i>of which: Revaluation reserves on Fixed Assets</i>	22,168,380		aa
<i>of which: Unrealized Gains/Losses on AFS</i>	29,562,898		
<i>In case of Deficit on revaluation (deduction from CET1)</i>	-		ab
<b>Total liabilities &amp; Equity</b>	<b>1,711,874,168</b>		

Basel III Disclosure (with added column)

Table: 40.3.3

	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	21,275,131	
2 Balance in Share Premium Account	-	(s)
3 Reserve for issue of Bonus Shares	-	
4 General/ Statutory Reserves	25,529,672	(u)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6 Unappropriated/unremitted profits/ (losses)	52,724,525	(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)	301,940	(x)
<b>CET 1 before Regulatory Adjustments</b>	<b>99,831,268</b>	
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>		
9 Goodwill (net of related deferred tax liability)	562,553	(j) - (o)
10 All other intangibles (net of any associated deferred tax liability)	653,003	(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)} * 40%
13 Defined-benefit pension fund net assets	-	{(l) - (q)} * 40%
14 Reciprocal cross holdings in CET1 capital instruments	1,050,247	(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)	227,256	(a) - (ac) - (ae)
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23 Amount exceeding 15% threshold	-	
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	58,650	
28 of which: Any other deduction specified by SBP	-	
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	1,405,867	
30 Total regulatory adjustments applied to CET1 (sum of 9 to 29)	3,957,576	
31 <b>Common Equity Tier 1</b>	<b>95,873,691</b>	



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<b>Additional Tier 1 (AT 1) Capital</b>		
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)	-
36	of which: instrument issued by subsidiaries subject to phase out	(y)
37	<b>AT1 before regulatory adjustments</b>	-
<b>Additional Tier 1 Capital: regulatory adjustments</b>		
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)	-
42	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ac)
43	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-BaseI III treatment which, during transitional period, remain subject to deduction from tier-1 capital	(ad)
44	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
45	Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 44)	-
46	Additional Tier 1 capital	-
47	<b>Additional Tier 1 capital recognized for capital adequacy</b>	-
48	<b>Tier 1 Capital (CET1 + admissible AT1) (31+47)</b>	95,873,691
<b>Tier 2 Capital</b>		
49	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-
50	Capital instruments subject to phase out arrangement from tier 2 (Pre-BaseI III instruments)	(n)
51	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	(z)
52	of which: instruments issued by subsidiaries subject to phase out	-
53	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)
54	Revaluation Reserves	7,079,604
55	of which: Revaluation reserves on fixed assets	-
56	of which: Unrealized Gains/Losses on AFS	14,917,268
57	Foreign Exchange Translation Reserves	24,307,519
58	Undisclosed/Other Reserves (if any)	7,672,670
59	<b>T2 before regulatory adjustments</b>	(v)
		53,977,061
<b>Tier 2 Capital: regulatory adjustments</b>		
60	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-BaseI III treatment which, during transitional period, remain subject to deduction from tier-2 capital	portion of (aa)
61	Reciprocal cross holdings in Tier 2 instruments	1,405,867
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)	-
64	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ae)
65	Amount of Regulatory Adjustment applied to T2 capital (sum of 60 to 64)	-
66	Tier 2 capital (T2)	(af)
67	Tier 2 capital recognized for capital adequacy	1,405,867
68	Excess Additional Tier 1 capital recognized in Tier 2 capital	52,571,194
69	Total Tier 2 capital admissible for capital adequacy	39,182,045
70	<b>TOTAL CAPITAL (T1 + admissible T2) (48+69)</b>	135,055,737



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 40.4 Main Features of Regulatory Capital Instruments

#### Disclosure for main features of regulatory capital instruments

Main Features		Common Shares
1	Issuer	NATIONAL BANK OF PAKISTAN
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	NBP
3	Governing law(s) of the instrument	National Bank of Pakistan Ordinance 1949, Banks Nationalization Act 1974, Companies Ordinance 1984, other applicable laws.
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/ group/ group&solo	Group and Standalone
7	Instrument type	Ordinary Shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	PKR 21,275,131
9	Par value of instrument	PKR 10
10	Accounting classification	Shareholders Equity
11	Original date of issuance	Not Applicable
12	Perpetual or dated	Not Applicable
13	Original maturity date	Not Applicable
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not Applicable
16	Subsequent call dates, if applicable	Not Applicable
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	Not Applicable
18	coupon rate and any related index/ benchmark	Not Applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Not Applicable
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Not Applicable
23	Convertible or non-convertible	
24	If convertible, conversion trigger (s)	Not Applicable
25	If convertible, fully or partially	Not Applicable
26	If convertible, conversion rate	Not Applicable
27	If convertible, mandatory or optional conversion	Not Applicable
28	If convertible, specify instrument type convertible into	Not Applicable
29	If convertible, specify issuer of instrument it converts into	Not Applicable
30	Write-down feature	
31	If write-down, write-down trigger(s)	Not Applicable
32	If write-down, full or partial	Not Applicable
33	If write-down, permanent or temporary	Not Applicable
34	If temporary write-down, description of write-up mechanism	Not Applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Ranks after all creditors and depositors
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not Applicable



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 40.5 Risk Weighted Assets

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

	Capital Requirements		Risk Weighted Assets	
	2015	2014	2015	2014
<b>Credit Risk</b>				
<b>On-Balance sheet</b>				
Portfolios subject to standardized approach (Simple or Comprehensive)				
Sovereign	4,440,417	5,604,801	44,404,173	56,048,009
Public Sector entities	227,508	850,340	2,275,075	8,503,401
Banks	815,049	1,048,344	8,150,487	10,483,439
Corporate	14,458,586	14,888,262	144,585,861	148,882,619
Retail	11,326,990	12,060,695	113,269,895	120,606,952
Residential Mortgages	811,093	757,373	8,110,934	7,573,733
Past Due loans	2,088,073	2,934,363	20,880,727	29,343,632
Operating Fixed Assets	3,208,512	3,187,394	32,085,119	31,873,937
Other assets	4,022,479	3,925,438	40,224,788	39,254,376
	41,398,707	45,257,010	413,987,059	452,570,098
<b>Off-Balance sheet</b>				
Non-market related	5,490,493	6,409,300	54,904,925	64,092,995
Market related	54,333	78,615	543,327	786,151
	5,544,826	6,487,915	55,448,252	64,879,146
<b>Equity Exposure Risk in the Banking Book</b>				
Under simple risk weight method	9,693,299	7,771,595	96,932,991	77,715,952
	56,636,833	59,516,520	566,368,302	595,165,196
<b>Market Risk</b>				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	514,440	2,437,844	5,144,396	25,139,334
Equity position risk	363,871	1,448,009	3,638,713	8,792,775
Foreign Exchange risk	3,069,638	2,928,812	30,696,381	36,615,923
	3,947,949	6,814,665	39,479,490	70,548,032
<b>Operational Risk</b>	12,886,617	11,776,107	128,866,167	116,366,568
<b>TOTAL</b>	<b>73,471,399</b>	<b>78,107,292</b>	<b>734,713,960</b>	<b>782,079,796</b>

Capital Adequacy Ratios	2015		2014	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	13.05%	5.50%	12.25%
Tier-1 capital to total RWA	7.50%	13.05%	7.00%	12.25%
Total capital to total RWA	10.25%	18.38%	10.00%	18.17%



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## 41. RISK MANAGEMENT

Importance of risk management has increased over the time especially after the global meltdown. In Pakistani banking industry, Risk Management gained its importance when SBP released its circular for Basel II framework in 2006. Now SBP has been actively releasing various guidelines for implementation of Basel III to strengthen internal risk management environment of local Banks.

The Bank, being the country's leading Bank, has always been determined to attain best practices in Risk Management standards. The purpose of our risk management framework is to provide the solid grounds where Bank can safely perform its business activities and ultimately achieve its goals. Further, it is continuously evolving framework, to incorporate the instructions issued by SBP along with the needs of the volatile local and global markets.

Since the implementation of Basel II framework, the overall Risk Management of the Group has gone through several significant improvements and changes, which have further highlighted the Risk Management Framework.

It is important to mention that the Group has also recently undertaken a comprehensive BPR and COSO exercise aimed at overall business process improvement, advanced risk management and strengthening of the overall control environment.

### 41.1 Overall Structure and broad initiatives

The Risk Management Group of the Bank is dedicated to support Bank's growth objectives which are consistent with its risk tolerance level. For effective implementation of the risk management framework, the Group works independently and is liable for formulating and appraising of risk policies and also analyzes various risks associated with the activities of the Bank. The specialized functions of Risk Management Group are Credit Risk, Market Risk & Liquidity Risk and Operational Risk as outlined by its Board approved "Risk Management Charter." Organizational structure for the group has been implemented with clear segregation of responsibilities and focused Wings constituted with relevant heads and staff to discharge respective responsibilities.

An Executive Risk Management Committee (ERMC) also exists within the Bank comprising of relevant Group Chiefs/ Divisional Heads. Both BRC and the ERMC are provided periodic updates via MIS and periodic progress reports by RMG to ensure that the Board and senior management remain aware of the various risk management initiatives and provide oversight and guidance.

Bank's Risk Management Policy ensures the following:

- Setting Risk Management objectives of the Bank which includes establishing most appropriate course of action under uncertainty by identifying, assessing, understanding, acting on and communicating risk issues.
- Implementation of Risk Management Process at Strategic, Macro and Micro Level.
- Integrated Risk Management i.e. quantifying various risks by using different measurement methodologies, and aggregating all the risks to keep the total risk within the capital.
- Alignment of Risk management approach with the regulatory requirements and the Bank's Risk Management Policy

The structure of RMG with dedicated Wings for specific responsibilities has been implemented as follows:

#### 41.1.1 Credit Risk Architecture

Credit Risk Architecture Wing in RMG was formed as per the Risk Management Charter with a view to further architecturally improve credit risk environment in Bank and introduce proactive measures to mitigate credit risk for all asset classes.

During the year the Wing has performed several functions successfully, which include building the process for development of credit risk models for compliance with the Basel framework and best practices in Risk Management, stress testing on the credit portfolio as per the guidelines issued by SBP and enhancement in Credit Risk Tolerance Limits / Concentration Policy. Moreover, Overseas Risk Management Framework was developed with coordinated efforts, consolidated consumer portfolio analytics was initiated and a dedicated function was set-up for Credit Portfolio Management Review.



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### 41.1.2 Basel II / Risk Automation

This Wing is responsible for managing and facilitating Basel II project in close coordination with the Basel II consultants and with the active support and involvement of other functions within the Bank. The Wing is also responsible to perform project management and support services in relation to evaluation, selection and implementation of suitable risk management applications, as required by the Bank.

A comprehensive diagnostic exercise was conducted on a Bank-wide basis and the relevant areas for improvement were identified. This exercise encompassed all possible aspects that impacted the Bank's Risk Management environment including the assessment of its existing risk management structure, policies and procedures, overall system architecture from a risk perspective and data availability and quality required for comprehensive risk management.

Based on the areas identified during the diagnostic exercise, detailed remediation plans have been developed proposing various structured initiatives that the Bank needs to undertake. These remediation plans contain the initiatives, action steps and related guidelines for enhancement in policies and procedures. The Bank has achieved about 75% of Basel II project implementation.

### 41.1.3 E-CIB and Data Management

E-CIB & Data Management Wing manages collection & consolidation of borrower's information in two separate databases on monthly / quarterly basis for e-CIB reporting and various risk related analysis for credit portfolio management/MIS respectively and reviews the quality and integrity of credit and advances related data. Such data is utilized by various groups, divisions and field functionaries.

The Wing is responsible for handling e-CIB related matters and performing periodic review and generate reports of advances data, highlighting inconsistencies and errors and issuing instructions to the relevant data entry points for rectification. The Wing has taken several initiatives for data accuracy and identification of data discrepancies which improved the quality of data significantly than the previous years and carried out additional data collection exercises for Basel-II Models requirements. A web-based application has also been developed and under testing to replace existing templates. The new data requirements for Basel-II Models have also been provided to PMO for mapping/incorporating with CBA.

### 41.1.4 Operational Risk Management

Operational Risk Management Wing has been developed to help align the Bank with the sound practices of operational risk set by the Basel Committee and provide guidance for setting Operational Risk Strategy of the Bank, selection and adoption of risk and loss measurement tools, reporting & communication and establishment of operational risk management process.

For further strengthening the operational risk in the Bank, Operational Risk Management Wing has achieved the following milestones.

#### 41.1.4.1 Implementation of Operational Risk Management tools - Risk & Control Self Assessment (RCSA)

For identification and assessment of operational risk across the Bank, the Bank has adopted risk assessment methodology known as Risk & Control self Assessment.

#### 41.1.4.2 Mapping of Bank's activities into Basel Defined Business Lines

One of the qualifying criteria of the SBP, for allowing the banks to move towards next level approaches (The Standardised Approach (TSA)/ Alternative Standardised Approach (ASA)) in order to get benefit of the capital, is mapping of Bank's activities into Basel defined business lines. RMG is working on segregating these activities into Basel defined business lines. These business lines include Corporate Finance, Trading and Sales, Retail Banking, Commercial Banking, Payment and Settlement, Agency Services, Asset Management, Retail Brokerage etc.



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## 41.1.4.3 Monitoring of ORM Tolerance limit and updation

The Group has identified the limits for various operational risk categories and now Bank would monitor its operational losses against those defined limits and apprise the Senior Management / Board.

## 41.1.4.4 Training to field functionaries on Operational Risk Management & its tools

Training is also being imparted to the field functionaries on Operational Risk Management and its various tool such as Risk & Control Self Assessment (RCSA), Key Risk Indicators (KRIs), Operational Loss Data Collection Mechanism etc.

## 41.1.4.5 Key Risk Indicators & Its Reporting

Key Risk Indicators (KRIs) act as early warning signals by providing the capability to indicate changes in an organization's risk profile. Currently, the Bank has initiated KRI exercise on pilot run basis whereby the relevant stakeholders report their specific KRI reports to RMG and on the basis of data received from relevant stakeholders, RMG has developed the KRI thresholds which shall be used for variance reporting.

## 41.1.5 Market & Liquidity Risk Management

The Wing ensures that the Market and Liquidity Risks are identified, measured, monitored and controlled with the support and involvement of respective Business and Support Groups / Divisions, and in accordance with the regulatory requirements and internal policies. Broadly, it is responsible for formulation / proposition of Market Risk Management (MRM) Framework (which includes Asset Liability Management (ALM) Policy & Procedures, Investment Policy of the Bank, Interest Rate Risk Management (IRRM) Policy, VaR & Back Testing Policy etc.), Treasury & Equity Investment portfolio monitoring, assessment / development of Market and Liquidity Risk limits, MIS for Liquidity & Interest Rate Risk monitoring, review of various policies and procedure manuals from Market & liquidity Risk perspective, provision of necessary support in Market Risk Capital Calculation, Coordinating and working with other wings for ICAAP, Stress Testing and other Market and Liquidity Risk functionalities. Further detailed disclosures are given in note 41.3.

## 41.1.6 BPR & COSO Implementation Project

The Business Process Review and COSO Implementation Project commenced from March 17, 2014 to effectively implement BPR & COSO, in order to achieve CBA optimization by streamlining the operating model (including best practice centralization), improving regulatory compliance as well as improving the platform for customer service and product/ service deployment. Furthermore, enhance MIS reporting and decision making and improve TATs resulting from process and organizational efficiencies. The Project Management Office – BPR & COSO Implementation ensures smooth coordination amongst various stakeholders i.e. Consultants, IT vendors and the BPR & COSO Project Implementation Team. Further, PMO assists the BPR & COSO Steering Committee by providing project updates and escalating all relevant issues for appropriate resolution/ disposition in timely manner. In order to infuse the Project's awareness amongst field functionaries, PMO conducted various training sessions to prepare Master Trainers at all four staff colleges, circulated three bi-monthly Bank-wide Bulletin on BPR & COSO implementation and presented a study paper in NBP News line Magazine.

## 41.1.7 Credit Administration

Credit Administration Wing (CAD) ensures proper credit discipline in the Bank by adopting sound and prudent bank lending practices.

In line with the best international practices, the Wing is responsible for preparation of finance documents, supervision of registration of charge with relevant authorities, safe keeping of the security documents and shadow credit files, disbursements of finances as per sanction followed by credit maintenance during the currency of loans. It also monitors the performances of vendors including Mucaddam companies, Bank's Legal Advisors, etc.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 41.1.8 SEGMENTAL INFORMATION

### 41.1.8.1 Segment by class of business

	2015					
	Advances (Gross)		Deposits		Contingencies & Commitments	
	Rupees in '000	Percentage %	Rupees in '000	Percentage %	Rupees in '000	Percentage %
Chemical and pharmaceuticals	2,953,103	0.43	730,669	0.05	6,822,114	2.06
Agriculture	50,646,577	7.29	33,523,894	2.34	501,992	0.15
Textile	62,305,139	8.97	3,338,992	0.23	7,060,796	2.14
Cement	8,436,466	1.21	1,624,918	0.11	8,046,294	2.43
Sugar	22,210,108	3.20	197,704	0.01	4,399	0.00
Flour	2,723,340	0.39	508,225	0.04	-	0.00
Rice processing	13,825,538	1.99	1,368,188	0.10	-	0.00
Shoes and leather garments	545,355	0.08	149,623	0.01	84,299	0.03
Automobile and transportation equipment	2,658,595	0.38	5,140,798	0.36	2,284,055	0.69
Financial	4,873,762	0.70	204,903,745	14.31	7,008,570	2.12
Insurance	365,782	0.05	568,293	0.04	3,154	0.00
Transportation	63,654,368	9.17	2,058,782	0.14	23,622,221	7.14
Real estate construction	8,532,279	1.23	6,709,768	0.47	3,693,670	1.12
Electronics and electrical appliances	6,237,969	0.90	1,523,571	0.11	2,241,055	0.68
Production and transmission of energy	125,229,341	18.03	102,115,195	7.13	120,538,973	36.45
Food and tobacco	2,959,822	0.43	1,540,662	0.11	1,102,705	0.33
Fertilizer	15,909,181	2.29	2,665,856	0.19	4,950,538	1.50
Metal products	55,653,597	8.01	3,609,941	0.25	1,060,524	0.32
Telecommunication	5,121,866	0.74	71,609,919	5.00	4,159,840	1.26
Hotel and services	6,757,980	0.97	165,700,402	11.58	4,928,030	1.49
Public sector commodity operations	48,314,784	6.96	93,417	0.01	768,600	0.23
Individuals	127,545,545	18.37	491,838,943	34.36	4,633,175	1.40
General traders	25,473,372	3.67	42,427,287	2.96	363,496	0.11
Others	31,451,125	4.54	287,586,605	20.09	126,798,077	38.35
	694,384,994	100.00	1,431,535,397	100.00	330,676,577	100.00

	2014					
	Advances (Gross)		Deposits		Contingencies & Commitments	
	Rupees in '000	Percentage %	Rupees in '000	Percentage %	Rupees in '000	Percentage %
Chemical and pharmaceuticals	4,660,830	0.64	1,230,147	0.10	7,832,740	3.20
Agriculture	56,700,010	7.75	32,337,255	2.62	30,974	0.01
Textile	67,970,521	9.29	4,095,481	0.33	8,383,945	3.43
Cement	9,511,400	1.30	546,941	0.04	241,896	0.10
Sugar	20,908,799	2.86	305,501	0.02	119,670	0.05
Flour	2,992,204	0.41	1,458,897	0.12	-	0.00
Rice processing	16,462,954	2.25	2,223,306	0.18	-	0.00
Shoes and leather garments	1,045,254	0.14	237,549	0.02	152,651	0.06
Automobile and transportation equipment	2,398,111	0.33	1,306,555	0.11	1,017,449	0.42
Financial	5,155,639	0.70	168,212,823	13.63	6,308,723	2.58
Insurance	5,090	0.00	1,650,801	0.13	3,151	0.00
Transportation	78,919,129	10.78	3,389,593	0.27	12,745,826	5.21
Real estate construction	9,145,178	1.25	12,941,131	1.05	4,271,967	1.75
Electronics and electrical appliances	4,823,323	0.66	2,457,308	0.20	5,060,754	2.07
Production and transmission of energy	128,248,219	17.52	86,431,489	7.00	65,853,909	26.91
Food and tobacco	2,105,134	0.29	413,039	0.03	824,949	0.34
Fertilizer	10,837,894	1.48	3,682,591	0.30	4,166,208	1.70
Metal products	52,512,351	7.17	4,347,830	0.35	5,052,841	2.06
Telecommunication	6,585,843	0.90	62,101,878	5.03	10,742,054	4.39
Hotel and services	5,350,787	0.73	113,103,749	9.16	2,861,717	1.17
Public sector commodity operations	57,601,776	7.87	31,207	0.00	3,828,642	1.56
Individuals	134,315,468	18.35	447,913,747	36.29	6,368,154	2.60
General traders	20,475,776	2.80	38,421,078	3.11	870,178	0.36
Others	33,248,609	4.53	245,565,154	19.91	98,005,864	40.03
	731,980,299	100.00	1,234,405,050	100.00	244,744,262	100.00



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## 41.1.8.2 Segment by sector

	2015					
	Advances (Gross)		Deposits		Contingencies & Commitments	
	Rupees in '000	Percentage %	Rupees in '000	Percentage %	Rupees in '000	Percentage %
Public / Government	232,134,564	36.97	532,737,226	37.21	242,038,580	73.19
Private	462,250,430	63.03	898,798,171	62.79	88,637,997	26.81
	694,384,994	100.00	1,431,535,397	100.00	330,676,577	100.00

	2014					
	Advances (Gross)		Deposits		Contingencies & Commitments	
	Rupees in '000	Percentage %	Rupees in '000	Percentage %	Rupees in '000	Percentage %
Public / Government	256,688,614	35.07	406,272,270	32.91	146,482,760	59.85
Private	475,291,685	64.93	828,132,780	67.09	98,261,502	40.15
	731,980,299	100.00	1,234,405,050	100.00	244,744,262	100.00

## 41.1.8.3 Details of non-performing advances and specific provision by class of business segment

	2015		2014	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	Rupees in '000			
Chemical and pharmaceuticals	4,174,680	4,096,609	2,518,971	2,041,237
Agriculture	5,605,763	2,286,443	3,777,540	2,035,544
Textile	31,907,985	30,782,783	27,780,117	26,431,304
Cement	2,744,483	2,694,675	3,629,759	3,512,855
Sugar	4,104,998	3,762,502	4,435,686	3,463,169
Flour	594,524	493,938	757,745	520,647
Rice processing	3,517,761	3,196,494	3,089,037	2,597,505
Shoes and leather garments	362,212	352,516	310,813	305,355
Automobile and transportation equipment	985,917	956,681	951,406	940,410
Financial	1,072,158	1,068,308	777,753	777,753
Transportation / Karobar	4,037,131	3,825,351	2,749,998	2,742,213
Real estate construction	2,100,992	2,005,594	2,750,774	2,212,571
Electronics and electrical appliances	4,012,681	3,783,073	1,970,318	1,877,535
Production and transmission of energy	1,897,997	5,298,938	10,596,739	7,888,576
Food and tobacco	3,090,327	1,703,138	2,287,742	2,054,784
Fertilizer	18,319,159	3,076,673	3,032,122	2,106,685
Metal products	6,543,060	14,694,459	16,258,868	9,122,294
Hotel and services	4,263,956	4,247,129	4,651,519	3,290,532
Individuals	6,824,717	3,900,375	6,556,358	3,787,038
General traders	10,419,731	10,347,312	12,797,281	12,080,194
Others	11,696,638	8,753,656	9,999,393	8,760,984
	128,276,870	111,326,647	121,679,939	98,549,185

## 41.1.8.4 Details of non-performing advances and specific provision by sector

Public / Government	4,891,816	4,891,816	515,169	515,169
Private	123,385,054	106,434,831	121,164,770	98,034,016
	128,276,870	111,326,647	121,679,939	98,549,185

## 41.1.8.5 Geographical segment analysis

	2015			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	Rupees in '000			
Pakistan	38,033,563	1,564,556,531	151,191,109	284,381,137
Asia Pacific (including South Asia)	(3,654,571)	73,747,274	13,872,877	19,571,315
Europe	(184,782)	9,152,966	2,378,541	2,811,056
United States of America	(160,262)	29,918,934	2,080,106	4,553,469
Middle East	138,609	34,498,463	2,132,459	19,359,600
	34,172,557	1,711,874,168	171,655,092	330,676,577



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	2014			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	34,239,612	1,447,629,989	164,264,454	196,958,120
Asia Pacific (including South Asia)	(10,922,000)	47,963,948	10,848,935	26,893,036
Europe	(171,575)	9,020,130	2,966,543	3,492,113
United States of America	(86,360)	12,669,437	1,565,125	2,987,512
Middle East	76,173	32,375,577	2,947,935	14,413,481
	<u>23,135,850</u>	<u>1,549,659,081</u>	<u>182,592,992</u>	<u>244,744,262</u>

### 41.2 Operational Risk

A comprehensive Operational Risk Management Framework has been developed to help align the Group with the sound practices for operational risk set by Basel, provide guidance for setting the operational risk strategy of the Bank, selection and adoption of risk and loss measurement tools, reporting, communication and establishment of operational risk management processes.

Currently, the Bank has a Board Approved Operational Risk Strategy Document which also includes Operational Risk Tolerance limits as per Basel II Loss Event Categories. Furthermore, the Bank has already rolled out Operational Loss Data Collection Mechanism whereby field functionaries are responsible to report operational losses under their jurisdiction.

Moreover, the Bank has also completed Risk & Control Self Assessment (RCSA) exercise, whereas 40 RCDAs have been developed through rigorous processes which include but not limited to various cross functional team meetings held with the relevant stakeholders. In addition, on the basis of high risks, identified from RCSA exercise, the Bank has initiated the Key Risk Indicators (KRIs) reporting on pilot run basis. Based on KRI data reported by relevant stakeholders, KRI thresholds have been set which shall be used for variance reporting.

### 41.3 Market and Liquidity Risk

The Group has developed Market Risk Management (MRM) Framework comprising of related Policies / Procedures. The Framework aims to formalize and enhance the existing documentation that governs the market risk management of the Bank through policies and procedures.

RMG in coordination with the other groups is also working on devising improved criteria for various market risk limits. VaR models for trading portfolio have been developed and are on pilot run.

Proprietary market risk stress testing scenarios have been developed (in addition to the regulatory ones) and testing is being performed on the same to assess subsequent impact on CAR.

Limits / zones and Management Action Triggers & Management Action Plans corresponding to Liquidity Ratio, Balance Sheet Duration Gap, Government Securities PVBPs and Duration have been developed in conjunction with TMG. These triggers are used for proposing/ recommending actions by ALCO.



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### 41.3.1 Foreign Exchange Risk

	2015			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- Rupees in '000 -----			
Pakistan Rupee	1,516,293,052	1,288,751,311	(89,553,739)	137,988,002
United States Dollar	111,104,793	121,637,460	4,614,616	(5,918,051)
Great Britain Pound	3,818,816	7,784,448	8,421,739	4,456,107
Japanese Yen	23,482,251	92,427,156	68,606,897	(338,008)
Euro	8,074,400	10,369,682	6,643,117	4,347,835
Other currencies	49,100,856	19,249,019	1,267,370	31,119,207
	195,581,116	251,467,765	89,553,739	33,667,090
	1,711,874,168	1,540,219,076	-	171,655,092
	2014			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- Rupees in '000 -----			
Pakistan Rupee	1,393,934,913	1,147,724,093	(112,840,403)	133,370,416
United States Dollar	91,558,631	135,465,563	52,124,502	8,217,570
Great Britain Pound	3,604,659	8,499,956	8,097,800	3,202,503
Japanese Yen	2,621,429	53,362,252	46,943,347	(3,797,476)
Euro	7,813,971	7,845,428	5,654,939	5,623,482
Other currencies	50,125,478	14,168,796	19,815	35,976,497
	155,724,168	219,341,995	112,840,403	49,222,576
	1,549,659,081	1,367,066,088	-	182,592,992

Currency Risk arises where the value of a financial instrument changes due to changes in foreign exchange rates. In order to manage currency risk exposure the Group enters into ready, spot, forward and swaps transactions with the SBP and in the interbank market, financial institutions and corporate.

The Group's foreign exchange exposure comprises forward contracts, purchases of foreign bills, foreign currencies cash in hand, balances with banks abroad, foreign placements with the SBP and foreign currencies assets and liabilities. The net open position is managed within the statutory limits, as fixed by the SBP. Appropriate segregation of duties exists between the front, middle and back office functions.



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### 41.3.2 Equity Position Risk

Investments in equity are generally regarded as riskier relative to fixed income securities owing to the inherent volatility of stock market prices. The risks from various factors include, but are not limited to:

Changes in business cycle affecting the business of the company in which the investment is made.  
Change in business circumstances (i.e. fundamentals) of the company, its business sector, industry and / or economy in general;

Mismanagement of the investee company, their products / services any third party liability or occurrence of other events such as strikes, fraud, etc. in the company in which investment is made;

Fluctuation in the shares' prices resulting from their dependence on market sentiment, speculative activity, supply and demand of shares and liquidity in the market;

Possibility of defaults by participant or failure of the stock exchanges, the depositories, the settlement or the clearing system on discharging their fiduciary responsibilities; and

Any government or court order restraining payment of dividend by a company to its shareholders.

The Group mitigates the aforesaid risks as follows:

Compliance with the SBP regulations for equity exposure / investments and compliance with the SECP Corporate Governance Rules by the investee company prudent investing practices (focus on dividend payout history);

Through diversification and capping maximum exposure through internal limits. Additionally, continuous follow up of these sectors and companies through self monitoring and fundamentals research conducted internally and from reputable brokerage houses;

Investments are made as per the guidelines on liquidity and growth as per investment policy manual or guidelines set by Senior Management and the Board of Directors; and

The Group follows a delivery versus payment settlement system thereby minimizing risk in relation to settlement risk.



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## 41.3.3 Mismatch of Interest Rate Sensitive Assets and Liabilities

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market mark-up / interest rates. The Group is exposed to interest / mark-up rate risk as a result of mismatches or gaps in the amount of interest / mark-up based assets and liabilities that mature or re-price in a given period. The Group manages this risk by matching / re-pricing of assets and liabilities. The Assets and Liabilities Committee (ALCO) / Executive Risk Management Committee (ERMC) of the Group monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the Group.

Management of interest rate risk is one of the critical components of market risk management in Group. The Group's net interest income or net interest margin is also dependent on the movement of interest rates and mismatches in the cash flows or re-pricing dates. Interest rate risk management includes establishing and monitoring various risk mitigating / quantifying limits such as PVBP, duration, balance sheet DGAP and other money market and interest rate sensitivity limits.

As part of the risk reporting, an interest rate sensitivity statement is prepared on a quarterly basis. This statement classifies the interest rate-sensitive assets and liabilities into various maturity groups enabling the management to monitor the impact of interest rate movements on the Statement of Financial Position.

Effective Yield / Interest rate	2015										Non-interest bearing financial instruments
	Exposed to Yield / Interest risk										
	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
Total	Rupees in '000										
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	0.1%	151,190,845	13,665,770	2	765,510	436,173	-	-	-	-	136,759,563
Balances with other banks	2.7%	20,639,421	9,619,949	400,335	2,424,353	2,944,008	-	-	-	-	7,758,611
Lending to financial institutions - net	6.1%	10,638,524	4,633,316	3,061,200	184,596,124	214,541,201	29,593,046	51,024,256	22,322,495	1,155,564	67,475,900
Investments - net	8.4%	826,246,755	171,148,942	80,484,568	48,858,744	23,639,532	26,594,866	32,416,385	49,520,629	7,101,668	1,398
Advances - net	8.2%	580,093,986	215,099,810	96,376,386	-	-	-	-	-	-	67,154,902
Other assets	0.0%	67,160,693	5,791	284,434,047	124,910,003	266,780,126	53,232,578	77,619,122	71,843,124	8,257,232	279,150,374
		1,655,970,224	414,173,578	284,434,047	124,910,003	266,780,126	53,232,578	77,619,122	71,843,124	8,257,232	279,150,374
Liabilities											
Bills payable	0.0%	9,171,616	-	-	1,826,405	1,425,200	70,800	227,663	224,402	-	9,171,616
Borrowings	6.1%	22,384,853	824,274,287	34,198,650	42,413,604	79,468,045	6,061,090	5,169,629	12,504,338	-	427,402,909
Deposits and other accounts	3.7%	1,431,535,397	-	-	-	-	-	-	42,845	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	9.5%	91,188	-	2,407	2,466	21,966	11,896	52,453	-	-	-
Other liabilities	0.0%	70,568,060	660,981	39,327,347	44,242,475	80,915,211	6,143,786	5,449,745	12,728,740	42,845	69,907,079
		1,533,751,114	838,419,361	245,106,700	80,667,528	185,864,915	47,088,792	72,169,377	59,114,384	8,257,232	506,481,604
		122,219,110	(42,424,578)	(2,407)	(2,466)	(21,966)	(11,896)	(52,453)	(12,728,740)	(42,845)	(227,331,230)
On-balance sheet gap											
Off-balance sheet financial instruments											
Cross currency swaps	-	-	-	-	-	-	-	-	-	-	-
Forward purchase of foreign exchange	-	273,199,134	159,781,120	75,951,727	20,758,840	16,707,447	-	-	-	-	-
Forward sale of foreign exchange	-	183,645,395	156,607,154	24,618,598	1,716,729	702,914	-	-	-	-	-
Off-balance sheet gap	-	456,844,529	316,388,274	100,570,325	22,475,569	17,410,361	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap											
		579,063,639	(107,857,509)	345,677,025	103,143,097	203,275,276	47,088,792	72,169,377	59,114,384	8,257,232	(227,331,230)
Cumulative Yield / Interest Risk Sensitivity Gap											
		(107,857,509)	237,819,516	544,237,889	340,962,613	544,237,889	591,326,681	663,496,058	722,610,442	798,137,637	579,063,639







# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 41.4 Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its liability when they fall due. To limit this risk, management has arranged diversified funded sources, manages assets with liquidity in mind and monitors liquidity on daily basis. In addition, the Group maintains statutory deposits with central banks inside and outside Pakistan.

The purpose of liquidity management is to ensure sufficient cash flows to meet all of the Group's liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking sustained damage to the Group's business franchises, as well as to capitalize on opportunities for business expansion. This includes the Group's ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature and to make new loans and investments as opportunities arise.

The ALCO is responsible for ensuring that the Group has adequate liquidity and monitors liquidity gaps, to execute this responsibility. Regulatory stress as well as proprietary stress testing and scenario analysis are performed to proactively identify and manage liquidity needs/requirements. Group has various limits / ratios, triggers and management actions in place to monitor and mitigate liquidity risk.

#### 41.4.1 Maturities of Assets and Liabilities (based on contractual maturity)

	Total	2015							Above 10 Years
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	
		Rupees in '000							
		Assets							
Cash and balances with treasury banks	151,190,845	150,425,335	-	765,510	-	-	-	-	-
Balances with other banks	20,639,421	17,535,071	243,824	2,424,353	436,173	-	-	-	-
Lending to financial institutions - net	10,638,524	4,633,316	3,061,200	-	2,944,008	-	-	-	-
Investments - net	826,246,755	173,019,752	184,595,963	41,235,572	243,724,836	32,799,063	61,579,652	23,618,507	43,153,654
Advances - net	580,093,986	156,537,800	56,317,406	111,069,272	62,080,552	36,299,911	45,461,097	69,457,445	27,906,885
Operating fixed assets	33,300,674	4,236	-	-	947,462	948,745	2,297,665	1,041,995	784,780
Deferred tax assets - net	9,672,251	-	-	19,190	(1,817)	-	-	2,649,177	(14,481)
Other assets	80,091,712	16,229,976	17,347,644	9,895,255	1,357,548	23,933,523	10,308,505	952,770	66,491
	1,711,874,168	518,385,486	261,566,037	165,409,152	311,488,762	93,981,242	119,646,919	97,719,894	64,811,245
Liabilities									
Bills payable	9,171,616	9,171,616	-	-	-	-	-	-	-
Borrowings	22,384,853	13,484,093	5,126,290	1,241,826	2,009,779	70,800	227,663	224,402	-
Deposits and other accounts	1,431,535,397	1,167,807,878	55,417,826	99,298,558	58,466,813	16,601,412	7,672,852	26,270,058	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	91,188	22,561,482	2,407	2,466	21,966	11,156	53,193	5,839,105	-
Other liabilities	77,036,022	-	9,354,369	6,876,641	1,199,393	22,376,222	2,964,273	2,821,212	-
	1,540,219,076	1,213,025,069	69,900,892	107,419,491	61,697,951	39,059,590	10,917,981	32,333,565	2,821,212
Net assets	171,655,092	(694,639,583)	191,665,145	57,989,661	249,790,811	54,921,652	108,728,938	65,386,329	76,044,219
Share capital	21,275,131	-	-	-	-	-	-	-	-
Reserves	45,202,342	-	-	-	-	-	-	-	-
Unappropriated profit	52,724,525	-	-	-	-	-	-	-	-
Minority Interest	721,816	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net	51,731,278	-	-	-	-	-	-	-	-
	171,655,092	-	-	-	-	-	-	-	-



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

## 41.4.1 Maturities of Assets and Liabilities (based on contractual maturity) - (continued)

	2014									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 to 12 Months	Over 12 to 24 Months	Over 24 to 36 Months	Over 36 to 48 Months	Over 48 to 60 Months	Above 60 Months
<b>Assets</b>										
Cash and balances with treasury banks	98,246,783	97,604,587	-	642,196	-	-	-	-	-	-
Balances with other banks	12,543,964	8,091,138	1,725,974	2,194,009	428,169	-	-	-	-	-
Lending to financial institutions - net	111,794,127	111,669,127	125,000	-	-	-	-	-	-	-
Investments - net	561,767,518	6,910,809	7,482,225	71,970,805	92,989,271	205,016,118	43,913,633	52,748,868	55,508,635	25,227,154
Advances - net	630,229,649	98,946,989	42,798,527	94,245,501	145,953,364	22,406,725	56,180,910	94,966,496	56,427,930	18,303,207
Operating fixed assets	33,353,526	6,874	-	-	2,819,287	345,617	1,389,629	1,470,436	284,369	27,037,314
Deferred tax assets - net	9,884,256	-	19,992,197	10,892	1,902	(6,206)	(414)	4,435,286	5,442,796	-
Other assets	91,839,258	17,999,136	-	11,855,128	1,521,363	37,194,048	3,028,616	191,958	-	56,812
	1,549,659,081	341,228,660	72,123,923	180,918,531	243,713,356	264,956,302	104,512,374	153,813,044	117,664,333	70,728,558
<b>Liabilities</b>										
Bills payable	11,011,827	11,011,827	-	-	-	-	-	-	-	-
Borrowings	38,208,413	15,192,482	16,540,336	5,370,319	346,311	116,349	79,967	899,827	-	(337,178)
Deposits and other accounts	1,234,405,050	930,904,052	58,011,393	76,114,892	88,851,818	15,627,914	12,870,632	32,024,349	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	1,691	-	-	-	-	1,691	-	-	-	-
Other liabilities	83,439,108	32,826,623	1,282,991	10,981,137	1,443,107	23,545,887	2,708,809	5,290,167	2,581,358	2,779,029
	1,367,066,089	1,009,934,984	75,834,720	92,466,348	90,641,236	39,291,841	15,659,408	38,214,343	2,581,358	2,441,851
<b>Net assets</b>	182,592,992	(68,706,324)	(3,710,797)	88,452,183	153,072,120	225,664,461	88,852,966	115,598,701	115,082,975	68,286,707
Share capital	21,275,131									
Reserves	32,996,496									
Unappropriated profit	59,751,578									
Minority Interest	717,017									
Surplus on revaluation of assets - net	67,852,770									
	182,592,992									



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 41.4.2 Maturities of Assets and Liabilities (based on behavioural study)

The Group has assets and liabilities that have contractual and non-contractual maturities. The Group conducts statistical study to assess the expected maturity of assets and liabilities with non-contractual maturities. The behavioural maturities are determined on the basis of statistical study conducted by the Bank, based on the past six years of data. The attrition rate of deposits is determined based on historically observed weekly data of all Current and Saving Deposit accounts using VaR based approach. The approach considers the tendency of variation among the respective time bands for selected deposit types and drives the portion of volatility of such time bands based on 99% confidence interval on the variation data so calculated. The remaining portion of the deposit which marked as core is accordingly shifted to higher time bands.

	2015									
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
Total	Rupees in '000									
<b>Assets</b>										
Cash and balances with treasury banks	151,190,845	102,189,514	3,828,809	22,586,261	22,586,261	-	-	-	-	-
Balances with other banks	20,639,421	17,535,071	243,824	2,424,353	436,173	-	-	-	-	-
Lending to financial institutions - net	10,638,524	4,633,316	3,061,200	-	2,944,008	-	-	-	-	-
Investments - net	826,246,755	173,019,751	184,595,962	41,235,572	243,724,836	32,799,063	61,579,652	23,618,507	43,153,655	22,519,757
Advances - net	580,093,986	126,667,967	69,093,365	113,685,657	70,551,799	37,408,893	46,865,726	71,615,211	28,775,545	15,429,823
Operating fixed assets	33,300,674	4,236	-	-	947,462	948,745	2,297,665	1,041,995	784,780	27,275,791
Deferred tax assets - net	9,672,251	-	-	19,190	(1,817)	-	-	2,649,177	7,020,182	(14,481)
Other assets	80,091,712	11,566,368	6,645,593	25,260,915	1,357,547	23,933,523	10,308,505	952,770	66,491	66,491
	1,711,874,168	435,616,223	267,468,753	205,211,948	342,546,269	95,090,224	121,051,548	99,877,660	79,734,162	65,277,381
<b>Liabilities</b>										
Bills payable	9,171,616	4,048,210	518,701	263,382	4,341,323	-	-	-	-	-
Borrowings	22,384,853	13,484,092	5,126,290	1,241,826	2,009,779	70,800	227,663	224,403	-	-
Deposits and other accounts	1,431,535,397	367,179,723	102,133,803	223,900,098	185,404,428	184,059,085	175,130,526	193,727,734	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	2,407	2,466	21,966	11,156	53,193	-	-	-
Other liabilities	77,036,022	19,892,843	11,389,856	7,509,794	1,199,393	22,376,222	2,964,273	5,839,104	2,821,212	3,043,325
	1,540,219,076	404,604,868	119,171,057	232,917,566	192,976,889	206,517,263	178,375,655	199,791,241	2,821,212	3,043,325
<b>Net assets</b>	<b>171,655,092</b>	<b>31,011,355</b>	<b>148,297,696</b>	<b>(27,705,618)</b>	<b>149,569,380</b>	<b>(111,427,039)</b>	<b>(57,324,107)</b>	<b>(99,913,581)</b>	<b>76,912,950</b>	<b>62,234,056</b>
Share capital	21,275,131									
Reserves	45,202,342									
Unappropriated profit	52,724,525									
Minority Interest	721,816									
Surplus on revaluation of assets - net	51,731,278									
	171,655,092									



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

## Maturities of Assets and Liabilities (based on behavioural study) - (continued)

		2014								
		Rupees in '000								
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
<b>Assets</b>										
Cash and balances with treasury banks	98,246,783	79,802,765	1,610,940	8,416,539	8,416,539	-	-	-	-	-
Balances with other banks	12,543,964	8,091,138	1,725,974	2,194,009	428,169	-	-	-	603	104,071
Lending to financial institutions - net	111,794,127	111,669,127	125,000	-	-	-	-	-	-	-
Investments - net	561,767,518	6,910,808	7,482,225	71,970,805	92,989,271	205,016,118	43,913,633	52,748,868	55,508,636	25,227,154
Advances - net	630,229,649	105,835,040	41,472,918	92,919,893	141,716,531	22,406,725	56,180,910	94,966,496	56,427,930	18,303,206
Operating fixed assets	33,353,526	6,874	-	-	2,819,287	345,617	1,389,629	1,470,436	284,369	27,037,314
Deferred tax assets - net	9,884,256	-	-	10,892	1,902	(6,206)	(414)	4,435,286	5,442,796	-
Other assets	91,839,258	12,494,853	7,365,922	29,985,686	1,521,363	37,194,048	3,028,616	191,958	-	56,812
	1,549,659,081	324,810,605	59,782,979	205,497,824	247,893,062	264,956,302	104,512,374	153,813,044	117,664,334	70,728,557
<b>Liabilities</b>										
Bills payable	11,011,827	4,990,172	523,342	319,582	5,178,731	-	-	-	-	-
Borrowings	38,208,413	15,192,482	16,540,336	5,370,319	346,311	116,349	79,967	899,827	-	(337,178)
Deposits and other accounts	1,234,405,050	284,152,589	92,756,766	178,793,263	192,357,239	157,568,680	154,811,398	173,965,115	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	1,691	-	-	-	-	1,691	-	-	-	-
Other liabilities	83,439,108	29,018,215	4,283,455	11,789,081	1,443,107	23,545,887	2,708,809	5,290,167	2,581,358	2,779,029
	1,367,066,089	333,353,458	114,103,899	196,272,245	199,325,388	181,232,607	157,600,174	180,155,109	2,581,358	2,441,851
<b>Net assets</b>										
	182,592,992	(8,542,853)	(54,320,920)	9,225,579	48,567,674	83,723,695	(53,087,800)	(26,342,065)	115,082,976	68,286,706
<b>Share capital</b>										
Share capital	21,275,131									
Reserves	32,996,496									
Unappropriated profit	59,751,578									
Minority Interest	717,017									
Surplus on revaluation of assets - net	67,852,770									
	182,592,992									



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

## 42. ISLAMIC BANKING BUSINESS

The Bank is operating 79 Islamic banking branches as at December 31, 2015 (December 31, 2014: 22 branches).

### 42.1 Profit Distribution Policy for Islamic Banking Division

The profit distribution mechanism during the year complies with the rules and principles of Islamic Shariah and is in the light of guidelines approved by the Shariah Advisor of the Bank's Islamic Banking Division and the SBP guidelines related to Shariah Compliance.

The non-compliant income identified during the year is transferred to the charity account.

### 42.2 Statement of Financial Position As at December 31, 2015

Note                      2015                      2014  
Rupees in '000

#### ASSETS

Cash and balances with treasury banks		1,086,611	173,676
Balances with other banks		3,900,000	266
Due from financial institutions		5,819,375	-
Investments	42.2.1	1,167,617	2,428,587
Islamic financing and related assets	42.2.2	837,408	978,542
Operating fixed assets		61,946	58,418
Due from Head Office		304,234	-
Other assets		615,660	173,781
		13,792,851	3,813,270

#### LIABILITIES

Bills payable		37,588	12,100
Deposits and other accounts			
-Current accounts		5,743,529	768,879
-Saving accounts		5,535,023	1,047,918
-Term deposits		1,422,749	672,802
-Others		-	-
-Deposit from financial institutions-Remunerative		-	348
Due to Head Office		-	433,959
Other liabilities		350,510	62,687
		13,089,399	2,998,693

#### NET ASSETS

#### REPRESENTED BY

Islamic Banking Fund		800,000	800,000
Unappropriated profit		(100,147)	14,237
		699,853	814,237
Surplus on revaluation of assets - net		3,599	340
		703,452	814,577
Remuneration to Shariah Advisor		3,102	3,352



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

	2015	2014
	Rupees in '000	
<b>CHARITY FUND</b>		
Opening balance	0.13	0.13
Additions during the period	-	-
Payment / utilisation during the period	(0.13)	-
Closing balance	-	0.13
<b>42.2.1 Investments</b>		
Sukuk	1,298,424	2,559,394
Provision for diminution in the value of investments	(130,807)	(130,807)
	1,167,617	2,428,587
<b>42.2.2 Islamic financing and related assets</b>		
Murabaha	588,400	488,400
Diminishing Musharaka	211,252	188,691
Ijarah assets	229,550	159,462
Advance against Ijarah assets	-	151,016
Advance against Murabaha	-	200,000
	1,029,202	1,187,569
Provision against non-performing financings	(191,794)	(209,027)
	837,408	978,542
<b>42.3 PROFIT AND LOSS ACCOUNT</b>		
<b>For the year ended December 31, 2015</b>		
Profit / return earned on financings, investments and placements	712,350	473,354
Profit / return expensed on deposit	(209,658)	(160,745)
Net spread earned	502,692	312,609
Depreciation on assets given on Ijarah	(81,154)	(75,646)
	421,538	236,963
Provision against advances and investments	(3,394)	-
Provision reversed against advances and investments	20,627	9,255
	17,233	9,255
Profit after provision	438,771	246,218
<b>Other income</b>		
Fee, commission and brokerage income	83,421	82,624
Income from dealing in foreign currencies	302	(586)
Other income	(15,030)	(139)
Total other income	68,693	81,899
	507,464	328,117
<b>Other expenses</b>		
Administrative expenses	(607,611)	(313,880)
(Loss) / Profit for the year	(100,147)	14,237



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

	2015	2014
	Rupees in '000	
<b>42.4 Unconsolidated Cash Flow Statement</b>		
<b>For the year ended December 31, 2015</b>		
<b>Cash Flow from Operating Activities</b>		
(Loss) / Profit for the year	(100,147)	14,237
Adjustments :		
Depreciation - Own assets	18,749	9,529
Depreciation - Ijarah assets	81,154	75,646
Reversal of provision against non performing financings and investments	(17,233)	(9,255)
	82,670	75,920
	(17,477)	90,157
(Increase) / decrease in operating assets		
Balance with other banks	(3,899,734)	(186)
Due from financial institutions	(5,819,375)	-
Financings	1,341,442	2,297,708
Other assets	(441,879)	(10,829)
	(8,819,546)	2,286,693
(Increase) / decrease in operating liabilities		
Bills payable	25,488	2,553
Deposits and other accounts	10,211,354	(2,547,664)
Borrowings from Head Office	(752,430)	82,860
Other liabilities	287,823	3,727
	9,772,235	(2,458,524)
<b>Net cash used in operating activities</b>	935,212	(81,674)
<b>Cash Flow from Investing Activities</b>		
Investment in operating fixed assets	(22,277)	(8,393)
<b>Net cash used in investing activities</b>	(22,277)	(8,393)
<b>Cash Flow from Financing Activities</b>		
Net Cash Flow from Financing Activities	-	-
<b>(Decrease) / increase in cash and cash equivalents</b>	912,935	(90,067)
Cash and cash equivalents at beginning of the year	173,676	263,743
<b>Cash and cash equivalents at end of the year</b>	1,086,611	173,676
<b>42.5 Allocation of Income and Expenses to Remunerative Depositors' Pool</b>		
Income from financing activities	161,536	167,123
Income from investments	314,588	306,231
Income from placements with Financial Institutions	236,226	-
<b>Total Income</b>	712,350	473,354
Less: Administrative expenses directly attributable to the Pool	(81,154)	(75,893)
Less: Profit distributed to other Special Pools	(2,276)	(5,856)
<b>Gross Distributable Income</b>	628,920	391,605
Mudarib (Bank) share of profit before Hiba	(135,599)	(75,030)
Less: Hiba from bank's share to depositors	45,895	16,223
Net Mudarib (Bank) share of profit	(89,704)	(58,807)
<b>Rab-ul-Maal Share of Profit</b>	539,216	332,798
<b>Rab-ul-Maal Share of Profit is distributed as follows:</b>		
Remunerative depositors' share in Mudarabah pool	207,887	156,848
Bank's equity in Mudarabah pool	331,329	175,950
	539,216	332,798



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

Note: Administrative and operating expenses are paid by the Bank and not charged to the depositors' pool as per guidelines of Mudarabah.

### 42.6 Pools maintained by NBP-IBG

NBP-IBG has managed a General Pool and four special pools during the year 2015. The General pool was maintained throughout the year and the special pools were maintained for specific periods the key features of the special pools maintained are as follows:

Pool description	Pool start date	Pool end date	Profit sharing Ratio	
			Rab-ul-Mall	Mudarib
Special pool 1	February 7, 2015	March 6, 2015	76.16%	23.84%
Special pool 2	March 12, 2015	April 11, 2015	74.15%	25.85%
Special pool 3	April 12, 2015	May 11, 2015	70.72%	29.28%
Special pool 4	March 3, 2015	June 17, 2015	73.24%	26.76%

### 42.7 Sectors of economy where Mudaraba based deposits have been deployed

Sector	Percentage
Textile spinning	1.56%
Textile composite	0.83%
Fuel & energy	3.32%
Leasing/Modarbas	0.36%
Services	0.03%
Sugar	3.54%
Financial	56.25%
Federal Government	34.11%
<b>Total</b>	<b>100%</b>

### 42.8 Parameters for profit allocation and charging expenses

Profit of the pools has been distributed between Mudarib and Rab-ul-Mall by using preagreed profit sharing ratios. The share of Rab-ul-Mall's profit has been distributed among different customers using the various weightages assigned to the different categories of the pool.

Direct expenses charged to the pool Comprise the Depreciation on Ijarah Assets and brokerage commission paid on purchase of Sukuk from secondary market. No provision against any non performing asset of the pool is passed on to the pool except on the actual loss / write off of such non performing asset.

	Rupees in '000
<b>42.9 Mudarib Share</b>	
Gross distributable income	628,920
Mudarib (Bank) share of profit before Hiba	135,599
	<b>Percentage</b>
Mudarib Share	22%
	<b>Rupees in '000</b>
<b>42.10 Hiba from Mudarib share</b>	
Mudarib (Bank) share of profit before Hiba	135,599
Hiba from bank's share to depositors	45,895
	<b>Percentage</b>
Hiba from bank's share to depositors	34%
<b>42.11</b> During the year the average profit rate earned by the Islamic Banking Group is 7.40% and the profit rate distributed to the depositors is 4.52%.	



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

### 43. SUBSEQUENT EVENT

The Board of Directors has proposed a cash dividend of Rs. 7.5 per share (2014: Rs. 5.5 per share) amounting to Rs. 15,956 million (2014: Rs. 11,701 million) at its meeting held on February 19, 2016 for approval of the members at the Annual General Meeting to be held on March 30, 2016. These consolidated financial statements do not reflect this appropriation as explained in note 5.16.

### 44. GENERAL

Figures have been rounded off to the nearest thousand rupees.

### 45. DATE OF AUTHORIZATION FOR ISSUE

The consolidated financial statements were authorized for issue on February 19, 2016 by the Board of Directors of the Bank.

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**Muneer Kamal**  
*Chairman*

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**Syed Ahmed Iqbal Ashraf**  
*President*

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**Muhammad Naeem**  
*Director*

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**Iftikhar A. Allawala**  
*Director*



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

Annexure I as referred to in  
Note 9.14 to the financial statements

## 1.1 Particulars of investments held in listed companies and modarabas

### 1.1.1 Ordinary shares

Investee	JCRVIS	PACRA	No. of shares held		Market Value	
			2015	2014	2015	2014
					-----Rupees in '000-----	
<b>Held-for-trading</b>						
Pakistan State Oil Company Limited	Unrated	Unrated	54,000	46,500	17,591	16,642
Oil & Gas Development Co Limited	Unrated	Unrated	444,000	-	52,098	-
Pak Elektron Limited	Unrated	Unrated	1,357,000	-	84,866	-
Engro Fertilizer Limited	Unrated	Unrated	5,000	-	420	-
Engro Foods Limited	Unrated	Unrated	-	95,000	-	10,311
Engro Corporation Limited	Unrated	Unrated	44,000	184,500	12,293	84,063
			<b>1,904,000</b>	<b>326,000</b>	<b>167,268</b>	<b>111,016</b>
<b>Available-For-Sale</b>						
Abbott Laboratories Limited	Unrated	Unrated	-	-	-	-
Adamjee Insurance Company Limited	Unrated	AA	8,036,307	8,036,307	454,132	397,476
Adil Textile Mills Limited	Unrated	Unrated	47,696	47,696	-	-
ADOS Pakistan Limited	Unrated	Unrated	575,500	575,500	20,171	27,192
Agriauto Industries Ltd.	Unrated	Unrated	567,047	567,047	117,379	85,057
Aisha Steel Mills Limited	A-/A-2	Unrated	10,000,000	10,000,000	87,100	82,900
AKZO Nobel Pakistan Limited	Unrated	Unrated	-	-	-	-
Al Abbas Sugar Mills	A/A1	A/A1	727,285	727,285	152,650	107,915
Al Abid Silk Mills	Unrated	Unrated	583,570	583,570	11,753	7,003
Al Qaim Textile Mills	Unrated	Unrated	-	-	-	-
Al-Ghazi Tractors Limited	Unrated	Unrated	-	-	-	-
Allied Bank Limited	AA+/1+	AA/A1+	6,136,450	8,200,250	578,422	931,384
American Life Insurance	Unrated	Unrated	-	-	-	-
AMTEX Ltd.	Unrated	Unrated	23,172,472	23,172,472	44,259	58,858
Archrome Pakistan (Formerly Clariant)	Unrated	Unrated	289,720	296,670	133,506	169,387
Arif Habib Corporation Ltd (Form. Ahs)	AA/A-1+	Unrated	-	2,185,692	-	60,107
Arif Habib Limited	Unrated	Unrated	-	-	-	-
Aruj Garment Accessories Limited	Unrated	Unrated	-	-	-	-
Asim Textile Mills	Unrated	Unrated	504,737	582,237	3,079	6,055
Askari Bank Limited	Unrated	AA/A1+	19,145,344	19,145,344	416,220	441,683
Atlas Battery Limited	Unrated	Unrated	-	-	-	-
Atlas Insurance	Unrated	Unrated	-	-	-	-
Attock Petroleum Ltd	Unrated	Unrated	1,011,151	1,011,151	510,753	545,597
Attock Refinery Limited	Unrated	AA/A1+	911,885	911,885	193,210	171,225
Ayaz Textile Mills	Unrated	Unrated	107,432	107,432	-	-
Azgard Nine Ltd	Unrated	D	22,169,691	22,169,691	97,990	130,579
Babri Cotton Mills	Unrated	Unrated	321,778	321,778	12,871	16,781
Balochistan Particle Board	Unrated	Unrated	850	398,550	4	2,834
Baluchistan Wheels	Unrated	Unrated	684,357	684,357	41,910	39,132
Bank Al Habib Limited	Unrated	AA+/A1+	11,037,866	11,037,866	459,175	535,888
Bank Alfalah Limited	Unrated	AA/A1+	30,689,567	30,689,567	884,473	1,070,452
Bank Of Punjab	Unrated	AA-/A1+	1,322,479	1,322,479	12,180	14,481
Bankislami Pakistan Limited	Unrated	A/A1	2,210,107	2,210,107	25,416	21,681
Bata Pakistan Limited	Unrated	Unrated	-	-	-	-
Berger Paints Ltd.	Unrated	Unrated	203,429	203,429	19,956	21,508
Bestway Cement (Formerly Mustehkam)	Unrated	Unrated	-	218,309	-	28,072
Blessed Textiles Limited	Unrated	Unrated	-	-	-	-
Boc Pakistan Limited (Linde Pakistan)	Unrated	Unrated	281,585	406,585	32,734	84,358
Bolan Casting Ltd	Unrated	Unrated	1,144,649	1,144,649	61,697	72,113
Brother Textile Mills Limited	Unrated	Unrated	-	-	-	-
Burshane Lpg Pakistan (Frm : Shell Lpg)	Unrated	Unrated	1,816,238	1,816,238	142,211	110,318
Buxlay Paints Limited	Unrated	Unrated	-	-	-	-
Casspak Industries	Unrated	Unrated	27,384	27,384	-	-
Century Insurance Company Ltd	A/A-2	Unrated	1,147,500	1,147,500	28,974	28,688
Colony Textile Mills Limited	Unrated	Unrated	471,316	471,316	1,419	2,220
Colony Sarhad Textile	Unrated	Unrated	167,677	167,677	-	-
Colony Sugar Mills Limited	Unrated	Unrated	181,491	181,491	907	1,406
Crescent Knitwear	Unrated	Unrated	42,130	42,130	-	-
Crescent Steel & Allied Product	Unrated	Unrated	2,473,606	1,999,385	307,642	101,289
Crescent Textile Mills Ltd.	Unrated	Unrated	1,049,799	1,049,799	19,978	18,172
Cynamid (Wyeth Pakistan )	Unrated	Unrated	57,788	57,788	134,068	242,652
DS Industries Ltd	Unrated	Unrated	540,339	540,339	1,626	2,313
Dadabhoy Construction	Unrated	Unrated	35,390	35,390	-	-
Dadabhoy Cement Industries	Unrated	Unrated	5,004,500	5,004,500	-	20,318
Dandot Cement	Unrated	Unrated	-	-	-	-
Data Agro Ltd.	Unrated	Unrated	-	48,635	-	584
Dawood Capital Management	Unrated	AM3+	328,285	328,285	-	-
Dawood Hercules Corporation Ltd	Unrated	Unrated	4,512,992	4,637,992	537,678	391,957
Dawood Lawrencepur Limited	Unrated	Unrated	135,387	135,387	18,953	16,318
Dewan Cement (Pakland Cement)	Unrated	D	-	4,587,003	-	35,595
Dewan Khalid Textile	Unrated	Unrated	-	142,425	-	1,142
<b>Balance carried forward</b>			<b>159,874,776</b>	<b>169,378,569</b>	<b>5,564,498</b>	<b>6,102,690</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

Investee	JCRVIS	PACRA	No. of shares held		Market Value	
			2015	2014	2015	2014
			-----Rupees in '000-----			
<b>Balance brought forward</b>			<b>159,874,776</b>	<b>169,378,569</b>	<b>5,564,498</b>	<b>6,102,690</b>
Dewan Mushtaq Textile	Unrated	Unrated	-	-	-	-
Dewan Salman Fibres	Unrated	Unrated	2,740,202	2,740,202	5,672	5,234
Dewan Sugar Mills	Unrated	Unrated	-	696,135	-	2,611
DG Khan Cement	Unrated	Unrated	-	-	-	-
Dost Steel Limited	Unrated	Unrated	-	-	-	-
Dolmen City Reit	Unrated	Unrated	40,375,450	-	433,229	-
Dynea Pakistan	Unrated	Unrated	-	-	-	-
EFU General Insurance	AA	Unrated	274,549	274,549	39,398	41,976
Ellcot Spinning Mills Limited	Unrated	Unrated	-	-	-	-
EMCO Industries Ltd.	Unrated	Unrated	-	165,708	-	669
English Leasing Limited	Unrated	Unrated	360,416	360,416	-	-
Engro Corporation Limited	Unrated	A/A1	3,059,823	3,059,823	854,884	677,781
Engro Fertilizers	Unrated	A/A1	648,652	648,652	54,571	50,660
Engro Foods Ltd 2	Unrated	AA/A1+	10,347,488	10,347,488	1,516,838	1,123,116
Engro Foods Ltd 1	Unrated	AA/A1+	13,826,421	20,598,921	2,026,815	2,235,807
Engro Polymer & Chemicals Limited	Unrated	Unrated	2,645,333	2,645,333	27,617	31,744
Escort Investment Bank	BB	BBB/A3	1,221,067	1,221,067	2,870	2,808
Faran Sugar Mills Ltd	Unrated	Unrated	381,883	381,883	29,649	15,081
Fateh Industries	Unrated	Unrated	11,712	11,712	2,068	2,177
Fateh Sportswear Ltd	Unrated	Unrated	23,003	23,003	1,349	1,959
Fateh Textile Mills	Unrated	Unrated	11,847	11,847	-	-
Fatima Enterprises	Unrated	A+/A1	109	109	-	-
Fatima Fertilizer Company Ltd	Unrated	A+/A1	6,240,614	6,240,614	279,143	223,227
Fauji Cement Company Ltd	Unrated	Unrated	-	1,825,000	-	47,158
Faysal Bank Limited	AA/A-1+	AA/A1+	-	-	-	-
Fazal Textile Mills	Unrated	Unrated	-	34,527	-	20,787
Fecto Cement Ltd	Unrated	Unrated	-	640,337	-	50,779
Ferozsons Laboratories Limited	Unrated	Unrated	-	-	-	-
FFC Bin Qasim Limited	Unrated	Unrated	-	1,598,899	-	72,286
First Capital Securities Corp.	Unrated	Unrated	2,048,345	2,048,345	5,940	4,117
First Dawood Investment Bank	Unrated	CCC	-	1,394,028	-	1,742
First Equity Modarba	Unrated	Unrated	68,435	2,034,435	359	10,172
First National Equities	Unrated	Unrated	191,637	191,637	617	470
Flying Cement Limited	Unrated	Unrated	-	3,078,000	-	22,469
Gadoon Textile Mills Limited	Unrated	Unrated	67,518	3,078,000	9,037	-
General Tyre & Rubber Co.	Unrated	Unrated	158,900	960,500	27,264	139,887
Ghandhara Nissan Limited	Unrated	Unrated	-	-	-	-
Ghani Glass Limited	Unrated	Unrated	-	-	-	-
Gharibwal Cement	D	Unrated	-	1,339,000	-	28,789
Glaxosmithkline (Glaxo Welcome)	Unrated	Unrated	3,896,808	4,087,708	857,376	896,475
Globe Textile Mills	Unrated	Unrated	33,704	33,704	-	-
Grays Of Cambridge	Unrated	Unrated	160,985	160,985	11,993	12,959
Greaves Aircondition	Unrated	Unrated	30,080	30,080	-	-
Gulistan Spinning Mills	Unrated	Unrated	148,828	148,828	327	379
Gulistan Textile Mills	Unrated	Unrated	374,355	374,355	-	5,615
Gulshan Spinning Mills	Unrated	Unrated	313,190	313,190	642	867
Habib Bank Ltd	AAA/A-1+	Unrated	4,066,538	3,182,999	813,796	688,355
Habib Bank Modaraba 1st	AA-/A-1+	AA+/A1+	-	-	-	-
Habib Metropolitan Bank	Unrated	AA+/A1+	29,776,785	29,776,785	907,299	1,110,674
Habib Modaraba (Ist)	AA-	AA+/A1+	-	-	-	-
Habib Sugar	Unrated	Unrated	6,546,806	6,546,806	248,844	296,701
Hafiz Textile Mills	Unrated	Unrated	-	-	-	-
Haji Mohammad Ismail Mills	Unrated	Unrated	1,594,650	1,594,650	5,517	4,784
Hakim Textile Mills	Unrated	Unrated	131,445	131,445	-	-
Hashimi Can Company	Unrated	Unrated	82,154	82,154	-	-
Hinopak Motors Ltd.	Unrated	Unrated	16,262	259,462	16,717	213,247
Honda Atlas Cars	Unrated	Unrated	-	1,522,754	-	301,779
Hub Power Company Ltd	Unrated	AA+/A1+	57,740,000	57,740,000	5,924,124	4,524,506
Huffaz Seamless Pipe Ind.	Unrated	Unrated	-	-	-	-
I.B.L. Modaraba (Ist)	Unrated	Unrated	727,077	727,077	2,988	2,472
Ibrahim Fibers	Unrated	AA-/A1+	1,076,062	1,076,062	46,432	96,835
ICI Pakistan	Unrated	Unrated	-	-	-	-
IGI Insurance Ltd.	Unrated	AA	4,586,385	4,586,385	1,085,001	1,240,984
IGI Life Insurance (Form. American Life)	Unrated	AA	2,500,000	2,500,000	345,325	402,375
Indus Dyeing & Manuf.	A+/A-1	Unrated	267,362	267,362	249,270	224,309
Innovative Invest.bank Ltd.(Housing Finance )	Unrated	Unrated	17,952	17,952	-	-
International Industries Ltd.	Unrated	Unrated	6,312,636	6,312,636	388,227	393,530
International Knit Wear	Unrated	Unrated	13,616	60,716	250	723
International Steel Limited	Unrated	Unrated	2,915,478	2,915,478	71,167	74,199
Invest Capital Investment Bank Limited	Unrated	Unrated	-	3,705,680	-	6,226
Jahangir Siddiqui Investment Company	Unrated	A+/A1	-	-	-	-
Javed Omer Vohra & Co.	Unrated	Unrated	859,960	859,960	-	-
Jehangir Siddiqui & Company Limited	Unrated	AA/A1+	-	28,503	-	414
Johnson & Phillips (Pak.) Ltd.	Unrated	Unrated	256,675	292,675	5,416	9,254
JS Bank Ltd	Unrated	A+/A1	14,475,904	15,496,904	112,188	110,648
Karim Cotton Mills	Unrated	Unrated	56,285	56,285	-	-
KASB Bank (Platinum Bank)	Unrated	BBB/A3	918,280	918,280	2,057	1,827
K-Electric Limited	Unrated	BBB/A3	20,000,000	-	148,800	-
Khairpur Sugar Mills Limited	Unrated	Unrated	-	-	-	-
Khurshed Spinning Mills	Unrated	Unrated	53,900	53,900	-	-
Kohat Cement Limited	Unrated	Unrated	-	-	-	-
Kohat Textiles Mills Ltd.	Unrated	Unrated	2,078,554	2,078,554	20,578	33,735
Kohinoor Energy Ltd	Unrated	Unrated	10,135,351	10,135,351	435,820	500,179
Kohinoor Mills Ltd	Unrated	Unrated	545,683	545,683	8,747	7,372
<b>Balance carried forward</b>			<b>417,287,930</b>	<b>395,650,087</b>	<b>22,590,721</b>	<b>22,077,619</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

Investee	JCRVIS	PACRA	No. of shares held		Market Value	
			2015	2014	2015	2014
					-----Rupees in '000-----	
Balance brought forward			417,287,930	395,650,087	22,590,721	22,077,619
Kohinoor Power Co.	Unrated	Unrated	-	-	-	-
Kohinoor Textile Mills Ltd	Unrated	Unrated	310,823	310,823	22,224	10,894
Kot Addu Power Company Limited	AA+/A-1+	Unrated	1,742,644	12,034,144	141,154	949,975
KSB Pumps Co.Limited	Unrated	Unrated	1,087,818	1,087,818	277,905	166,589
Lafarge Pakistan Cement	Unrated	Unrated	-	2,396,719	-	41,583
Leiner Pak.Gelatine	Unrated	Unrated	13,900	13,900	266	352
Libaas Textile Limited	Unrated	Unrated	-	250,000	-	2,938
Lotte Chemical Pakistan Limited	Unrated	Unrated	1,800,000	1,800,000	11,700	12,348
Lucky Cement Limited	Unrated	Unrated	-	-	-	-
Maple Leaf Cement Limited	Unrated	BB/B	-	-	-	-
Maqbool Textile Mills	Unrated	Unrated	-	-	-	-
Mari Petroleum Company Limited	Unrated	Unrated	3,648,500	3,648,500	2,543,515	1,734,679
Masood Textile Mills Limited	Unrated	Unrated	4,543,662	4,543,662	908,687	585,451
MCB Bank Limited	Unrated	AAA/A1+	-	-	-	-
Mehar Dasgiri Textile	Unrated	Unrated	24,856	24,856	-	-
Mehran Jute Limited	Unrated	Unrated	61,931	61,931	-	-
Metropolitan Steel Corp ( Restricted )	Unrated	Unrated	50,204	50,204	-	-
Millat Tractors Limited	Unrated	Unrated	-	-	-	-
Mirpurkhas Sugar Mills	Unrated	Unrated	802,353	802,353	63,386	51,030
Moonlite Pak (Blanket)	Unrated	Unrated	58,846	58,846	-	1,295
Morafco Limited	Unrated	Unrated	29,069	29,069	-	-
Nagina Cotton Mills Limited	Unrated	Unrated	-	-	-	-
National Foods Limited	A+/A-1	Unrated	1,224,200	4,585,800	388,059	1,816,894
National Over.	Unrated	Unrated	12,471	12,471	-	-
National Refinery Limited	Unrated	AA+/A1+	869,554	869,554	194,050	160,737
Nestle Pakistan Limited	Unrated	Unrated	4,980	4,980	38,844	45,318
NIB Bank Limited	Unrated	AA-/A1+	12,862,190	12,862,190	24,438	29,840
Nishat (Chunian) Limited	A-/A-2	AA-/A1+	2,258,638	1,933,449	76,794	87,817
Nishat Chunian Power Limited	A/A-2	AA-/A1+	-	-	-	-
Nishat Mills Limited	Unrated	AA-/A1+	-	-	-	-
Nishat Power Limited	A+/A-2	A+/A1	-	-	-	-
Oil And Gas Company Limited	AAA/A-1+	Unrated	2,015,581	2,015,581	236,508	414,948
Orix Leasing Pakistan Limited	Unrated	AA/A1+	1,689,793	1,689,793	102,232	81,195
Pace Pakistan Limited	Unrated	D	-	27,879,000	-	92,837
Packages Limited	Unrated	AA/A1+	1,016,263	1,116,263	591,577	757,150
Pak Datacom Limited	Unrated	Unrated	750,791	750,791	59,125	58,336
Pak Electron Limited	Unrated	A-/A2	-	-	-	-
Pak Suzuki Motors Limited	Unrated	Unrated	-	846,327	-	314,089
Pakgen Power Limited	Unrated	AA/A1+	3,406,500	4,550,000	100,253	122,987
Pakistan Engineering Company Limited	Unrated	Unrated	135,242	135,242	25,696	15,039
Pakistan International Airlines Corporation "A-Class"	Unrated	Unrated	15,836,011	20,851,011	133,973	155,340
Pakistan National Shipping Corporation	Unrated	AA-/A1+	608,707	608,707	54,175	97,606
Pakistan Oil Fields Limited	Unrated	Unrated	64,150	64,150	17,193	24,336
Pakistan Paper Products Limited	Unrated	Unrated	13,000	78,272	867	6,144
Pakistan Petroleum Limited	Unrated	Unrated	1,144,384	1,144,384	139,397	202,007
Pakistan Refinery Limited	Unrated	A-/A2	-	1,803,706	-	293,553
Pakistan Reinsurance Company Limited	Unrated	Unrated	12,083,770	12,083,770	409,036	366,622
Pakistan Services Limited	Unrated	Unrated	418,460	418,460	230,153	202,953
Pakistan State Oil 1	Unrated	AA+/A1+	3,062,447	3,062,447	997,653	1,096,080
Pakistan State Oil 2	Unrated	AA+/A1+	22,022,713	20,678,388	7,174,339	7,401,002
Pakistan Telecommunication Company Limited	Unrated	Unrated	34,361,854	34,361,854	566,627	791,353
Pakistan Tobacco	Unrated	Unrated	1,100	1,100	1,226	1,166
Pan Islamic Steamship	Unrated	Unrated	421	421	-	-
Paramount Spinning Mills	Unrated	Unrated	994,301	994,301	2,704	4,773
Pervez Ahmed Securities Limited	Unrated	Unrated	301,925	301,925	607	915
Pioneer Cement Limited	Unrated	Unrated	-	2,527,000	-	216,336
Premier Insurance Co. of Pakistan Limited	Unrated	Unrated	-	-	-	-
Premium Textile Mills	Unrated	Unrated	167,389	167,389	14,890	21,049
Punjab Modaraba (Ist)	Unrated	BBB/A3	-	-	-	-
Quetta Textile Mills	D	Unrated	9,686	9,686	381	504
Redco Textile Mills Limited	Unrated	Unrated	-	402,378	-	1,807
RMCPCL	Unrated	Unrated	13	13	-	-
Ruby Textile Mills	Unrated	Unrated	-	311,132	-	2,022
Rupali Polyester Limited	Unrated	Unrated	816,483	816,483	9,569	11,823
S.G.Power	Unrated	Unrated	164,692	164,692	-	329
Sadoun Textile Mills	Unrated	Unrated	421	421	-	-
Saif Textile Mills Limited	Unrated	Unrated	-	-	-	-
Salman Noman Enterprises	Unrated	Unrated	-	157,606	-	788
Samba Bank Limited	AA-A-/A-1	Unrated	3,469,974	3,469,974	20,820	24,290
Samin Textile Mills	Unrated	Unrated	1,604,838	1,604,838	12,839	22,468
Sana Industries Limited	Unrated	Unrated	-	-	-	-
Sanghar Sugar Mills	Unrated	Unrated	-	-	-	-
Sapphire Textile Mills	A+/A-1	Unrated	-	-	-	-
Sardar Chemical Ind.Limited	Unrated	Unrated	-	-	-	-
Saudi Pak Leasing Co.	D	Unrated	-	-	-	-
Schon Textiles Mills	Unrated	Unrated	131,446	131,446	-	-
Searle Pakistan Limited	BBB+	Unrated	1,502	301,210	594	72,845
Security Investment Bank	A/A-2	Unrated	1,160,703	1,160,703	2,658	2,844
Security Papers Limited	AAA/A-1+	AAA/A1+	1,346,415	1,335,195	118,633	103,344
Service Fabrics Limited	Unrated	Unrated	-	687,561	-	-
Service Industries Limited	Unrated	Unrated	842,126	842,126	715,807	820,711
Service Textile Mills	Unrated	Unrated	82,575	82,575	917	1,470
Balance carried forward			558,420,245	592,639,677	39,022,192	41,578,420



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

Investee	JCRVIS	PACRA	No. of shares held		Market Value	
			2015	2014	2015	2014
					-----Rupees in '000-----	
<b>Balance brought forward</b>			<b>558,420,245</b>	<b>592,639,677</b>	<b>39,022,192</b>	<b>41,578,420</b>
Shabbir Tiles & Ceramics	Unrated	Unrated	1,316,989	1,891,989	10,878	21,417
Shahmurad Sugar Mills Limited	BBB+/A-2	Unrated	-	-	-	-
Shahtaj Sugar Mills	Unrated	Unrated	408,539	408,539	27,703	29,648
Shell Pakistan Limited	Unrated	Unrated	218,750	218,750	49,928	56,630
Shezan International	Unrated	Unrated	-	-	-	-
Silk Bank Limited	A-/A-2	Unrated	1,810,788	1,810,788	3,296	4,020
Sindh Fine Textile Mills	Unrated	Unrated	-	39,603	-	408
Sitara Chemicals Industries Limited	A+/A-1	Unrated	520,814	520,814	187,493	164,765
Sitara Energy Limited	Unrated	Unrated	1,130,517	1,130,517	36,357	45,209
SME Leasing Limited	BB+/B	Unrated	1,230,477	1,230,477	308	1,231
Soneri Bank Limited	Unrated	AA-/A1+	25,026,394	29,026,394	378,649	357,895
Standard Chartered Leasing Limited	Unrated	AA-/A1+	-	-	-	-
Standard Chartered Modaraba	Unrated	AA-/A1+	-	1,975,021	-	48,289
Sui Northern Gas Pipeline Ltd 1	Unrated	AA/A1+	18,805,318	18,805,318	452,080	539,901
Sui Northern Gas Pipeline Ltd 2	Unrated	AA/A1+	16,701,835	32,322,335	401,512	927,974
Sui Southern Gas Pipeline Limited	Unrated	AA-/A1+	10,320,674	29,536,674	385,477	1,145,432
Summit Bank Limited (Formuly Arif Habib Bank)	A-/A-3	Unrated	48,908,297	48,908,297	192,210	217,642
Sunshine Cotton Mills Limited	Unrated	Unrated	498,220	498,220	-	-
Suraj Ghee Limited	Unrated	Unrated	27,384	27,384	-	-
Taj Textile Mills Limited	Unrated	Unrated	763,513	763,513	-	-
Tandlianwala Sugar Limited	Unrated	Unrated	-	17,948	-	681
Tata Textile Mills	Unrated	Unrated	-	-	-	-
Tele Card Limited	Unrated	Unrated	10,782,876	22,371,376	31,055	74,049
Thall Limited	Unrated	Unrated	6,197,498	6,197,498	1,570,012	1,667,313
Thatta Cement Co. Limited	Unrated	Unrated	9,859,862	9,859,862	255,272	325,375
TPL Direct Insurance Limited	Unrated	Unrated	1,157,378	4,141,360	27,546	106,640
TPL Trakker Limited	Unrated	A-/A2	9,298,597	15,444,597	138,828	123,866
Treet Corporation	AA-/A-1	Unrated	1,703,660	3,312,678	107,262	437,009
TRG Pakistan	Unrated	Unrated	-	788,000	-	11,473
Tri Star Modaraba (Ist)	Unrated	Unrated	151,492	151,492	833	757
Twakkal Garments Industries Limited	Unrated	Unrated	172,325	172,325	-	-
Unicap Modaraba	Unrated	Unrated	-	-	-	-
United Bank Limited	AA-/A-1+	Unrated	6,657,940	5,230,940	1,031,648	924,360
United Brands Limited (Udl Industries)	Unrated	Unrated	-	3,000	-	249
United Distributors Pak.	Unrated	Unrated	-	-	-	-
Wah Noble Chemicals Limited	Unrated	Unrated	324,421	324,421	16,195	20,276
Worldcall Telecom	Unrated	D	47,435,914	47,435,914	72,103	80,641
Yousuf Weaving Mills	Unrated	Unrated	627,427	627,427	1,757	2,924
Zahur Cotton Mills	Unrated	Unrated	225	225	-	-
Zeal Pak Cement Limited	Unrated	Unrated	247,789	247,789	-	-
Agritech Ltd (AGL) (Mark to market)	Unrated	Unrated	242,055	242,055	2,263	1,876
Jahangir Siddiqui & Company Limited	D	Unrated	13,400	13,400	752	752
			<b>780,981,613</b>	<b>878,336,617</b>	<b>44,403,608</b>	<b>48,917,122</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 1.1.2 Particulars of Investments held in un-listed companies

#### 1.1.2.1 Ordinary Shares - Holding 10% and above

Investee	Rating		Percentage of holding	No. of Shares held	Cost of Investment		Break-up value of investment	Based on accounts as at	Name of Chief Executive
	JCRVIS	PACRA			2015	2014			
----- Rupees in '000 -----									
Digri Sugar Mills Limited	Unrated	Unrated	12.4%	2,000,000	4,063	4,063	8,126	30-Sep-99	Mr. Naveed Ahmad Javeri
JDM Textile Mills Limited	Unrated	Unrated	10.00%	478,444	4,784	4,784	11,639	June 30, 2012	Mr.LT. Gen ® Ali Kuli Khan
Gelcaps Pakistan Limited	Unrated	Unrated	14.6%	2,000,000	4,665	4,665	25,340	30-Jun-06	Mr. Sadruddin Hashwani
Intech International	Unrated	Unrated	18.6%	275,000	-	-	.....	Not Available.....	Mr. Hassan Zaidi
Pakistan Agriculture Storage Service Corporation (Face value: Rs.1,000 each)	Unrated	Unrated	18.3%	5,500	5,500	5,500	109,831	31-Mar-03	Maj. General Fahim Akhter Khan
Precision Engineering	Unrated	Unrated	16.8%	15,100	-	-	.....	Not Available.....	Mr.Zaheer Hussain
Resources and Engineering Management Corporation	Unrated	Unrated	10.0%	66,125	-	-	(484,696)	June 30,2005	Mr.Shafaat Ahmed
Safa Rice Mills Limited	Unrated	Unrated	15.8%	450,000	-	-	.....	Not Available.....	Mr. Pervaiz Alam
Sigma Knitting Mills	Unrated	Unrated	14.1%	500,000	-	-	(6,793)	June 30,1999	..... Not Available.....
				5,790,169	19,012	19,012			

#### 1.1.2.2 Ordinary Shares - Holding below 10%

Investee	Rating		No. of Shares held	Cost of Investment		Break-up value of investment	Based on accounts as at	Name of Chief Executive
	JCRVIS	PACRA		2015	2014			
	----- Rupees in '000 -----							
Accord Textile Mills Limited	Unrated	Unrated	233,400	-	-	-	Not Available.....	
Adamjee Floorings Limited	Unrated	Unrated	30,080	-	-	-	Not Available.....	
Adamjee Papers & Board Mills Limited	Unrated	Unrated	137,597	-	-	-	Not Available.....	
Adil Polypropylene Limited	Unrated	Unrated	69,093	-	-	-	Not Available.....	
Afsar Textile Mills Limited	Unrated	Unrated	32,778	-	-	-	Not Available.....	
Al Ameen Textile	Unrated	Unrated	30,000	328	328	-	Not Available.....	
Al Zamin Modarba Management	Unrated	Unrated	140,000	1,000	1,000	2,134	June 30, 2006	Mr. Bashir A. Chaudhry
Al-Hussany Industries Limited	Unrated	Unrated	31,514	-	-	-	Not Available.....	
Alif Textile Mills Limited	Unrated	Unrated	163,464	-	-	-	Not Available.....	
Amazai Textile Limited	Unrated	Unrated	10,111	-	-	-	Not Available.....	
AMZ Venture Limited Class A	Unrated	Unrated	200,000	122	122	-	Not Available.....	
Apex Fabrics Limited	Unrated	Unrated	144,506	-	-	-	Not Available.....	
Applo Pharma	Unrated	Unrated	-	-	252,000	-	Not Available.....	
Arabian Seas Country Club	Unrated	Unrated	650,000	6,500	6,500	-	Not Available.....	
Arag Industries Limited	Unrated	Unrated	96,478	-	-	-	Not Available.....	
Aslo Electronics Limited	Unrated	Unrated	20,054	-	-	-	Not Available.....	
Aswan Tantage Limited	Unrated	Unrated	86,030	-	-	-	Not Available.....	
Atlas Power Limited	Unrated	Unrated	37,500,000	375,000	375,000	653,823	30-Jun-13	Maqsood A. Basra
Attock Textile Mills Limited	Unrated	Unrated	100,000	200	200	(1,412)	Sept. 30, 1998	Mr. Arshad Ali Chaudhry
Awan Textile Mills Limited	Unrated	Unrated	108,696	-	-	-	Not Available.....	
Bahawalpur Textile Limited	Unrated	Unrated	33,283	-	-	-	Not Available.....	
Baluchistan Foundry (Tower)	Unrated	Unrated	37,664	-	-	-	Not Available.....	
Bankers Equity Limited (B.E.L.)	Unrated	Unrated	1,485,925	-	-	-	Not Available.....	
Bankers Equity Limited (B.E.L.)	Unrated	Unrated	251,022	-	-	-	Not Available.....	
Bawany Textile Mills Limited	Unrated	Unrated	42,972	-	-	-	Not Available.....	
Bela Engineers Limited	Unrated	Unrated	135,658	-	-	-	Not Available.....	
Brikks Pvt Limited	Unrated	Unrated	39,050	-	-	-	Not Available.....	
Callmate Telips Telecom Limited	Unrated	Unrated	44	0.00	0.00	-	Not Available.....	
Central Cotton Mills	Unrated	Unrated	17,864	-	-	-	Not Available.....	
Charsada Sugar Mills Limited	Unrated	Unrated	4,634	-	-	-	Not Available.....	
Chilya Corrugated Board Limited	Unrated	Unrated	22,076	-	-	-	Not Available.....	
Crescent Spinning Mills	Unrated	Unrated	370,744	-	-	-	Not Available.....	
Crown Textile	Unrated	Unrated	161,948	-	-	-	Not Available.....	
Dadabhoy Leasing Co.	Unrated	Unrated	188,742	-	-	-	Not Available.....	
Dadabhoy Sack Limited	Unrated	Unrated	25,102	-	-	-	Not Available.....	
Engine System	Unrated	Unrated	788,500	-	-	-	Not Available.....	
F.T.C. Management	Unrated	Unrated	50,000	250	250	34,657	June 30, 2012	Engr. Mir Fateh Sultan
Fauji Akbar Portia	Unrated	Unrated	29,188,739	321,076	321,076	212,867	30-Jun-15	Mr. Ahmed Kamal Rana
Fauji Oil Terminals	Unrated	Unrated	1,088,600	10,886	10,886	21,981	June 30, 2014	Lt. Gen ® M. Mustafa Khan
Fazal Vegetable Ghee	Unrated	Unrated	21,486	-	-	-	Not Available.....	
First Women Bank Limited	Unrated	BBB+/A2	7,698,441	21,100	21,100	68,275	Dec. 31, 2015	Ms. Tahira Raza
Fortune Securities Limited	Unrated	Unrated	500,000	5,000	5,000	8,334	June 30, 2012	Mr. Qasim Lakhani
Frontier Textile Mills Limited	Unrated	Unrated	50,000	500	500	272	Sep. 30, 2002	Not available
Ghafoor Textile Mills	Unrated	Unrated	23,424	-	-	-	Not Available.....	
Ghulam M.Dadabhoy ( Dadabhoy Padube )	Unrated	Unrated	25,278	-	-	-	Not Available.....	
Gulistan Power Generation Limited	Unrated	Unrated	220,000	2,200	2,200	8,096	June 30, 2000	Mr. Abdul Shakoor
Gypsum Corporation	Unrated	Unrated	84,176	-	-	-	Not Available.....	
H.Shaikh Muhammed Hussain	Unrated	Unrated	57,634	-	-	-	Not Available.....	
Harum Textile	Unrated	Unrated	29,683	-	-	-	Not Available.....	
Hazara Woolen Mills Limited	Unrated	Unrated	20,000	200	200	-	Not Available.....	
Hyderabad Electronic	Unrated	Unrated	50,135	-	-	-	Not Available.....	
IDBP	Unrated	Unrated	1,011	107	107	-	Not Available.....	
Indus Bank Limited.	Unrated	Unrated	76	-	-	-	Not Available.....	
Indus Polyester Co.	Unrated	Unrated	3	-	-	-	Not Available.....	
Insecta Pakistan Limited	Unrated	Unrated	50,000	-	-	315	June 30,1997	Mr. Syed Tauqeer Haider
Inter Asia Leasing Company Limited	Unrated	Unrated	50,000	500	500	-	Not Available.....	
Investec Securities Limited	Unrated	Unrated	50,205	-	-	-	Not Available.....	
Islamabad Stock Exchange Ltd	Unrated	Unrated	3,034,603	30,346	30,346	-	Not Available.....	
Islamic Investment Bank	Unrated	Unrated	71,339	-	-	-	Not Available.....	
Itti Textile Mills	Unrated	Unrated	83,418	-	-	-	Not Available.....	
Junaid Cotton Mills Limited	Unrated	Unrated	51,759	328	328	-	Not Available.....	
Kaisar Arts & Krafts	Unrated	Unrated	868,959	8,395	8,395	-	Not Available.....	
Balance carried forward			86,757,998	784,038	1,036,038			



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

Investee	Rating		No. of Shares held	Cost of Investment		Break-up value of investment	Based on accounts as at	Name of Chief Executive
	JCRVIS	PACRA		2015	2014			
	----- Rupees in '000 -----							
Balance brought forward			86,757,998	784,038	1,036,038			
Karachi Pipes	Unrated	Unrated	79,710	-	-		Not Available	
Karim Silk Mills Limited	Unrated	Unrated	9,690	-	-		Not Available	
Kaytex Mills (Saleem Denim Ind.)	Unrated	Unrated	82,575	-	-		Not Available	
Kaytex Mills Limited	Unrated	Unrated	377,800	3,778	3,778		Not Available	
Kohinoor ( Cotton ) Textile	Unrated	Unrated	31,935	-	-		Not Available	
Kohinoor Looms Limited	Unrated	Unrated	86,366	-	-		Not Available	
Karachi Stock Exchange	Unrated	Unrated	4,007,383	-	-		Not Available	
Lafayette Industries Synth.	Unrated	Unrated	46,765	-	-		Not Available	
Marr Fabrics Limited	Unrated	Unrated	60,246	-	-		Not Available	
Medi Glass Limited	Unrated	Unrated	150,404	-	-		Not Available	
Mehran Bank Limited	Unrated	Unrated	376,390	-	-		Not Available	
Mian Mohammad Sugar	Unrated	Unrated	87,630	15	15		Not Available	
Mohib Textile Limited	Unrated	Unrated	507,080	-	-		Not Available	
Mubarik Dairies	Unrated	Unrated	28,227	-	-		Not Available	
Muslim Ghee Mills Limited	Unrated	Unrated	181,000	1,810	1,810		Not Available	
Myfip Video Industries	Unrated	Unrated	537,300	5,373	5,373		Not Available	
National Asset Leasing Corporation	Unrated	Unrated	135,050	14	14		Not Available	
National Construction Limited	Unrated	Unrated	149,999	250	250	597	June 30, 2005	Mr. Ali Mohammad Shaikh
National Film Development Corporation Limited	Unrated	Unrated	10,000	-	-	(1,825)	June 30, 2000	Mr. Sajjad Haider
National Industry Cooperative Bank of Gujrat	Unrated	Unrated	1	-	-		Not Available	
National Institution of Facilitation Technology (Pvt) Ltd	Unrated	Unrated	2,266,607	1,526	1,526	28,030	June 30, 2012	Mr. M. M. Khan
National Investment Trust (face value Rs.100 each)	AM-DS	Unrated	79,200	100	100	1,796	June 30, 2010	Mr. Tariq Iqbal Khan
National Match Ind.	Unrated	Unrated	13,398	-	-		Not Available	
National Woolen Mills Limited	Unrated	Unrated	18,300	183	183		Not Available	
Natover Lease & Refinance	Unrated	Unrated	371,674	2,602	2,602		Not Available	
Naveed Textile Mills	Unrated	Unrated	35,979	-	-		Not Available	
Newyork Poly Clinic of Karachi	Unrated	Unrated	220,133	-	-	(241)	June 30, 1998	Mr. Akhter Aziz khan
Norrie Textile Mills	Unrated	Unrated	69,557	-	-		Not Available	
Newshehra Engineering Works Limited	Unrated	Unrated	18,179	41	41		Not Available	
Nusrat Textile Mills	Unrated	Unrated	156,134	-	-		Not Available	
Pak Ghee Limited	Unrated	Unrated	29,491	-	-		Not Available	
Pak Paper Corporation	Unrated	Unrated	52,831	-	-		Not Available	
Pakistan Export Finance Guarantee Agency Limited	Unrated	Unrated	1,152,938	11,529	11,529	1,152	Dec 31, 2009	Not available
Pakistan Paper Corporation Limited	Unrated	Unrated	37,250	373	373		Not Available	
Pakistan Telephone Cables	Unrated	Unrated	45,969	143	143		Not Available	
Pakistan Textile City	Unrated	Unrated	10,000,000	100,000	100,000	33,812	June 30, 2015	Mr. Muhammad Hanif Kasbati
Pakistan Tourism Development Corporation	Unrated	Unrated	10,000	100	100	24,983	June 30, 1996	Not available
Pearl Fabrics Limited	Unrated	Unrated	117,121	-	-		Not Available	
People Steel Mills Limited	Unrated	Unrated	1,076,880	3,276	3,276		Not Available	
Polyron Limited	Unrated	Unrated	76	-	-		Not Available	
Prudential Investment Bank	Unrated	Unrated	166,278	-	-		Not Available	
Punjab Building Limited	Unrated	Unrated	226,070	-	-		Not Available	
Punjab Cotton	Unrated	Unrated	28,648	-	-		Not Available	
Punjab Lamps	Unrated	Unrated	55,274	-	-		Not Available	
Qadri Textile Mills Limited	Unrated	Unrated	50,000	500	500		Not Available	
Qayyum Spinning	Unrated	Unrated	36,653	-	-		Not Available	
Quality Steel Works	Unrated	Unrated	1,685	-	-		Not Available	
RCD Ball	Unrated	Unrated	10,027	-	-		Not Available	
Refrigerator Manufacturing Company Limited	Unrated	Unrated	45,737	4,589	4,589		Not Available	
Regal Ceramics Limited	Unrated	Unrated	45,501	-	-		Not Available	
Rehman Cotton Mills Limited	Unrated	Unrated	1,695,800	16,958	16,958	107,895	June 30, 2011	Mr. LT. Gen ® Ali Kuli Khan
Rex Baren Battery	Unrated	Unrated	28,564	-	-		Not Available	
Rousch Power Pakistan Limited	Unrated	Unrated	39,729,000	132,888	132,888	870,989	June 30, 2013	Mr. Naseem Akhter
Ruby Rice and General Mills Limited	Unrated	Unrated	75,000	750	750		Not Available	
Sahrish Textile Mills	Unrated	Unrated	10,043	20	20		Not Available	
Saitex Spinning Mills	Unrated	Unrated	182,423	-	-		Not Available	
Shahpur Textile Mills	Unrated	Unrated	200,527	-	-		Not Available	
Shahyar (Oe) Textile Mills	Unrated	Unrated	40,023	-	-		Not Available	
Shahyar Textile Mills	Unrated	Unrated	113,161	-	-		Not Available	
Shoaib Capital	Unrated	Unrated	100,000	271	271	544	June 30, 2000	Not available
Siftaq (International) Textile Mills	Unrated	Unrated	54,769	-	-		Not Available	
Sindh Alkalies Limited	Unrated	Unrated	359,369	-	-		Not Available	
SME Bank Limited	BBB	Unrated	6,121,095	26,950	26,950	50,986	31-12-2010	Mr. R. A Chughtai
South Asia Regional Fund	Unrated	Unrated	5,000	287	287		Dec 31, 07	Mr. Jean Fondaumiere
Star Salica Industries Limited	Unrated	Unrated	26,650	267	267		Not Available	
Sunrise Textile Mills	Unrated	Unrated	7,668	-	-		Not Available	
Sunshine Cloth Mills	Unrated	Unrated	150,000	-	-		Not Available	
Sunshine Cloth Mills	Unrated	Unrated	374,721	-	-		Not Available	
Syed Match Ind.	Unrated	Unrated	162	2	2		Not Available	
Taga Pakistan Limited	Unrated	Unrated	48,450	-	-		Not Available	
Tariq Cotton Mills	Unrated	Unrated	21,907	-	-		Not Available	
Tawakkal Limited	Unrated	Unrated	57,297	-	-		Not Available	
Tawakkal Modaraba (Ist)	Unrated	Unrated	241,827	-	-		Not Available	
Transmobile Limited	Unrated	Unrated	644,508	-	-	(44)	June 30, 1997	Mr. Javed Burki
Turbo Tec Limited (Tubes)	Unrated	Unrated	86,788	-	-		Not Available	
Union Insurance Co.Of Pakistan	Unrated	Unrated	156	4	4		Not Available	
Unity Modaraba	Unrated	Unrated	1,000,000	28	28		Not Available	
Uqab Breeding Farms	Unrated	Unrated	70,778	-	-		Not Available	
Zafar Textiles Mills Limited	Unrated	Unrated	247,100	256	256		Not Available	
Zafar Textiles Mills Limited	Unrated	Unrated	34,041	-	-		Not Available	
Zahur Textile Mills	Unrated	Unrated	210,229	-	-		Not Available	
Zulsham Engineering Works Limited	Unrated	Unrated	3,300	330	330		Not Available	
Pakistan Stock Exchange Limited	Unrated	Unrated	1,602,953	11,000	11,000		Not Available	
			163,684,448	1,110,251	1,362,251			
			169,474,617	1,129,263	1,381,263			



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

## 1.2 Particulars of Investments held in units of mutual funds

	Rating		No. of units held		Market value	
	JCRVIS	PACRA	2015	2014	2015	2014
					----- Rupees in '000 -----	
ABL Cash Fund	AA(f)	Unrated	-	14,975,739	-	156,646
AKD Cash Fund	AA+(f)	Unrated	970,683	799,539	50,010	41,816
Al Falah GHP Cash Fund	Unrated	AA(f)	-	199,075	-	104,339
Atlas Money Market Fund	Unrated	AA(f)	96,281	348,473	50,015	182,781
Asian Stock Fund	Unrated	Unrated	-	-	-	-
Askari Sovereign Cash Fund	Unrated	AAA(f)	-	994,830	-	104,248
Dominion Stock Fund	Unrated	Unrated	80,326	80,326	-	-
Faysal Financial Sector Opportunity Fund	-	-	-	-	-	-
Faysal Money Market Fund	AA+(f)	Unrated	-	991,768	-	104,384
First Dawood Mutual Fund	Unrated	2-Star/2-Star	1,157,674	1,157,674	-	-
First Habib Cash Fund	AA(f)	Unrated	-	750,378	-	78,377
HBL Money Market Fund	AA(f)	Unrated	481,029	1,517,263	49,974	158,812
IGI Money Market Fund	Unrated	Unrated	-	1,487,279	-	156,611
Investec Mutual Fund	Unrated	Unrated	87,858	87,858	-	-
J.S Large Capital Fund	Unrated	Unrated	-	468,069	-	47,808
Lakson Money Market Fund	Unrated	AA(f)	485,902	1,249,399	50,014	130,462
MCB Cash Optimizer Fund	Unrated	AA(f)	-	1,515,101	-	158,040
Meezan Balanced Fund	Unrated	Unrated	3,543,409	3,359,575	52,797	48,210
NAFA Government Securities Liquid Fund	Unrated	AM2+	15,551,135	19,200,860	162,069	201,473
NAFA Islamic Stock Fund	Unrated	Unrated	11,240,478	-	115,795	-
NAFA Government Securities Liquid Fund	Unrated	AAA (f)	4,103,580	4,341,624	42,766	4,342
NAFA Pension Fund	Unrated	Unrated	564,861	547,284	82,510	73,607
NAFA Islamic Pension Fund	Unrated	Unrated	569,824	545,911	79,281	70,761
NAFA Money Market Fund	Unrated	Unrated	-	3,179,826	-	33,250
NAMCO Balanced Fund	Unrated	Unrated	-	2,621,664	-	25,666
NIT-EMOF	Unrated	Unrated	10,045,493	10,045,493	2,008,898	2,070,477
NIUT-NON LOC	Unrated	Unrated	-	-	-	-
NIT Government Bond Fund	Unrated	AA(f)	-	9,213,279	-	100,240
NIT Income Fund	Unrated	A+(f)	-	18,286,551	-	201,701
NIT- Islamic Equity Fund	Unrated	A+(f)	12,523,541	-	123,482	-
Pak Oman Government Securities Fund	Unrated	AA(f)	-	-	-	-
PICIC Cash Fund	AA+(f)	Unrated	-	998,804	-	104,605
PICIC Energy Fund	Unrated	Unrated	51,327	51,328	590	578
PICIC Investment Fund	Unrated	Unrated	1,000,000	1,000,000	11,430	12,200
UBL Liquidity Plus Fund	Rating	AA+(f)	-	997,056	-	104,372
			<b>62,553,401</b>	<b>101,012,027</b>	<b>2,879,631</b>	<b>4,475,806</b>

## 1.3 Particulars of Investments held in Preference shares

	Rating PACRA	Cumulative/ Non- cumulative	Rate	No. of certificates held		Market Value / Cost	
				2015	2014	2015	2014
						-----Rupees in '000-----	
Listed:							
Agritech Limited (Preference)	Unrated	Cumulative	9.25%	3,458,756	3,458,756	10,376	34,587
Aisha Steel Preference Shares	Unrated	Cumulative	0.00%	273,699	273,699	2,264	240
Chenab Textile Mills Limited	Unrated	Cumulative	9.25%	10,000,000	10,000,000	15,300	100,000
Charsada Sugar(Saleem Sugar Mills )	Unrated	Cumulative	6.00%	105	105	-	-
Summit Bank Preference Class A		Non-Cumulative	10.00%	14,997,640	14,997,640	149,976	149,976
Masood Textile Mills	Unrated	Floating	12.65%	5,000,000	5,000,000	44,200	50,000
Maple Leaf Cement Factory	SD	Cumulative	9.75%	-	-	-	-
Pak Elektron Limited	A/A1	Cumulative	9.50%	10,643,642	12,893,642	106,436	128,932
				44,373,842	46,623,842	328,553	463,740
Unlisted:							
Pakistan Mercantile Exchange Limited	Unrated	-	-	1,300,000	1,300,000	13,000	13,000
Moro Textile Mills		Non-Cumulative		19,242,000	19,242,000	192,420	192,420
Silk Bank Limited (PNCPS)		Non-Cumulative		80,000,000	80,000,000	200,000	200,000
				100,542,000	100,542,000	405,420	405,420

\* Cost of the above investment amounted to **Rs. 846.66 million** (2014: Rs. 846.66 million)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

### 1.4 Debentures, Bonds, Participation Term Certificates and Term finance certificates

#### 1.4.1 Term finance certificates

Investee	Rate of interest	Profit payment	Maturity	Long Term Rating	No. of certificates held		Market value / Cost	
					2015	2014	2015	2014
Listed	------(Rupees in '000)-----							
Askari Bank Limited	12.53% 6 months Kibor + 2.5%	Half yearly	October 31, 2013	AA-	-	3,200	-	15,660
Azgard Nine Limited	9.44% 6 month Kibor + 2.4%	Half yearly	August 17, 2012	D	20,000	20,000	32,538	32,538
Azgard Nine Limited	7.75% 6 month Kibor + 1.69%	Half yearly	September 20, 2017	D	4,000	4,000	6,506	6,506
Bank Al-Falah Ltd.	15% (Fixed)	Half yearly	December 2, 2017	AA-	10,850	10,850	59,265	58,971
Escorts Invest. Bank Ltd.	11.53% 6 months Kibor + 2.5%	Half yearly	September 15, 2014	BB	-	-	-	-
Faysal Bank Ltd.	11.01% 6 months Kibor + 2.25%	Half yearly	October 11, 2017	AA-	-	-	-	-
Faysal Bank Ltd. (P)	8.77% 6 months Kibor + 2.25%	Half yearly	December 27, 2017	AA-	14,200	14,200	72,452	74,167
Financial Receivable Securitization Company Limited	11.08% 6 month Kibor + 2%	Half yearly	December 27, 2013	A+	-	-	-	-
NIB Bank Ltd.	7.69% 6 month Kibor + 1.15%	Half yearly	March 5, 2016	A+	80,000	80,000	395,762	394,333
	6 months Kibor + 1.5%							
Saudi Pak Leasing Co. - HTM	6 months Kibor + 1.5%	Half yearly	March 13, 2013	D	10,000	10,000	27,948	27,948
Soneri Bank Limited	13.61% 6 month Kibor + 1.6%	Half yearly	March 31, 2011	A+				
Summit Bank Ltd	9.72% 6 months Kibor + 3.25%	Half yearly	November 11, 2018	A-(SO)	44,898	44,898	229,862	191,779
Javedan Corporation Limited	6 month Kibor + 2.25%	Half yearly	November 10, 2017	Unrated	14,000	14,000	891,425	905,887
Telecard Ltd.	11.5% 6 month Kibor + 3.25%	Half yearly	May 27, 2015	Unrated	7,000	7,000	10,894	10,967
							1,726,652	1,718,756
Unlisted								
Afroze Textile Industries	3 month Kibor-5% + (Floor8.50%)	Quarterly	December 29, 2019	Unrated	12	12	284,000	284,000
Agritech Limited	6 month Kibor + 1.75%	Half yearly	January 14, 2019	D	95,273	95,273	336,368	336,368
AKD Securites Ltd	6 month Kibor + 2.5%	Half yearly	December 31, 2015	D	-	-	458,796	496,000
Al-Azhar Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	5,168	5,168
Al-Qaim Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	16	16	357	357
Apex Fabrics Limited	22.00%	Overdue	Overdue	Unrated	16	16	2,640	2,640
Aqma Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	3,549	3,549
Aswan Tentage & Canvas Mills Limited	22.00%	Overdue	Overdue	Unrated	1	1	3,643	3,643
Azgard Nine Limited 27-07-2012	Zero Markup	-	March 31, 2017	D	122,697	122,697	613,485	613,485
Babri Cotton Mills	Zero Markup	Annually	December 30, 2016	Unrated	-	5	-	16,473
Bachani Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	28	28	23,696	33,054
Baluchistan Cotres Limited	22.00%	Overdue	Overdue	Unrated	22	22	-	1,098
Bankers Equity Limited	22.00%	Overdue	Overdue	Unrated	10	10	31,335	31,335
Bela Chemical Limited	22.00%	Overdue	Overdue	Unrated	24	24	24,595	24,595
Bentonite Pak Limited	22.00%	Overdue	Overdue	Unrated	31	31	3,417	3,417
Blue Star Spinning Mills Limited	22.00%	Overdue	Overdue	Unrated	17	17	2,252	2,252
Brother Steel Limited	22.00%	Overdue	Overdue	Unrated	17	17	-	-
Bunny's Limited	3 months Kibor + 2.5%	Overdue	December 6, 2012	Unrated	6,000	6,000	30,000	22,500
Colony Thal Textile Mills Ltd	Fixed 7%	Annually	December 31, 2017	Unrated	240	240	119,536	119,536
Cast-N-Link Product Limited	22.00%	Overdue	Overdue	Unrated	16	16	2,549	2,549
Chiniot Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	6	6	1,185	1,185
Danneman Fabrics Limited	22.00%	Overdue	Overdue	Unrated	14	14	3,283	3,283
Engro Fertilizer Ltd PRP I	6 months Kibor + 1.7%	Half yearly	December 17, 2016	A+	-	8,291	-	31,455
Engro Fertilizer Ltd	12.12%	Half yearly	December 17, 2016	A+	1,891	2,000	9,447	6,840
	6 months Kibor + 2.4%							
Fauji Akbar Portia Marine Terminal	Zero Markup	Half yearly	October 15, 2024		2	2	227,126	103,707
General Dairies & Food Limited	22.00%	Overdue	Overdue	Unrated	6	6	1,350	1,350
Glorex Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	1	1	924	924
Gypsum Corporation Limited	22.00%	Overdue	Overdue	Unrated	-	-	900	900
Hospitex International Limited	22.00%	Overdue	Overdue	Unrated	-	-	239	239
Independent News Paper Corp. Ltd	3 month Kibor	Quarterly	March 30, 2018	B	1	1	868,806	1,135,375
Jahangir Siddiqui & Company Limited	6 month Kibor + 2.0%	Half yearly	May 17, 2014	AA+	-	-	-	-
Janana De Malucho Textile Mills Ltd	Zero Markup	Annually	January 1, 2017	Unrated	-	11	-	23,173
Javedan Corporation Ltd NEW	6 month Kibor + 2.25%	Half yearly	March 16, 2018	Unrated	-	-	-	-
Javedan Corporation Limited III	6 month Kibor + 2.25%	Half yearly	August 14, 2018	Unrated	-	-	-	-
Balance carried forward							3,054,346	3,306,150

All term finance certificates have a face value of Rs. 5,000 each unless otherwise mentioned.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

Investee	Rate of interest	Profit payment	Maturity	Long Term Rating	No. of certificates held		Market value / Cost	
					2015	2014	2015	2014
					------(Rupees in '000)-----			
Balance brought forward							3,058,646	3,310,450
JDW Sugar Mills Limited	3 month Kibor + 1.25%	Quarterly	June 23, 2014	A+	-	-	-	-
Kamal Ghee & Allied Industries Limited	22.00%	Overdue	Overdue	Unrated	14	14	4,238	4,238
Kiran Sugar Mills Limited	3 month Kibor + 3.00%	Quarterly	July 6, 2016	Unrated	PENDING RECEIPT		120,000	120,000
Kiran Sugar Mills Limited -01	3 month Kibor + 3.00%	Quarterly	January 26, 2027	Unrated	144	-	595,227	-
Malik Food Industries Limited	22.00%	Overdue	Overdue	Unrated	11	11	1,401	1,401
Minaco Fabrics Limited	22.00%	Overdue	Overdue	Unrated	14	14	1,640	1,640
Moro Textile Mills Ltd.	8% for first 3 years and 3 month KIBOR+3%	Quarterly	January 10, 2021	Unrated	20	20	188,613	188,613
Munalisa Fruit Juices	-	-	-	Unrated	2	2	1,500	1,500
Munawar Engineering Company Limited	22.00%	Overdue	Overdue	Unrated	28	28	1,306	1,306
National Sugar Industries Limited	3 month Kibor + 3.00%	Quarterly	September 3, 2016	Unrated	20	20	-	-
National Tiles & Ceramics Limited	22.00%	Overdue	Overdue	Unrated	16	16	-	-
New Allied Electronic industries limited.	3 month Kibor + 1.50 %	Quarterly	December 31, 2020	Unrated	1	1	1,308,738	1,324,736
Oil & Gas Investment Limited.	6 month Kibor + 2%.	Half yearly	May 14, 2015	Unrated	188,700	188,700	815,800	815,800
Pakistan International Airlines Corp. Limited	6 month Kibor + 1.25%.	Half yearly	February 18, 2011	Unrated	594,976	594,976	15,035,805	2,972,500
Pakistan Laminates Limited	22.00%	Overdue	Overdue	Unrated	-	-	95	95
Pak Elektron Ltd	3 month Kibor + 2%.	Quarterly	February 24, 2020	AA	26	26	2,976,229	3,165,690
Pak Libya Holding Co Pvt Ltd	6 month Kibor + 1.6%.	Half yearly	February 7, 2016	AA	50,000	50,000	41,545	125,158
Parthenon private Limited	3 month Kibor + 2%.	Quarterly	December 30, 2017	Unrated	10	10	1,631,635	1,631,635
Pirjee Weaving Mills Limited	22.00%	Overdue	Overdue	Unrated	16	16	401	401
Pak Hy-Oil Ltd	6 months Kibor + 2.25%	Overdue	December 6, 2013	Unrated	1	1	200,000	150,000
Pak Arab Fertilizer Ltd	6 months Kibor + 2.50%	Half yearly	May 19, 2015	AA	-	-	-	-
Rehman Cotton Mills	Zero Markup	Annually	December 30, 2016	Unrated	11	11	22,533	37,554
Qand Ghar (Pvt) Limited	22.00%	Outstanding	Overdue	Unrated	22	22	2,092	2,092
Raja Weaving Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	3,831	3,831
Regency Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	24	24	6,033	6,033
Sarela Cement Limited	22.00%	Overdue	Overdue	Unrated	32	32	6,748	6,748
Seri Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	24	24	5,422	5,422
Shazeb Industries Limited	22.00%	Overdue	Overdue	Unrated	14	14	1,840	1,840
Sialkot Dairies	22.00%	Overdue	Overdue	Unrated	13	13	1,323	1,323
Silverland Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	6	6	1,035	1,035
Sind Textile Industries	22.00%	Overdue	Overdue	Unrated	15	15	7,445	7,445
Sinsas Enterprises Limited	22.00%	Overdue	Overdue	Unrated	2	2	4,302	4,302
Star Silica International	22.00%	Overdue	Overdue	Unrated	16	16	1,799	1,799
Standard Chartered Bank Limited	Six Month Kibor +0.75%	Half yearly		AAA	86,730	86,730	434,319	433,650
Sunflo Juices Limited	22.00%	Overdue	Overdue	Unrated	28	28	748	748
Tanocraft Limited	22.00%	Overdue	Overdue	Unrated	22	22	-	-
Tawakkal Garments Industries Limited	22.00%	Overdue	Overdue	Unrated	16	16	759	759
Tharparkar Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	5	5	8,412	8,516
Turbo Tubes Limited	22.00%	Overdue	Overdue	Unrated	2	2	67	67
Ultra Engineering Industries Limited	22.00%	Overdue	Overdue	Unrated	16	16	1,126	1,126
WAPDA-TFCs	6 months Kibor + 1.75%	Half yearly	September 27, 2021	AAA	385,000	400,000	1,649,999	2,000,000
Waleed Leather Industries Limited	22.00%	Overdue	Overdue	Unrated	38	38	2,196	2,196
Zamir Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	7,516	7,516
Azgard Nine Ltd.	Zero Markup	-	September 20, 2017	Unrated	860	860	4,300	4,300
							28,156,664	16,353,465
							29,865,916	18,054,748

All term finance certificates have a face value of Rs. 5,000 each unless otherwise mentioned.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

## 1.4.2 Debentures

Investee	Terms of Redemption		Rate of Interest	Cost	
	Principal	Interest		2015	2014
				----- (Rupees in '000) -----	
Aaj Textile Mills Limited	Outstanding	Outstanding	14%	1,005	1,005
Aaj Textile Mills Limited	Outstanding	Outstanding	12.5%	270	270
Ajax Industries Limited	Overdue	Overdue	11%	1,397	1,397
Ajax Industries Limited	Overdue	Overdue	14%	269	269
Ali Asbestose Industries Limited	Overdue	Overdue	14%	175	175
Ali Asbestose Industries Limited	Overdue	Overdue	11%	1,510	1,510
Allied Marbles Industries	Overdue	Overdue	14%	23	23
Allied Marbles Industries	Overdue	-	Interest free	15	15
Azad Kashmir Mineral Development Corporation	Overdue	Overdue	12%	3,286	3,286
Azad Kashmir Mineral Development Corporation	Overdue	Overdue	14%	1,998	1,998
Azad Kashmir Mineral Development Corporation	Overdue	Overdue	12.5%	2,336	2,336
Carbon Dioxide Limited	Outstanding	Outstanding	11%	495	495
Carbon Dioxide Limited	Outstanding	Outstanding	14%	95	95
Chillya Corrugated Board	Overdue	Overdue	14%	317	317
Consolidated Spinning & Textile Mills Limited	Overdue	Overdue	14%	180	180
Consolidated Sugar Mills	Overdue	Overdue	14%	1,875	1,875
Damaan Oil Mills	Overdue	Overdue	14%	204	204
Effef Industries Limited	Overdue	Overdue	14%	1,799	1,799
Effef Industries Limited	Overdue	-	Interest free	3,828	3,828
Electric Lamp Manufacturing	Outstanding	Outstanding	11%	75	75
Electric Lamp Manufacturing	Overdue	Overdue	14%	150	150
Hassan Tanneries Limited	Outstanding	Outstanding	14%	437	437
Hassan Tanneries Limited	Outstanding	Outstanding	12.5%	58	58
Hazara Woolen Mills	Overdue	Overdue	14%	1,148	1,148
Hydri Gas Limited	Outstanding	Outstanding	11%	47	47
Hydri Gas Limited	Outstanding	Outstanding	14%	50	50
Junaid Cotton Mills Limited	Overdue	Overdue	12.5%	165	165
Junaid Cotton Mills Limited	Overdue	Overdue	14%	470	470
Karachi Development Authority	Overdue	Overdue	12.5%	156,034	156,034
Khyber Textile Mills Limited	Overdue	Overdue	14%	1,000	1,000
Lahore Dyeing & Printing Mill	Outstanding	Outstanding	11%	1,013	1,013
Mansoor Textile Mills	Outstanding	Outstanding	14%	510	510
Morgah Valley Limited	Overdue	Overdue	11%	400	400
Morgah Valley Limited	Overdue	Overdue	14%	160	160
National Woolen Mills	Overdue	Overdue	14%	66	66
Pakistan Paper Corporation	Overdue	Overdue	11%	506	506
Progressive Tobacco Co.	Overdue	Overdue	14%	144	144
Qadri Textile Mills Limited	Outstanding	Outstanding	14%	489	489
Regal Ceramics Limited	Overdue	Overdue	14%	105	105
Rising Sun Knitwear Industries	Overdue	Overdue	14%	57	57
Rose Textile Mills Limited	Overdue	Overdue	14%	740	740
Sarhad Bricks Limited	Outstanding	Outstanding	11%	543	543
Sarhad Bricks Limited	Outstanding	Outstanding	14%	102	102
Shafaq Lamp Manufacturing Corporation	Outstanding	Outstanding	11%	368	368
Shafaq Lamp Manufacturing Corporation	Outstanding	Outstanding	14%	83	83
Shahdin Limited	Overdue	Overdue	14%	163	163
Shahyar Textile Mills Limited	Overdue	Overdue	14%	280	280
Spinzer Towel Industries Limited	Oustanding	Oustanding	12.5%	200	200
Spinzer Towel Industries Limited	Oustanding	Oustanding	14%	175	175
Sun Publications Limited	Overdue	Overdue	13.5%	178	178
Zulsham Engineering Works Limited	Overdue	Overdue	14%	236	236
				187,229	187,229



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

### 1.4.3 Participation Term Certificate

Investee	Number of certificate(s)	Rate of interest	Paid - up value per certificate Rupees	Cost	
				2015 ------(Rupees in '000)-----	2014
Ali Paper Industries Limited	13	17%	261,000	<b>3,393</b>	3,393
Alipure Jute Mills Limited	53	17%	172,113	<b>7,081</b>	7,081
American Marbals Limited	12	17%	104,167	<b>448</b>	448
Azmat Oil Industries Limited	1	17%	226,000	<b>226</b>	226
Annis Garments Limited	12	17%	32,917	<b>395</b>	395
Bhawalpur Board Mills Limited	14	17%	137,000	<b>1,918</b>	1,918
Bela Chemicals limited	1	17%	10,500,000	<b>10,500</b>	10,500
Calcium Limited	1	17%	300,000	<b>300</b>	300
Dadabhoy Cement Limited	1	17%	11,601,000	<b>7,303</b>	7,303
Delta Tyre & Rubber Co.	7	17%	268,714	<b>1,118</b>	1,118
Gypsum Corporation Limited	32	17%	32,594	<b>1,043</b>	1,043
Ittehad Industries Limited	1	17%	600,000	<b>451</b>	451
Jubilee Paper Board Mills	16	17%	431,938	<b>4,415</b>	4,415
Kamal Enterprises Limited	17	17%	64,294	<b>1,093</b>	1,093
Khattak Edible Oil Limited	15	17%	82,467	<b>1,237</b>	1,237
Meditex International Limited	15	17%	87,800	<b>508</b>	508
Morgah Valley Limited	16	17%	29,250	<b>468</b>	468
National Fructose Limited	11	17%	550,818	<b>3,215</b>	3,215
Pak Belt Industries Limited	13	17%	94,692	<b>757</b>	757
Pangrio Sugar Mills Limited	29	17%	442,586	<b>4,433</b>	4,433
Punjab Building Products	12	17%	121,500	<b>1,458</b>	1,458
Punjab Cables Mills Limited	12	17%	388,667	<b>3,833</b>	3,833
Rainbow Packages Limited	23	17%	122,174	<b>2,223</b>	2,223
Sampak Paper Board Mills	11	17%	14,909	<b>165</b>	165
Sarela Cement Limited	35	17%	406,629	<b>14,232</b>	14,232
Shafi Woolen Industries Limited	11	17%	89,455	<b>490</b>	490
Sindh Glass Industries Limited	17	17%	598,765	<b>9,457</b>	9,457
Star Silica Industries Limited	15	17%	137,467	<b>1,803</b>	1,803
United Wood (Veener) Limited	15	17%	51,000	<b>727</b>	727
Waziristan Oil Industries Limited	13	17%	88,385	<b>1,094</b>	1,094
Zafar Oil Industries Limited	11	17%	65,455	<b>720</b>	720
Treat Corporation Limited	7,729,500	AA	33	<b>154,885</b>	188,115
				<b>241,389</b>	<b>274,619</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

## 1.4.4 Investment in Sukuk

Investee	Terms of Redemption		Rate of Interest %	Market Value/Cost	
	Principal	Interest		2015	2014
	----- (Rupees in '000) -----				
WAPDA Sukuk (2nd Issue)	Bi-Annual	Bi-Annual	6.79% 6 month Kibor - 0.25%	152,242	235,760
Quetta Textile Mills Limited	Quarterly	Quarterly	8.23% 3 month Kibor + 1.75%	198,622	253,793
Pakistan International Airlines Corp. Limited	Bi-Annual	Bi-Annual	8.33% 6 month Kibor + 1.75%	550,000	550,000
K- Electric Limited	Quarterly	Quarterly	7.50% 3 month Kibor + 1%	2,055,000	-
Maple Leaf Cement Limited	Quarterly	Quarterly	8.21% 3 month Kibor + 1.7%	225	790
<b><u>Islamic Banking</u></b>					
WAPDA Sukuk	Bi-Annual	Bi-Annual	6 month Kibor - 0.25%	8,334	12,500
Security Leasing Limited	Monthly	Monthly	0%	30,807	30,807
Kohat Cement Limited	Quarterly	Quarterly	3 month Kibor + 1.5%	-	-
Arzoo Textile Limited	Bi-Annual	Bi-Annual	11.56% 6 month Kibor + 2.0%	100,000	100,000
GoP Ijara Sukuk	Bi-Annual	Bi-Annual	6 M T-bills	980,684	2,024,349
Engro Fertilizer Limited	Bi-Annual	Bi-Annual	6 month Kibor + 1.50%	-	216,738
Pakistan International Airlines Corp. Limited	Bi-Annual	Bi-Annual	6 month Kibor + 1.75%	175,000	175,000
				4,250,914	3,599,737



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 1.4.5 Others Government Bond Investment

Investee	Terms of Redemption		Rate of Interest %	Market Value/Cost	
	Principal	Interest		2015	2014
				..... Rupees in '000	.....
Overseas Bonds					
Goldman Sachs Group	On Maturity	Bi-Annual	3.63%	105,107	102,991
Goldman Sachs Group	On Maturity	Bi-Annual	5.35%	104,975	104,742
Goldman Sachs Group	On Maturity	Bi-Annual	7.50%	240,152	238,895
Goldman Sachs Group	On Maturity	Bi-Annual	6.15%	227,947	224,602
Merrill Lynch & Co.	On Maturity	Bi-Annual	6.50%	26,723	26,644
Merrill Lynch & Co.	On Maturity	Bi-Annual	6.50%	57,842	57,671
Merrill Lynch & Co.	On Maturity	Bi-Annual	6.50%	24,525	24,453
Merrill Lynch & Co.	On Maturity	Bi-Annual	6.40%	224,320	-
Merrill Lynch & Co.	On Maturity	Bi-Annual	6.40%	112,160	-
Bank of America	On Maturity	Quarterly	6.88%	127,229	-
Lloyds TSB Bank	On Maturity	Bi-Annual	3ML + 1.25%	209,638	209,182
Citigroup Inc.	On Maturity	Bi-Annual	1.85%	209,680	-
Citigroup Inc.	On Maturity	Bi-Annual	6.13%	224,939	-
Morgan Stanley	On Maturity	Bi-Annual	4.75%	206,240	-
Bank of America	On Maturity	Bi-Annual	5.63%	116,327	-
Bank of America	On Maturity	Bi-Annual	4.50%	265,463	226,087
Lloyds TSB Bank	On Maturity	Bi-Annual	4.88%	210,121	204,604
Lloyds TSB Bank	On Maturity	Bi-Annual	4.38%	-	50,274
Lloyds TSB Bank	On Maturity	Bi-Annual	4.38%	-	50,274
Morgan Stanley	On Maturity	Bi-Annual	3.45%	-	102,467
Morgan Stanley	On Maturity	Bi-Annual	2.74%	-	302,324
Royal Bank of Scotland	On Maturity	Bi-Annual	6.40%	-	348,946
				2,693,387	2,274,153



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

## Annexure IV as referred to in Note 28.2 to the financial statements

2015                      2014  
(Rupees in '000)

### Donations include following amounts exceeding Rs 0.1 million:

Fatimid Foundation Kidney Centre Quetta.	300	500
The Kidney Centre PGTI	200	-
The Citizens Foundation	286	-
	<u>786</u>	<u>500</u>

### Contributions for Corporate & Social Responsibilities include following amounts exceeding Rs 0.1 million:

Sindh Institute of Urology Transplant (SIUT)	-	5,000
Lifetime Support Single Unit TCF School, Nawabshah	3,750	3,750
Hunar Foundation	-	4,000
Marie Adelaide Leprosy Centre	-	2,000
Gulab Devi Hospital, Lahore	-	1,810
Institute of Business Administration (IBA)	2,100	2,100
Patient's Welfare Society	-	300
Sheikh Zayed Islamic Center	-	384
Gulistan-e-Mazooreen, Mirpurkhas	-	164
Pakistan Disabled Foundation	155	154
Muzaffarabad Physical Centre	-	123
Disabled Welfare Association, Karachi.	225	140
Make-A-Wish Foundation	100	100
Markez-e-Umeed for Special Children, Karachi	-	128
Behbud Association of Pakistan, Rawalpindi	-	100
SOS Children's Village, Multan	-	500
Sir Ganga Ram Hospital, Lahore	-	1,350
Medical Aid Foundation	-	500
Mukhatran Rafiq Foundation, Lahore	-	430
Chair Nawabshah Disability Forum	-	270
Sundas Foundation	-	300
Stationary Items to Sun Academy.	-	100
Medicines, Food, Milk & Solar System, Thar	-	500
01 Audio Meter Machine & 06 Hearing Aid to Govt. School for Deaf Children, Abbottabad	-	288
Treatment of Victims of Burnt Injuries, Paigham Welfare Association, Karachi	-	100
10 Wheelchairs & 10 Sewing Machines, Firdous Ittehad S.W Organization, Karachi	-	134
Sewing Machine & Vocational Training, Bahawalnagar.	-	195
Tharparkar Association the Disabled Person Mirpurkhas	-	250
	<u>6,330</u>	<u>25,169</u>
Balance carried forward		



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

	2015	2014
	(Rupees in '000)	
Balance brought forward	6,330	25,169
20 Artificial Limbs to Disable Children Treatment Provided by (HASWA)	-	170
Hassan Academy Special Education, Rawalpindi	-	100
Sponsor Literacy Program for under Privileged Children, Rawalpindi & Islamabad	-	491
Girls Sec-Camps School Gizri, by Ravian Educational Service Trust	-	500
Professional Education Foundation, Karachi	-	100
35 Desks, 01-Elc-Water Cooler & 05 Ceilling Fan to Govt. Elementary School Tehsil Chunian	-	186
Underprivileged Students, Foreman Christian College, Lahore	-	500
80 Orphan Students Educational Expenses, Gujranwala	-	400
Treatment for Dialysis Patients, Pak Kidney Institute Islamabad	-	400
Poor Patient Aid Society to Cover the Brain Surgery of Young Girls	-	300
Plasma Baeg to Kids Blood Diseases Organization, Mansehra	-	124
Mentally ill Patients, Karwan-e-Hayat	-	500
25 S-Machines to Destitute Women Residing in Sheikhpura Villages	-	161
10 Computers to Orphan Children of Don Bosco Home	-	140
Scolorship for 10 students of Sargodhian Spirit Trust, Tandoallyar	-	3,750
Scolorship for 35 students of Korangi Academy run by INFAQ Foundation	-	1,386
Adoption Non Formal School Child Care Foundatiion for Elimination of Child Labor	2,925	2,925
Colposcopy Equipment to Bolan Medical Complex, Quetta	-	1,350
Scolorship for Women Vocational Training Hunar Foundation	-	1,500
Adoption of Taleem Foundation Schools in Kila Saifullah & Muslim Bagh, Baluchistan	7,000	7,000
Development of Blood Donation Centre & Laboratory Project by Afzal Memorial Thalaseemia Foundation, Karachi	-	1,000
20/20 Wheelchair to D.W.A, Society for special Persons, Multan & Mianwali	-	360
60 W/Chair-Kays-e-Kazah Society for special Persons, Haripur & AJK	-	420
63 Wheel Chair for Flood Victims/Disabilities Jhang Muzaffargarh.	-	473
30 Wheel Chair by Saaya Association, Rawalpindi, Multan & Chakwal	-	225
20 Stretchers to Bolan Medical Complex Hospital, Quetta	-	450
30 wheel Chairs to Bolan Medical Complex Hospital, Quetta	-	204
25 Wheel Chair to Khi-Independent living Centre, Karachi	-	210
15 Wheel Chairs to Sangat Art & Welfare Society, Sibi	-	105
20 Computers to Makran University of Technology, Turbat	-	320
Help International Welfare Trust-Karachi	188	100
Punjab Youth Festival-2014	-	25,000
Jijal Maau Hospital Qasimabad, Hyderabad	-	1,690
Build a National Monument Tallest Flag Post.CBC	-	6,000
The Aga Khan University, Hospital	7,500	-
Development & Research to Habib University Foundation	3,330	-
SOS Children's Village, Islamabad	3,000	-
20 Students Scholarship through Professional Education Foundation	1,200	-
Family Ramzan Package (Ration) Interior Sind & Suburb Area	7,113	-
Sponsor Repair of Auto Wheelchairs Saaya Association	320	-
Anjuman-e-Mazoorran, Liyari	218	-
Society for Special Persons, AJK	186	-
Society for Special Persons, Multan	110	-
Govt. Girls School Gizri Campus, Raavian Educational Trust	400	-
Balance carried forward	39,819	83,709



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

	2015	2014
	(Rupees in '000)	
Balance brought forward	39,819	83,709
Cadet College, Larkana	395	-
Poor Patients Aid Society	200	-
Sukkur Blood & Drug Donating Society	200	-
Women Vocational Program in Gilgit & Taxila	500	-
Orphan Students Educational Expenses Roshni Homes	420	-
Rising Sun Education & Welfare Society, Lahore	200	-
Dar-ul-Sukun	260	-
MPRC, Azad Kashmir	133	-
Sindh Disabled Association, Khairpur	126	-
Chair to Grace Association, Skardu	267	-
Pood Students, Sujawal	285	-
Govt. Dgree Collage Mehmoodabad, Karachi	299	-
SOS Children's Village, Quetta	200	-
Firdous Ittehad Social Welfare Organization, Karachi	140	-
NBP Scholarship Program Namal College, Mianwali	1,500	-
NBP Scholarship Program Sindh Madressat al Islam University	720	-
Al-Umeed Rehabilitation Association, Karachi	200	-
Karachi Independent Living Centre	150	-
Nargis Khatoon Hearing Impairment School, Skardu	115	-
Shigar & Skardu	500	-
Patient Care, Karachi	300	-
Al-Qadir Model School, Lyari	312	-
Int-Grammar School, Karachi	305	-
Poor Students Baluchistan Schools	250	-
Poor Dialysis Patients at Pak Kidney Institute, Islamabad	500	-
NBP Female Ward, MALC	990	-
Begum Noor M-Hospital, Chakwal	476	-
NICH by SADA Welfare Foundation	475	-
Medical Aid Foundation (Cancer Division)	300	-
Model Welfare Medical Center, Malir	100	-
Al-Mustafa Trust Chakwal, Rawalpindi	100	-
Shaukat Khanum Memorial Cancer Hospital, Peshawar	500	-
Gulab Devi Charity Hospital, Lahore	450	-
National Institute of Cardio Vascular, Karachi	400	-
Patient Welfare Dept at Aiwn-e-Tijarat-o-Sanat Hospital Trust, Karachi	200	-
Poor Patients Treatment Pakistan Kidney Institute, Islamabad	450	-
British Women Association Chairty Bazar	100	-
College for Disabilities Person, Rawalpindi	500	-
Deprived student Education Expenses	242	-
Deprived student Education Expenses	209	-
DEWA Trust	400	-
Suburban Area by TCF	400	-
Jammia Masjid, Distt. Kohlu Baluchistan	500	-
Kaus-e-Kazah, Rawalpindi & Jhang	500	-
Earth Quake Victims, KPK	2,300	-
	<u>58,479</u>	<u>83,709</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

## Details of disposals of property and equipment

Particulars of property and equipment	Original Cost	Book Value	Sale Proceeds	Gain / Loss on disposal	Mode of disposal	Particulars of Purchaser
	(Rupees in '000)					
Motor Vehicles	1,239	236	236	-	As per entitlement	Mr. M. Hassan Khaskheli, Ex Employee
Motor Vehicles	1,269	127	127	-	As per entitlement	Mr. Nake Ahmed Khan Ex Employee
Motor Vehicles	1,424	498	498	-	As per entitlement	Mr. Faisal Jan Sarhindi Ex Employee
Motor Vehicles	1,269	502	502	-	As per entitlement	Mr. Rehmat Ali Hasni, Employee
Motor Vehicles	1,269	-	127	127	As per entitlement	Mr. Saleem Ahmed Employee
Motor Vehicles	1,269	-	127	127	As per entitlement	Mr. Sh.M, Abdul Wahid Sethi Employee
Motor Vehicles	1,269	-	127	127	As per entitlement	Mr. Sarfraz Ahmed Employee
Motor Vehicles	1,514	303	303	-	As per entitlement	Mr. Zaheer Baig Employee
Motor Vehicles	1,462	292	292	-	As per entitlement	Mr. Raza Mohsin Qizilbash Ex Employee
Motor Vehicles	1,269	-	127	127	As per entitlement	Mr. Nasir Abbas Employee
Motor Vehicles	1,269	-	127	127	As per entitlement	Mr. Syed Naveed Asghar Employee
Motor Vehicles	1,269	-	127	127	As per entitlement	Mr. Abdul Rahim Employee
Motor Vehicles	1,269	-	127	127	As per entitlement	Mr. Hidayat Ali Shar Employee
Motor Vehicles	1,269	-	127	127	As per entitlement	Mr. Furrukh Saeed Khan Employee
Motor Vehicles	1,337	267	267	-	As per entitlement	Mr. Arif Raza Abdy Employee
Motor Vehicles	1,269	-	127	127	As per entitlement	Mr. Muhammad Yousuf Saudagar Ex Employee
Motor Vehicles	1,337	267	267	-	As per entitlement	Mr. Muhammad Khurram Employee
Motor Vehicles	1,384	-	138	138	As per entitlement	Mr. Muhammad Rafique Ex Employee
Motor Vehicles	1,357	272	272	-	As per entitlement	Mr. Asad Saleem Employee
Motor Vehicles	1,524	305	305	-	As per entitlement	Mr. Kamran Amin Employee
Motor Vehicles	1,337	267	267	-	As per entitlement	Mr. Tazeen Fasihuddin Employee
Motor Vehicles	1,337	-	137	137	As per entitlement	Mrs. Azmat Moiz Employee
Motor Vehicles	1,269	-	127	127	As per entitlement	Mr. Sardar Employee
Motor Vehicles	1,269	254	254	-	As per entitlement	Mr. Abbas Bukhari Employee
Motor Vehicles	1,269	-	127	127	As per entitlement	Mr. Adnan Adil Hussain Employee
Motor Vehicles	1,399	280	280	-	As per entitlement	Mr. Babar Baig Employee
Motor Vehicles	1,529	306	306	-	As per entitlement	Mr. Mahmood Siddique Employee
Motor Vehicles	1,529	306	306	-	As per entitlement	Mr. M. Shoaib Malik Employee
Motor Vehicles	1,529	306	306	-	As per entitlement	Mr. Nasir Hussain Employee
Motor Vehicles	7,150	715	715	-	As per entitlement	Mr. Tariq Jamali Employee
Motor Vehicles	1,269	-	127	127	As per entitlement	Mr. Muhammad Farrukh Ghauri Employee
Motor Vehicles	1,239	-	124	124	As per entitlement	Mr. Nayyar Sami Employee
Motor Vehicles	1,269	267	267	-	As per entitlement	Mr. Akhter Nawaz Employee
Motor Vehicles	1,426	214	214	-	As per entitlement	Mr. Khalid Mehmood Employee
Motor Vehicles	1,419	142	142	-	As per entitlement	Mr. Pervaiz Taj Bhatti Employee
Motor Vehicles	1,239	124	124	-	As per entitlement	Mr. Amanat Ali Employee
Motor Vehicles	1,337	1,048	1,048	-	As per entitlement	Mr. Atif Hassan Employee
Motor Vehicles	1,239	-	124	124	As per entitlement	Mr. Shahid Iqbal Quershi Employee
Motor Vehicles	1,239	-	124	124	As per entitlement	Mr. Muhammad Riaz Employee
Motor Vehicles	1,426	285	285	-	As per entitlement	Mr. Barbruce Ishaq Ex Employee
Motor Vehicles	1,269	254	254	-	As per entitlement	Mr. Faisal Ahmed Employee
Motor Vehicles	1,269	275	275	-	As per entitlement	Mr. Naeem Aslam Employee
Motor Vehicles	1,239	275	275	-	As per entitlement	Mr. Nadeem Mehdi Quershi Employee
Motor Vehicles	1,269	-	127	127	As per entitlement	Mr. Karim Akram Khan Employee
Motor Vehicles	1,269	-	127	127	As per entitlement	Mr. Mustadir Ul Islam Employee
	65,571	8,387	10,811	2,424		
Lease Vehicles	7,254	725	725	-	As per entitlement	Mr. Ziaullah Khan, Ex-Sevp Ex Employee
Lease Vehicles	7,625	1,525	1,525	-	As per entitlement	Mr. Nausherwan Adil, Sevp Employee
Lease Vehicles	13,575	0	6,800	6,800	As per BoD approval	Mr. Syed Ali Raza Ex President
Lease Vehicles	815	-	218	218	As per Services Rules	Mr. Malik Muhammad Nawaz Employee
Lease Vehicles	830	-	210	210	As per Services Rules	Mr. Syed Ahmed Hasan Employee
Lease Vehicles	815	-	200	200	As per Services Rules	Mr. Muhammad Munawar Employee
Lease Vehicles	1,920	201	608	407	As per Services Rules	Mr. Muhammad Murtaza Ali Employee
Lease Vehicles	536	102	170	68	As per Services Rules	Mr. Aqeel Ahmed Employee
Lease Vehicles	4,483	828	1,418	591	As per Services Rules	Mr. Amjad Waheed Employee
Lease Vehicles	1,218	246	385	139	As per Services Rules	Mr. Amjad Waheed Employee
Lease Vehicles	665	120	210	91	As per Services Rules	Mr. Mazahir Noorani Employee
Lease Vehicles	2,050	46	828	783	As per Services Rules	Mr. Sajjad Anwar Employee
Lease Vehicles	1,075	531	709	178	As per Services Rules	Mr. Aleem Ahmed Khan Employee
Lease Vehicles	1,800	1,210	1,343	133	Negotiation	Honda Quaiden
Lease Vehicles	1,793	1,303	1,333	30	As per Services Rules	Mr. Capt. Adnan Ansari Employee
Lease Vehicles	2,458	2,042	2,108	66	As per Services Rules	Mr. Zeeshan Employee
Lease Vehicles	683	552	565	13	As per Services Rules	Mr. Irfan Mehmood Employee
Lease Vehicles	1,170	771	900	129	Negotiation	Mr. Syed Yasir Hussain Zaidi Employee
	50,763	10,203	20,255	10,053		



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

Particulars of property and equipment	Original Cost	Book Value	Sale Proceeds	Gain / Loss on disposal	Mode of disposal	Particulars of Purchaser	
(Rupees in '000)							
Office Equipment	57	7	7	-	As per entitlement	Mr. Ziaullah Khan	Ex Employee
Office Equipment	114	51	51	-	As per entitlement	Mr. Barbruce Ishaq	Ex Employee
	171	58	7,166	7,108			
Computer Equipment	92	3	3	-	As per entitlement	Mr. Jahanzaib	Ex Employee
Computer Equipment	67	4	4	-	As per entitlement	Mr. Nake Ahmed Khan	Employee
Computer Equipment	101	20	20	-	As per entitlement	Mr. Faisal Jan Sarhindi	Ex Employee
Computer Equipment	124	-	-	-	As per entitlement	Mr. Ziaullah Khan	Ex Employee
Computer Equipment	101	42	42	-	As per entitlement	Mr. Nasir Khan	Employee
Computer Equipment	26	26	26	-	As per entitlement	Mr. Barbruce Ishaq	Ex Employee
	511	95	95	-			
Furniture & Fixtures	125	36	36	-	As per Service Rules	Mr. Muhammad Sajid	Ex Employee
Furniture & Fixtures	125	20	20	-	As per Service Rules	Mr. Wakeel Ahmed Khan	Ex Employee
Furniture & Fixtures	125	11	11	-	As per Service Rules	Mr. Muhammad Qamar Farooqui	Ex Employee
Furniture & Fixtures	125	11	11	-	As per Service Rules	Mr. Muhammad Waqaruddin	Ex Employee
Furniture & Fixtures	300	120	120	-	As per Service Rules	Mr. Muhammad Hassan Khaskheli	Ex Employee
Furniture & Fixtures	150	13	13	-	As per Service Rules	Mr. Muhammad Raffaq	Ex Employee
Furniture & Fixtures	125	25	25	-	As per Service Rules	Mr. Muhammad Ibrahim	Ex Employee
Furniture & Fixtures	125	20	20	-	As per Service Rules	Mr. Sarfaraz Ahmed	Ex Employee
Furniture & Fixtures	150	14	14	-	As per Service Rules	Mr. Qasim Ali Adil	Ex Employee
Furniture & Fixtures	125	13	13	-	As per Service Rules	Mr. Muhammad Arif Shafi	Ex Employee
Furniture & Fixtures	150	40	40	-	As per Service Rules	Mr. Ijaz Ahmed	Ex Employee
Furniture & Fixtures	125	63	63	-	As per Service Rules	Mr. Saif Ahmed Saifi	Ex Employee
Furniture & Fixtures	125	50	50	-	As per Service Rules	Mr. S.M. Shoaib Athar	Ex Employee
Furniture & Fixtures	150	13	13	-	As per Service Rules	Mr. Liaquat Ali Shaikh	Ex Employee
Furniture & Fixtures	125	40	40	-	As per Service Rules	Mr. Muhammad Jamil	Ex Employee
Furniture & Fixtures	125	34	34	-	As per Service Rules	Mr. Syed Tariq Ahmed	Ex Employee
Furniture & Fixtures	150	50	50	-	As per Service Rules	Mr. Khurshid Anwar	Ex Employee
Furniture & Fixtures	125	10	10	-	As per Service Rules	Mr. Alamdar Hussain	Ex Employee
Furniture & Fixtures	500	207	207	-	As per Service Rules	Mr. Ziaullah Khan	Ex Employee
Furniture & Fixtures	175	91	91	-	As per Service Rules	Mr. Nake Ahmed Khan	Ex Employee
Furniture & Fixtures	150	38	38	-	As per Service Rules	Mr. Abdul Ghaffoor Abid	Ex Employee
Furniture & Fixtures	175	86	86	-	As per Service Rules	Mr. Shahid Iqbal Qureshi	Ex Employee
Furniture & Fixtures	150	25	25	-	As per Service Rules	Mr. Zulfikar Qasim	Ex Employee
Furniture & Fixtures	175	71	71	-	As per Service Rules	Mr. Ghulam Mohiuddin Siddiqui	Ex Employee
Furniture & Fixtures	125	50	50	-	As per Service Rules	Late Abdul Salam	Ex Employee
Furniture & Fixtures	125	39	39	-	As per Service Rules	Mr. Aqeel Ahmed	Ex Employee
Furniture & Fixtures	125	39	39	-	As per Service Rules	Mr. Sarfaraz Ahmed Hashmi	Ex Employee
Furniture & Fixtures	125	10	10	-	As per Service Rules	Mr. Moula Bux Soomro	Ex Employee
Furniture & Fixtures	125	9	9	-	As per Service Rules	Mr. Muhammad Arshad	Ex Employee
Furniture & Fixtures	150	41	41	-	As per Service Rules	Mr. Muhammad Shaheen Saeed	Ex Employee
Furniture & Fixtures	125	24	24	-	As per Service Rules	Late Fakhar Aziz Khan	Ex Employee
Furniture & Fixtures	125	20	20	-	As per Service Rules	Mr. Sardar Ghulam Rabbani	Ex Employee
Furniture & Fixtures	125	10	10	-	As per Service Rules	Mr. Abdul Qayyum	Ex Employee
Furniture & Fixtures	125	9	9	-	As per Service Rules	Mr. Muhammad Tariq Ghous	Ex Employee
Furniture & Fixtures	125	4	4	-	As per Service Rules	Mr. Khadim Nabi	Ex Employee
Furniture & Fixtures	150	13	13	-	As per Service Rules	Mr. Muhammad Arshad	Ex Employee
Furniture & Fixtures	150	57	57	-	As per Service Rules	Mr. Muhammad Saleem Ch	Ex Employee
Furniture & Fixtures	125	38	38	-	As per Service Rules	Mr. Gulmat Ali Khan	Ex Employee
Furniture & Fixtures	125	19	19	-	As per Service Rules	Mr. Muhammad Irshad	Ex Employee
Furniture & Fixtures	125	18	18	-	As per Service Rules	Mr. Qazi Muhammad Arik	Ex Employee
Furniture & Fixtures	150	16	16	-	As per Service Rules	Late Ali Ahmed	Ex Employee
Furniture & Fixtures	125	13	13	-	As per Service Rules	Mr. Siraj Ghulam Ali	Ex Employee
Furniture & Fixtures	125	10	10	-	As per Service Rules	Mr. Abdul Malik	Ex Employee
Furniture & Fixtures	125	8	8	-	As per Service Rules	Mr. Shafqat Mehmood	Ex Employee
Furniture & Fixtures	125	8	8	-	As per Service Rules	Mr. Muhammad Jamil Akbar	Ex Employee
Furniture & Fixtures	125	10	10	-	As per Service Rules	Mr. Muhammad Tanveer	Ex Employee
Furniture & Fixtures	125	8	8	-	As per Service Rules	Mr. Rahim Said	Ex Employee
Furniture & Fixtures	150	10	10	-	As per Service Rules	Mr. Zaheer Ahmed Qureshi	Ex Employee
Furniture & Fixtures	175	67	67	-	As per Service Rules	Mr. Nayyar Sami	Ex Employee
Furniture & Fixtures	300	120	120	-	As per Service Rules	Mr. Tahir Yaqub	Ex Employee
Furniture & Fixtures	150	59	59	-	As per Service Rules	Mr. Saeed Ahmad Jan	Ex Employee
Furniture & Fixtures	125	18	18	-	As per Service Rules	Mr. Hussain Bux Memon	Ex Employee
Furniture & Fixtures	150	41	41	-	As per Service Rules	Mr. Naseem Pervez	Ex Employee
Furniture & Fixtures	150	23	23	-	As per Service Rules	Mr. Javed Iqbal Khattak	Ex Employee
Furniture & Fixtures	125	18	18	-	As per Service Rules	Mr. Muhammad Mehfooz	Ex Employee
Furniture & Fixtures	125	18	18	-	As per Service Rules	Mr. Mirza Amjad Baig	Ex Employee



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

Particulars of property and equipment	Original Cost	Book Value	Sale Proceeds	Gain / Loss on disposal	Mode of disposal	Particulars of Purchaser	
	(Rupees in '000)						
Furniture & Fixtures	125	8	8	-	As per Service Rules	Mr. Muhammad Nasir Masood	Ex Employee
Furniture & Fixtures	125	19	19	-	As per Service Rules	Mr. Tanveer Khan	Ex Employee
Furniture & Fixtures	125	19	19	-	As per Service Rules	Mr. Muhammad Aslam Bhatti	Ex Employee
Furniture & Fixtures	125	9	9	-	As per Service Rules	Mr. Abdul Qadir Solongi	Ex Employee
Furniture & Fixtures	125	8	8	-	As per Service Rules	Mr. Muhammad Nasarullah Butt	Ex Employee
Furniture & Fixtures	125	8	8	-	As per Service Rules	Mr. Muhammad Pervez Khan	Ex Employee
Furniture & Fixtures	125	8	8	-	As per Service Rules	Mr. Khawaja Ifikhar Ahmed	Ex Employee
Furniture & Fixtures	125	8	8	-	As per Service Rules	Mr. Khalid Mehmood Abbasi	Ex Employee
Furniture & Fixtures	150	8	8	-	As per Service Rules	Mr. Ch. Muhammad Akram	Ex Employee
Furniture & Fixtures	125	8	8	-	As per Service Rules	Mr. Ifikhar Hussain	Ex Employee
Furniture & Fixtures	125	7	7	-	As per Service Rules	Mr. Zafar Ahmed	Ex Employee
Furniture & Fixtures	125	47	47	-	As per Service Rules	Mr. Riaz Hussain Shah	Ex Employee
Furniture & Fixtures	125	18	18	-	As per Service Rules	Mr. Muhammad Iqbal Hussain	Ex Employee
Furniture & Fixtures	150	56	56	-	As per Service Rules	Mr. Ikram Ul Haq	Ex Employee
Furniture & Fixtures	125	7	7	-	As per Service Rules	Mr. Ahmed Hassan	Ex Employee
Furniture & Fixtures	125	53	53	-	As per Service Rules	Mr. Khadim Hussain	Ex Employee
Furniture & Fixtures	125	45	45	-	As per Service Rules	Mr. Javaid Ahmed Khan	Ex Employee
Furniture & Fixtures	125	44	44	-	As per Service Rules	Mr. Abdul Saleem	Ex Employee
Furniture & Fixtures	125	8	8	-	As per Service Rules	Mr. Syed Majaz Hussain Kazmi	Ex Employee
Furniture & Fixtures	125	50	50	-	As per Service Rules	Mr. Mumtaz Farooq Paracha	Ex Employee
Furniture & Fixtures	150	13	13	-	As per Service Rules	Mr. Khalid Hussain	Ex Employee
Furniture & Fixtures	125	57	57	-	As per Service Rules	Mr. Abdul Ghaffar Khan	Ex Employee
Furniture & Fixtures	125	46	46	-	As per Service Rules	Mr. Syed Meraj- Ur -Rasul	Ex Employee
Furniture & Fixtures	125	35	35	-	As per Service Rules	Mr. Sikandar Ali Qureshi	Ex Employee
Furniture & Fixtures	125	31	31	-	As per Service Rules	Mr. Kamran Mufti	Ex Employee
Furniture & Fixtures	125	25	25	-	As per Service Rules	Mr. Muhammad Asghar Pasha	Ex Employee
Furniture & Fixtures	125	18	18	-	As per Service Rules	Ms. Fariha Kulsoom	Ex Employee
Furniture & Fixtures	125	7	7	-	As per Service Rules	Mr. Ikram Ul Haq	Ex Employee
Furniture & Fixtures	125	44	44	-	As per Service Rules	Mr. Abdul Qayoom	Ex Employee
Furniture & Fixtures	125	8	8	-	As per Service Rules	Mr. Arshad Iqbal	Ex Employee
Furniture & Fixtures	125	5	5	-	As per Service Rules	Mr. Imtiaz Alam	Ex Employee
Furniture & Fixtures	125	44	44	-	As per Service Rules	Mr. S. Aamir Hasan	Ex Employee
Furniture & Fixtures	125	5	5	-	As per Service Rules	Mr. Muhammad Nasim Ejaz	Ex Employee
Furniture & Fixtures	150	53	53	-	As per Service Rules	Mr. Iqbal Ahmed Baloch	Ex Employee
Furniture & Fixtures	125	45	45	-	As per Service Rules	Mr. Khalid Mehmood	Ex Employee
Furniture & Fixtures	125	44	44	-	As per Service Rules	Mr. Imtiaz Ahmed Siddiaqui	Ex Employee
Furniture & Fixtures	125	35	35	-	As per Service Rules	Mr. S.M. Tasleem	Ex Employee
Furniture & Fixtures	125	22	22	-	As per Service Rules	Mr. Zafar Iqbal	Ex Employee
Furniture & Fixtures	125	16	16	-	As per Service Rules	Mr. Muhammad Yusuf	Ex Employee
Furniture & Fixtures	150	44	44	-	As per Service Rules	Mr. Habeeb Ullah Khan	Ex Employee
Furniture & Fixtures	125	10	10	-	As per Service Rules	Mr. Muhammad Iqbal Nusrat	Ex Employee
Furniture & Fixtures	125	15	15	-	As per Service Rules	Mr. Muhammad Nisar	Ex Employee
Furniture & Fixtures	125	5	5	-	As per Service Rules	Mr. Mushtaq Ahmed Baig	Ex Employee
Furniture & Fixtures	125	36	36	-	As per Service Rules	Mr. Muhammad Khalid Dar	Ex Employee
Furniture & Fixtures	150	23	23	-	As per Service Rules	Mr. Muhammad Najeeb Luni	Ex Employee
Furniture & Fixtures	125	55	55	-	As per Service Rules	Mr. Abdul Waheed	Ex Employee
Furniture & Fixtures	150	35	35	-	As per Service Rules	Mr. Mubarak Hussain	Ex Employee
Furniture & Fixtures	125	8	8	-	As per Service Rules	Mr. Kamran Ahmed	Ex Employee
Furniture & Fixtures	125	15	15	-	As per Service Rules	Mr. Muhammad Ali	Ex Employee
Furniture & Fixtures	125	34	34	-	As per Service Rules	Mr. Muhammad Anis Shaikh	Ex Employee
Furniture & Fixtures	150	68	68	-	As per Service Rules	Mr. Suleman Shamsuddin Nanji	Ex Employee
Furniture & Fixtures	175	66	66	-	As per Service Rules	Mr. Atif Hassan Khan	Ex Employee
Furniture & Fixtures	125	20	20	-	As per Service Rules	Mst. Talat Saeed	Ex Employee
Furniture & Fixtures	150	17	17	-	As per Service Rules	Mr. Zahid Mehmood	Ex Employee
Furniture & Fixtures	125	14	14	-	As per Service Rules	Mr. Muhammad Bux	Ex Employee
Furniture & Fixtures	125	14	14	-	As per Service Rules	Mr. Muhammad Razzaq	Ex Employee
Furniture & Fixtures	125	44	44	-	As per Service Rules	Mr. Sikandar Hayat	Ex Employee
Furniture & Fixtures	125	44	44	-	As per Service Rules	Mr. Syed Matlub Uz Zafar	Ex Employee
Furniture & Fixtures	125	8	8	-	As per Service Rules	Mr. Muhammad Imtiaz Ahmed	Ex Employee
Furniture & Fixtures	125	4	4	-	As per Service Rules	Mr. Muhammad Sharif Tahir	Ex Employee
Furniture & Fixtures	125	16	16	-	As per Service Rules	Mr. Muhammad Nasim Afzal	Ex Employee
Furniture & Fixtures	125	3	3	-	As per Service Rules	Mr. Syed Mustafa Haider	Ex Employee
Furniture & Fixtures	125	3	3	-	As per Service Rules	Mr. Ahmed Viqar	Ex Employee
Furniture & Fixtures	125	42	42	-	As per Service Rules	Mr. Sadaqat Ullah Siddiqui	Ex Employee
Furniture & Fixtures	125	3	3	-	As per Service Rules	Mr. Faiz-Ul-Hassan	Ex Employee
Furniture & Fixtures	125	17	17	-	As per Service Rules	Mr. Basit Javed	Ex Employee
Furniture & Fixtures	150	13	13	-	As per Service Rules	Mr. Muhammad Riaz Ahmed	Ex Employee
Furniture & Fixtures	300	-	-	-	As per Service Rules	Mr. Khalid Mehmood	Ex Employee
Furniture & Fixtures	175	39	39	-	As per Service Rules	Mr. Mustadar Ul Islam	Ex Employee



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

Particulars of property and equipment	Original Cost	Book Value	Sale Proceeds	Gain / Loss on disposal	Mode of disposal	Particulars of Purchaser	
	(Rupees in '000)						
Furniture & Fixtures	125	16	16	-	As per Service Rules	Mr. Tahir Yousuf	Ex Employee
Furniture & Fixtures	125	13	13	-	As per Service Rules	Mr. Muhammad Saleem Khan	Ex Employee
Furniture & Fixtures	125	2	2	-	As per Service Rules	Mr. Amjad Hussain	Ex Employee
Furniture & Fixtures	125	23	23	-	As per Service Rules	Mr. Syed Tanvir Ahmed	Ex Employee
Furniture & Fixtures	125	16	16	-	As per Service Rules	Mr. Mushtaq Ahmed	Ex Employee
Furniture & Fixtures	125	39	39	-	As per Service Rules	Mr. A. J. Zafar Qizilbash	Ex Employee
Furniture & Fixtures	175	23	23	-	As per Service Rules	Mr. Amanat Ali Khan	Ex Employee
Furniture & Fixtures	125	13	13	-	As per Service Rules	Mr. Shah Dost Bugti	Ex Employee
Furniture & Fixtures	175	60	60	-	As per Service Rules	Mr. Muhammad Riaz	Ex Employee
Furniture & Fixtures	300	135	135	-	As per Service Rules	Mr. Pervaz Taj Bhatti	Ex Employee
Furniture & Fixtures	125	2	2	-	As per Service Rules	Ms. Shadmi Choghali	Ex Employee
	19,100	3,991	3,991	-			
<b>Ijarah assets</b>							
Machinery	50,000	-	-	-	As per agreement	Bashir Saddiq Logistics	
Machinery	25,625	-	-	-	As per agreement	Hillpark General Hospital	
Machinery	250,000	-	-	-	As per agreement	DG Khan Cement Co. Ltd.	
Machinery	52,885	52,466	52,466	-	As per agreement	Kashmir Sugar Mills Limited	
	378,510	52,466	52,466	-			
Vehicles	1,679	-	-	-	As per agreement	Mr. Tariq Baig	
Vehicles	970	-	-	-	As per agreement	Tariq Glass Industries Limited	
Vehicles	1,131	-	-	-	As per agreement	Mr. Mohammad Noaman Adil	
Vehicles	5,890	-	-	-	As per agreement	Mr. Coleta Steel Traders	
Vehicles	970	-	-	-	As per agreement	Mr. Jawaid Akhter	
Vehicles	6,159	-	-	-	As per agreement	United Track System	
Vehicles	1,690	-	-	-	As per agreement	Mr. Suhail Anwar	
Vehicles	2,438	-	-	-	As per agreement	H Karim Buksh & Sons	
Vehicles	7,210	-	-	-	As per agreement	Coleta Steel Traders	
Vehicles	7,150	-	-	-	As per agreement	Netsol Technologies Limited	
Vehicles	4,352	-	-	-	As per agreement	Performance Automotive	
Vehicles	2,438	-	-	-	As per agreement	Mr. Imran Hafeez	
Vehicles	8,000	-	-	-	As per agreement	Coleta Steel Traders	
Vehicles	1,555	-	-	-	As per agreement	Mr. Khawaja Akbar Butt	
Vehicles	652	-	-	-	As per agreement	Mr. Anjum Pervaiz	
Vehicles	98	-	-	-	As per agreement	Mr. Astar Hussain	
Vehicles	680	-	-	-	As per agreement	Mr. Muhammad Rafique	
Vehicles	2,146	-	-	-	As per agreement	Mr. Shahid Iqbal Dar	
Vehicles	630	-	-	-	As per agreement	Mr. Syed Mohsin Aleem Pirzada	
Vehicles	1,039	-	-	-	As per agreement	Mr. Mohammad Adnan	
Vehicles	19,125	-	-	-	As per agreement	Performance Automotive	
Vehicles	1,330	-	-	-	As per agreement	Mr. Fahad Saeed	
Vehicles	640	-	-	-	As per agreement	Mr. Bilal Akber	
	77,971	-	-	-			
	592,597	75,199	87,678	12,477			
Other assets (having book value of less than Rs. 250,000 or cost of less than Rs.1,000,000)	32,215	10,476	13,008	2,532			
<b>TOTAL AMOUNT (Rs.)</b>	<b>624,812</b>	<b>85,676</b>	<b>100,686</b>	<b>15,009</b>			

Note: Book value of Furniture & Fixture have been adjusted for the balance 50% amount written-off by the bank as per service rules.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2015

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF  
FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED FROM JANUARY TO DECEMBER 2015

Annexure II as referred to in  
Note 10.6 to the financial statements

Sr. No.	Name & Address of the borrower	Name of Individuals/Partners/Directors with NIC No.	Fathers/Husband's name.	Outstanding liabilities at beginning of year				Principal written-Off	Interest/Mark-up written off.	Other financial relief/waiver provided.	Total (9+10+11)
				Principal	Interest/mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1	Muhammad Mushtaq House No.5, St. No.7, NBP Street Kahna Nau, Lahore.	Muhammad Mushtaq 35201-1426741-1	Taj Din	0.495	0.519	0.066	1.080	-	-	0.519	0.519
2	Pacific Export Corporation (Sole Proprietorship Concern) Project location:- 5/38, Sant Nagar, Bela Mohallah, Lahore.	Mr. Mahmood Alam 35202-4500752-9	Abdul Hameed	0.136	2.212	0.211	2.559	-	-	2.212	2.212
3	Premier Ltd. G.T Road, Baghban Pura, Lahore.	1. Sh. Muhammad Khalid 35202-2647108-9 2. Sh. Muhammad Arif 35202-3310049-9 3. Mrs. Noor Begum 35202-4155942-4 4. Mrs. Samina Begum 35202-8408631-0	1. Sh Nawab Din 2. Sh Nawab ud Din 3. Muhammad Arif 4. Muhammad Khalid	0.326	1.414	0.086	1.826	-	-	1.414	1.414
4	Waqar Corporation 22-B, Gulshan Park, Muntaz Street, Ghari Shahu, Lahore.	Mr. Muhammad Akbar Butt (Late) 276-93-182035	Muhammad Aslam Butt	-	3.414	0.127	3.541	-	-	2.005	2.005
5	W.G. Munawar and Sons Plot #9, Block 11, Sector C, Near Lajna Chowk College Road, Township, Lahore.	1. Munawar Ahmad Javaid 35202-7929572-3 2. Muhammad Shahid Javaid 35202-2743530-1 3. Muhammad Majid Javaid 35202-2743489-7	1. Nizam ud Din 2. Munawar Ahmad Javaid. 3. Munawar Ahmad Javaid.	12.982	5.559	0.105	18.646	-	-	3.646	3.646
6	Alpha Mian Stationers 110 - Alpha House, Alama Iqbal Road, Garhi Shahu, Lahore.	Mian Masroor Ahmed 35202-2107778-7	Mian Manzoor Ahmed	6.471	2.811	0.150	9.432	-	-	2.009	2.009
7	Hameed Yousaf 15 A, Al-Noor Street Maqbool Road Ichra, Lahore.	Hameed Yousaf 35202-4208599-5	Mian Muhammad Yousaf	0.414	0.541	0.053	1.008	-	-	0.541	0.541
8	Amir Iqbal H#35, ST#3 Amin Park Qaiser Town, Shahdra, Lahore	Amir Iqbal 35202-2340312-5	Muhammad Amin	0.465	0.511	0.101	1.077	-	-	0.511	0.511
9	Bajwa Leather Garments 66-Small Industrial Estate Sialkot	Muhammad Asghar Bajwa 34603-8113687-1	Muhammad Hussain	10.948	-	-	10.948	10.948	-	-	10.948
10	M. M. Beverages (Pvt) Ltd. 24- KM Multan Road, Lahore	1. Moin ud Din Haider 61101-1881315-3 2. Noman Uddin Haider 42000-3174177-7 3. Burhan Uddin haider 42301-5965169-9 4. Asma Haider 61101-1812776-6	1. Muhammad Hussain 2. Moin ud Din Haider 3. Moin ud Din Haider 4. Muhammad Ali	113.504	47.034	-	160.538	-	-	47.034	47.034
11	Ghaffar Petroleum Service Mirpurkhas Road, Khipro	Abdul Ghaffar 44202-9080241-7	Atta Mohammad	0.050	1.089	-	1.139	-	-	1.089	1.089
12	Shahza Hameed Khan H.No.155, St.15, E-7, Islamabad	Shahza Hameed 611016276385-8	Abdul Hameed Khan	0.417	0.257	0.316	0.990	-	-	0.573	0.573
13	Muhammad Asim, House # 56/2-C, Sector G-7/2, Sitara Market, Islamabad	Muhammad Asim 611011945986-9	Mian Muhammad Mansha	7.104	1.307	0.285	8.696	-	-	1.592	1.592
14	Ghauri Brothers 176-Shamsabad Colony Multan	1. Zahid Rasool Ghauri 322-90-649652 2. Nasir Rasool Ghauri 36302-2941980-7 3. Ms. Amna Ghauri	1. Rasool Bux Ghauri 2. Rasool Bux Ghauri 3. Rasool Bux Ghauri	2.200	1.903	0.061	4.164	-	-	0.926	0.926
15	Nizam Trading Corporation Chak No 427/EB, Chichawatni Road, Burewala, Distt: Vehari	1. Maryam Bibi 36601-8772195-7 2. Khalid Pervaiz 36601-3321814-6 3. Abdul Hameed 36601-9242733-7	1. Abdul Hameed 2. Habib Ahmed 3. Muhammad Saeed	-	1.691	0.064	1.755	-	-	1.124	1.124
16	Javed Cloth & Dupatta House Hussain Agahi Chowk Bazar, Multan	Arshad Javed 36302-0406347-3	Karim Nawaz Qureshi	0.500	1.055	0.016	1.571	-	-	0.645	0.645
17	Malik Abdul Karim & Sons House No. 55/17, Ward No. 3, Galli No. 1, Al-Karim Manzil, Rasool Pura, Mailsi	1. Malik Abdul Karim 36602-4688811-9 2. Habib ur Rehman 3. Saib ur Rehman 4. Aziz ur Rehman 5. Atta ur Rehman 6. Fayyaz ur Rehman 7. Ms. Ailab Wasay 8. Ms. Sajida Kouser 9. Ms. Sueya bano	1. Haji Fateh Muhammad 2. Malik Abdul Karim 3. Malik Abdul Karim 4. Malik Abdul Karim 5. Malik Abdul Karim 6. Malik Abdul Karim 7. Malik Abdul Karim 8. Habib ur Rehman 9. Aziz ur Rehman	0.113	0.767	0.032	0.912	-	-	0.799	0.799
18	Muhammad Nasir Near Moon Chowk, New Multan Colony Multan	Muhammad Nasir 36302-8671139-9	Sheikh Anwar Ali	0.479	1.239	0.909	2.627	-	-	1.343	1.343
19	Zaheer Ahmed Quarshi Mahallah Chitti Sheikhan Khas, Teh. & Distt. Sialkot	Zaheer Ahmed Quarshi 34603-4517452-7	Naseer Ahmed Quraishi	1.459	1.768	0.088	3.315	-	-	1.315	1.315
20	Muhammad Rafiq House#15/208, Daska Road, Haji Pura, Sialkot	Muhammad Rafiq 34603-8490311-1	Barkat Ali	1.297	3.415	0.091	4.803	-	-	3.306	3.306
21	Mubarik Ahmed & Saeeda Butt Mahalla Nayi Abadi, Circular Road, Soana Stop, Daska, Distt. Sialkot	Mubarik Ahmed 34601-5389370-1	Noor Ahmed	1.79	1.297	0.045	3.132	-	-	1.132	1.132



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

Annexure II as referred to in  
Note 10.6 to the financial statements

(Rupees in Millions)

Sr. No.	Name & Address of the borrower	Name of Individuals/Partners/Directors with NIC No.	Fathers/Husband's name.	Outstanding liabilities at beginning of year				Principal written-Off	Interest/Mark-up written off.	Other financial relief/waiver provided.	Total (9+10+11)
				Principal	Interest/mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
22	Lat Abdul Rahim Ghorl H. No. 14-Street No. 4, Agra Taj Colony Karachi	Lat Abdul Rahim Ghorl 42301-1062230-5	Haji Muhammad Ismil Ghorl	-	-	-	-	0.480	-	0.361	0.841
23	Mudassir Zaman H.No. 1841 Block 14 F.B.Arae Karachi	Mudassir Zaman 42101-1874155-5	Hamid Zaman	-	-	0.516	0.516	-	-	0.619	0.619
24	Shaber Hussain H. No. 177, Block 9 Liaquat a bad Karachi	Shaber Hussain 42101-9492419-7	Ahmed Hussain	-	-	0.512	0.512	-	-	0.524	0.524
25	Khalid Mehmood Plot #.845 B, Behar Colony Layari Qtr Karachi.	Khalid Mehmood 508-75-399922	Ch. Nabi Ahmed	-	-	0.020	0.020	0.479	-	0.260	0.739
26	Ashfaq Ahmed 153-3, Lines Area Karachi.	Ashfaq Ahmed 42201-72160884-9	Maqsood Ahmed	-	-	0.496	0.496	-	-	0.524	0.524
27	Glacier Oil Mill	Suhail Ahmed 38403-7948962-1	Rasheed Ahmed	-	-	0.347	0.347	-	-	0.709	0.709
28	Umer Fertilizer	Mushtaq Ahmad 31201-0221122-9	Muhammad Amin	-	-	0.034	0.034	-	-	0.664	0.664
28			<b>GRAND TOTAL:</b>	<b>161.15</b>	<b>79.803</b>	<b>4.731</b>	<b>245.684</b>	<b>11.907</b>	<b>0</b>	<b>77.396</b>	<b>89.303</b>