

# ANNUAL REPORT 2017



Pak Kuwait

Pakistan Kuwait Investment Company ( Private) Limited

الشركة الباكستانية الكويتية للاستثمار (الخاصة) المحدودة

A joint venture between the Governments of Pakistan and Kuwait

## A JOINT VENTURE

The Company is a joint venture between the Governments of Kuwait and Pakistan



## COMPANY DESCRIPTION

Pakistan Kuwait Investment Company (Private) Limited (PKIC) is Pakistan's leading Development Financial Institution (DFI) engaged in investment and development banking activities in Pakistan. Established in 1979, the company initiated operations with a paid-up capital of Rs. 62.50 million. Over the years paid-up capital and reserves have increased manifold reflecting upon the company's impressive performance since inception.

PKIC continues to serve as a medium for catalyzing infrastructure development and enhancing real economic activity, helping the nation in achieving a steep yet sustainable growth trajectory.





# VISION

Be the financial house of excellence facilitating the expansion and modernization of industries in Pakistan



# MISSION

- Play a key role in the development of industrial and economic infrastructure of Pakistan
- Develop a team of quality professionals with a wide spectrum of expertise
- Maintain high standards of Corporate Governance
- Provide value and optimize returns for all our stakeholders
- Pursue our corporate values



# CORPORATE VALUES

- Maintain highest standards of integrity and professionalism in all business transactions
- Provide innovative business solutions
- Attract, motivate and retain highly skilled professionals
- Strive for continuous quality improvement
- Continue to be a socially responsible corporate citizen



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## CORPORATE INFORMATION

Mr. Abdullah Abdulwahab Al-Ramadhan	Chairman
Mr. Mohammad Reyad Al-Mutawa	Director
Mr. Rana Assad Amin	Director
Mr. Naveed Alauddin	Director
Mr. Faisal Adnan Al-Hunaif	Director
Mr. Mansur Khan	Managing Director

### LEGAL ADVISOR

M/s. KMS Law Associate Advocates and  
Corporate Consultants

### AUDITORS

M/s. KPMG Taseer Hadi & Co.  
Chartered Accountants

### REGISTERED OFFICE

4th Floor, Block-C, Finance & Trade Centre,  
Shahrah-e-Faisal, Karachi- 74400 (Pakistan)  
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E-mail: info@pkic.com  
Website: www.pkic.com

### REPRESENTATIVE OFFICE

#### LAHORE

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Main Boulevard Gulberg, Lahore.  
Ph: (92-42) 35781726-27 UAN: (92-42) 111-611-611  
Fax: (92-42) 35781725

# BOARD OF DIRECTORS



**Abdullah Abdulwahab Al-Ramadhan**  
Chairman



**Mansur Khan**  
Managing Director



**Mohammad Reyad Al-Mutawa**  
Director



**Faisal Adnan Al-Hunaif**  
Director



**Rana Assad Amin**  
Director



**Naveed Alauddin**  
Director

## Executive Committee

Abdullah Abdulwahab Al-Ramadhan  
Member

Mansur Khan  
Member

## Audit Committee

Rana Assad Amin  
Chairman

Naveed Alauddin  
Member

Mohammad Reyad Al-Mutawa  
Member

## Risk Management Committee

Faisal Adnan Al-Hunaif  
Chairman

Naveed Alauddin  
Member

Mohammad Reyad Al-Mutawa  
Member



# MANAGEMENT



**Mansur Khan**  
Managing Director



**Naeem Sattar**  
Company Secretary



**Atif Anwer**  
Head of Capital  
Markets, Treasury & FI



**Adnan Ahmed**  
Officiating Head of Corporate  
Finance & Investment Banking



**Syed Ali Abid Zaidi**  
Chief Financial Officer



**Naveed Sherwani**  
Head of Risk Management



**Mazhar Sharif**  
Head of Compliance



**Khurram Salman**  
Head of Internal Audit



**Carlos Albert Lobo**  
Officiating Head of Human  
Resources & GSSD

## Directors' Report

The Directors of Pakistan Kuwait Investment Company (Private) Ltd (the Company) are pleased to present their Annual Report and Audited Financial Statements, setting out the detailed financial results of the Company for the year ended December 31, 2017, together with Auditors' Report thereon.

### Company Performance

<i>For the Year (PKR million)</i>	2017	2016
Net Markup Based Income	637	784
Non Markup Income	2,403	3,787
Total Income	3,040	4,571
Operating Expenses	510	485
Profit before provisions	2,530	4,086
Provisions / (Reversal of Provisions)	(64)	(42)
Profit Before Taxation	2,594	4,128
Taxation	744	676
Profit After Taxation	1,850	3,452
<i>At Year end (PKR million)</i>	2017	2016
Total Assets	29,129	28,941
Liabilities	4,322	4,254
Share Capital	6,000	6,000
Reserves and Un-appropriated Profit	18,128	16,822

The Company earned a Profit after Tax of PKR 1.85 billion for the year ended December 31, 2017 against PKR 3.45 billion during last year. This decrease of 46% YoY in Profit after Tax was attributed mainly to below par performance in capital markets, low disbursements in the corporate finance portfolio, decline in income from associates and higher effective tax rate.

Net markup based income of the Company decreased by 19% YoY to PKR 637 million as a result of decline in advances portfolio and maturity of high-yielding government securities.

Non markup based income of the Company decreased by 37% YoY to PKR 2.4 billion mainly due to a decrease in income from associates. The income from dividend stood at PKR 234 million with 29% decline from last year. The administrative expenses of the Company increased by 5% YoY basis. The Company has recorded a reversal of PKR 285 million relating to provision of non-performing loans as result of recoveries from infected customers.

Total Assets of the Company stood at PKR 29.13 billion as of Dec 31, 2017 compared to PKR 28.94 billion at the end of last year. The increase in assets was a result of higher investment in Government Treasury Bills by PKR 1.46 billion.

The gross advances portfolio decreased by 26% YoY to PKR 4.3 billion owing to low disbursements and prepayments during the year.

### Economic Review

The GDP growth accelerated to 5.3% in 2016-17 against the growth of 4.5% in the same period last year. Strong private consumption, recovery in agriculture, and vibrancy in the services sector has contributed to the gross domestic product (GDP) growth.

However, as growth picked up, imbalances re-emerged on the internal and external front. On the domestic side, fiscal pressures increased. After having fallen significantly till FY16, the consolidated fiscal deficit widened, reaching 5.8% of GDP, compared to 4.6% in FY16. On the external side, the current account deficit widened substantially to PKR 12.4 billion CY17. The trade deficit broadened as imports surged and exports declined as a result of rupee devaluation and increase in crude oil prices internationally.

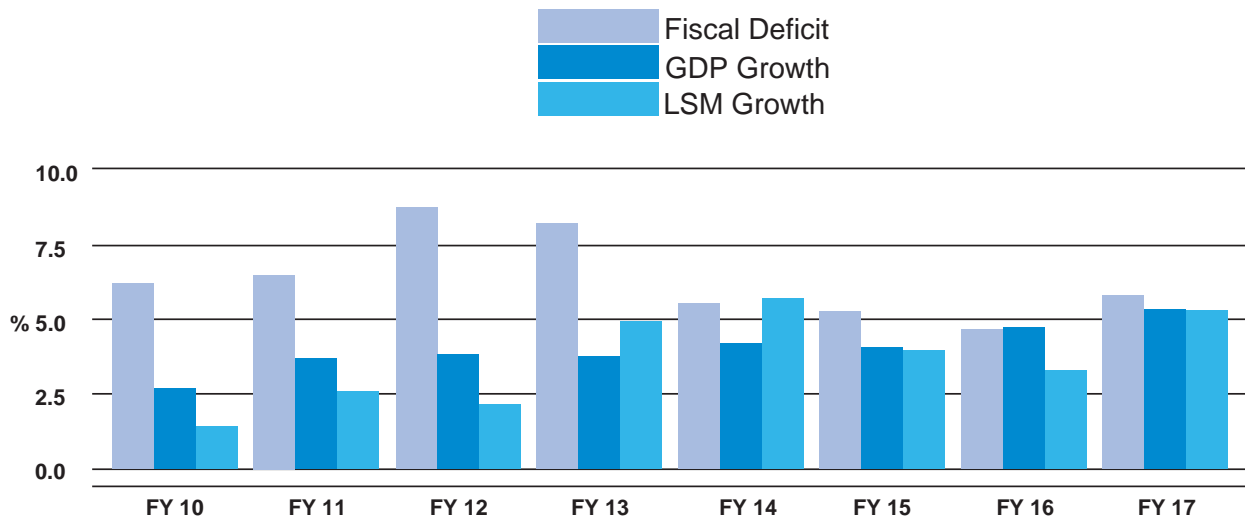
Pakistan's official reserves fell to US\$20.1 billion at the end of 2017 compared to a high of US\$23.2 billion at the end of 2016. The decrease in reserves is attributed to external debt servicing and lower workers remittances.

Inflation remained contained, rising moderately and was recorded at 4.6%, staying below the year's target of 6 percent. As a result, the State Bank of Pakistan (SBP) kept the policy rate unchanged at 5.75% throughout 2017.

Private sector credit picked up in 2017 due to the net retirement of government borrowing to scheduled banks and low real interest rates. The credit to the private sector grew by 14 percent, expanding by PKR 612 billion over 2016 levels. The improvement was broad-based in terms of financing instruments, but was concentrated in the manufacturing sector.

The year 2017 witnessed a significant decrease in the stock market indices and the benchmark PSX -100 (formerly KSE-100) share index declined 15.3% during the year.

## Trend for Macroeconomic Indicators



Source: - Economic Survey of Pakistan

### Dividend

The Board of Directors is pleased to recommend a cash dividend of PKR 500 million for the year ended December 31, 2017.

### Earnings per Share

The basic and diluted earnings per share have decreased to PKR 7,709 from PKR 14,385 on share of PKR 25,000/- each.

## Future Outlook

Despite an increase in macroeconomic imbalances during FY17, GDP growth is projected to increase moderately and touch 5.8 percent by FY19. Growth will be driven by public and private consumption, aided by a moderate increase in investment. Investment is also expected to grow moderately due to higher capital expenditures by the government and an increase in FDI and external loans for CPEC projects. PKIC will endeavor to capitalize on the opportunities emanating from favorable economic environment.

## Risk Management Framework

PKIC's Risk Management Framework is built around the principles of Integrated Risk Management for managing Credit Risk, Market Risk, Liquidity Risk, and Operational Risk. The Board of Directors provides the strategic direction and has the ultimate responsibility for ensuring that effective risk management framework is in place. It is supported in this task by board committees i.e. Risk Management Committee (RMC) and Audit Committee as well as management sub-committees. Risk Management Function provides regular updates to Risk Management Committee on the key risks of the company. RMC also recommends key risk policies, limits, strategies, and risk appetite to the Board for onward approval.

Risk Management Function is responsible for application of Risk Management framework which has developed over the years and continues to be refined and improved. All credit risk related aspects are governed by a policy outlining risk reward parameters, type of products that can be offered, the credit approval process and key considerations. The internal credit rating methodologies serve as the key input in the approval as well as post approval credit process. Market and Liquidity Risk are managed by the Asset & Liability Committee (ALCO) which is governed by defined terms of reference. The Risk Management Function carries out internal stress testing to ascertain the interest rate risk on the statement of financial position and also prepares the interest rate risk profile periodically. The company calculates Value at Risk (VaR) on equity portfolio on daily basis using well accepted approaches.

Operational risk is managed through the risk policy approved by the Board. Operational loss data collection and Key Risk Indicators evaluation have been underway for past many years. PKIC has a tested Business Continuity Plan (BCP) in place which covers the steps and events to be considered to ensure continuity of business operations in case of any emergency or disaster. Risk Management Department (RMD) performs the full fledged Internal Capital Adequacy Assessment Process (ICAAP) for all material risks which includes credit, market, operational, strategic, concentration, liquidity, interest rate, reputation risk and other risks. The risk management framework remains compliant and updated with the developments in the relevant directives.

## Entity rating of Pakistan Kuwait Investment Company Private Limited

The Pakistan Credit Rating Agency (PACRA) has maintained the long term entity rating of the Company at "AAA" (Triple A) and the short term rating at 'A1+' (A one plus), the highest level.

The Company has been assigned a Corporate Governance Rating of 'CGR-9' by JCR-VIS. The assigned rating denotes a high level of Corporate Governance.

## Compliance with Code of Corporate Governance – 2012

The Directors confirm the compliance with Code of Corporate Governance (CCG). In this connection, the compliance of relevant clauses of CCG is stated below:

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity
- The Company has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored. The controls which are in place are being continuously reviewed by the Internal Audit department and the process of review and monitoring will continue with the object to improve further.

- All liabilities in regard to the payment on account of taxes, duties, levies and charges have been fully provided and will be paid in due course or where claim was not acknowledged as liability the same is disclosed as contingent liabilities in the notes to the accounts.
- There is no doubt about the Company's ability to continue as a going concern.
- All the board members have attended an orientation course arranged by the company through Institute of Business Administration (IBA).
- The Board has carried out the performance evaluation of its members under the Self Evaluation mechanism.
- The statutory audit of the Company has been carried out by the QCR rated firm.
- The Board of Directors and employees of the Company have signed 'Statement of Ethics and Business Practices' (Code of Conduct).

#### Internal Controls

The Board of Directors hereby endorses the management's evaluation related to ICFR and overall internal controls, as detailed in the 'Statement of Internal Control', included in the Annual Report.

#### Board Meetings

Five meetings of the Board of Directors of the Company were held in the year 2017 as per following schedule: -

1st Meeting	January 18, 2017
2nd Meeting	March 5, 2017
3rd Meeting	May 3, 2017
4th Meeting	October 1, 2017
5th Meeting	November 8, 2017

#### Audit Committee Meetings

Four meetings of the Audit Committee of the Company were held in the year 2017 as per following schedule: -

1st Meeting	March 5, 2017
2nd Meeting	May 3, 2017
3rd Meeting	October 1, 2017
4th Meeting	November 8, 2017

#### Risk Management Committee Meetings

Four meetings of the Risk Management Committee of the Company were held in the year 2017 as per following schedule: -

1st Meeting	March 5, 2017
2nd Meeting	May 3, 2017
3rd Meeting	October 1, 2017
4th Meeting	November 8, 2017

Details of the attendance of the Board and its Sub-Committee are as follows

Board Meetings Details:

Name of Directors	Meetings during the tenure	Meetings attended
Mr. Abdullah Abdulwahab Al-Ramadhan - Chairman (Non-Executive Director)	5	5
Mr. Mohammed R. Al-Mutawa - Member (Non-Executive Director)	5	5
Mr. Faisal Adnan Al-Hunaif - Member (Non-Executive Director)	5	5
Mr. Naveed Alauddin - Member (Non-Executive Director)	5	5
Mr. Rana Assad Amin - Member (in place of Mr. Saleem Zamindar) (Non-Executive Director)	2	2
Mr. Saleem Zamindar - Member (Non-Executive Director)	3	3
Mr. Mansur Khan - Member Executive Director / Managing Director	5	5

Risk Management Committee Meeting Details:

Name of Directors	Meetings during the tenure	Meetings attended
Mr. Faisal Adnan Al-Hunaif - Chairman (in place of Mr. Abdullah Abdulwahab Al-Ramadhan)	4	4
Mr. Naveed Alauddin - Member	4	4
Mr. Mohammed R. Al-Mutawa - Member (in place of Mr. Abdullah Abdulwahab Al-Ramadhan)	2	2
Mr. Abdullah Abdulwahab Al-Ramadhan - Chairman	2	2

Audit Committee Meeting Details:

Name of Directors	Meetings during the tenure	Meetings attended
Mr. Rana Assad Amin - Chairman (in place of Mr. Saleem Zamindar)	2	2
Mr. Saleem Zamindar - Chairman	2	2
Mr. Mohammed R. Al-Mutawa - Member	4	4
Mr. Naveed Alauddin - Member	4	4

Summarized Operating and Financial Data for the last six years:

(PKR Million)	2017	2016	2015	2014	2013	2012
Paid up Capital	6,000	6,000	6,000	6,000	6,000	6,000
Reserves	18,128	16,822	13,727	12,512	9,680	7,777
Total Assets	29,129	28,941	28,367	24,634	22,291	30,805
Profit before tax	2,594	4,128	2,504	3,195	2,807	2,058
Net Profit after tax	1,850	3,452	1,828	2,678	2,360	1,641
Cash Dividend	500	500	455	600	675	450
Stock Dividend	-	-	-	-	-	-

For the purpose of comparisons, the figures for the years 2012-2013 have been taken from the consolidated financial statements.



## Statement of Investments of Provident and Gratuity Funds

Investments of Provident and Gratuity Funds as at December 31, 2017 according to their respective un-audited accounts were PKR 150.710 million and PKR 98.429 million, respectively. Investment of Provident Fund and Gratuity Fund amounted to PKR 146.655 million and PKR 85.962 million respectively, as at December 31, 2016 according to its audited accounts.

### Auditors

The present auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment. As required under the Code of Corporate Governance, the Audit Committee has recommended the appointment of M/s. KPMG Taseer Hadi & Co., Chartered Accountants as auditors of the Company for the year ending December 31, 2018.

### Acknowledgement

We would like to express our sincere appreciation to our shareholders for having reposed confidence in us with their consistent support and guidance. The board appreciates the contribution of the outgoing director Mr. Saleem Zamindar and welcomes Mr. Rana Assad Amin to the Company. We are also grateful to the Government of Pakistan, the Ministry of Finance, the State Bank of Pakistan, and the Securities & Exchange Commission of Pakistan for their guidance to the Company at all times.

An institution cannot be successful without its people, who are to be complimented for performing well under difficult circumstances. We would like to place on record the appreciation of the Board for the role of the team members for their commitment and dedication to work.

On behalf of the Board of Directors

Abdullah Abdulwahab Al-Ramadhan  
Chairman

Mansur Khan  
Managing Director

Date: March 7, 2018  
Karachi

## ڈائریکٹرز کی رپورٹ

پاکستان کویت انویسٹمنٹ کمپنی (پرائیویٹ) لمیٹڈ (کمپنی) کے ناظمین اپنے گذشتہ سال جس کا اختتام 31 دسمبر 2017 کو ہوا تھا اس کی سالانہ رپورٹ، تصدیق شدہ مالیاتی گوشوارے، جس میں کمپنی کے تفصیل سے مالیاتی نتائج درج ہیں بمع محاسب کی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

### کمپنی کی کارکردگی

2016	2017	برائے سال (پاکستانی روپیہ ملین میں)
784	637	خالص مارک اپ کی بنیاد پر آمدن
3,787	2,403	بغیر مارک اپ کے آمدن
4,571	3,040	کل آمدن
485	510	عملی اخراجات
4,086	2,530	منافع قبل از تخصیص
(42)	(64)	تخصیص / (تخصیص کی واپسی)
4,128	2,594	منافع قبل از محصول
676	744	محصول
3,452	1,850	منافع بعد از محصول

2016	2017	اختتام سال پر (پاکستانی روپیہ ملین میں)
28,941	29,129	کل اثاثہ جات
4,254	4,322	مالیاتی واجبات
6,000	6,000	سرمایہ حصص
16,822	18,128	محفوظ سرمایہ اور غیر مختص شدہ منافع

کمپنی نے سال 2017 میں 1.85 بلین پاکستانی روپے بعد از محصول کمائے جبکہ گذشتہ سال اسی مدت کے دوران 3.45 بلین پاکستانی روپے کمائے تھے۔ سال بہ سال 46 فیصد کمی کی بنیادی وجہ حصص کی منڈیوں کی متعین کارکردگی سے کم کارکردگی، کارپوریٹ فنانس پورٹ فولیو میں کم قرضوں کی فراہمی، کاروباری شرکاء کی آمدنی میں کمی اور بڑھا ہوا موخر محصول کا نرخ۔

کمپنی کی سال بہ سال خالص مارک اپ کی بنیاد پر آمدنی میں 19 فیصد کم ہو کر 637 بلین پاکستانی روپے ہو گئی جس کی وجہ ایڈوانس پورٹ فولیو میں کمی اور زیادہ منافع دینے والی گورنمنٹ کے تمسکات کی تکمیلی مدت رہی۔

کمپنی کی بغیر مارک اپ کی آمدن میں سال بہ سال 37 فیصد کمی کے ساتھ 2.4 بلین پاکستانی روپے رہی۔ جس کی وجہ کاروباری شریک کمپنیوں کی آمدنی میں کمی تھی۔ گذشتہ سال کی منقسمہ منافع (Dividend) سے آمدنی میں 29 فیصد کمی کے ساتھ اس سال کی منقسمہ منافع 234 بلین پاکستانی روپے رہی۔ کمپنی کے سال بہ سال کے انتظامی اخراجات میں 5 فیصد اضافہ ہوا۔ کمپنی نے مختصصات کی واپسی کی مدد میں 285 بلین پاکستانی روپے کا اندراج کیا جس کی وجہ متاثرہ گاہکوں (Infected customers) سے غیر کارکردگی والے قرضہ جات کی وصولی تھی۔

کمپنی کے کل اثاثہ جات گذشتہ سال کے اختتام پر 28.94 بلین پاکستانی روپے کے مقابلے میں 31 دسمبر 2017 پر 29.13 بلین پاکستانی روپے رہے۔ اثاثہ جات میں اضافے کی وجہ کمپنی کی 1.46 بلین پاکستانی روپے گورنمنٹ کے ٹریڈری بلز میں زائد سرمایہ کاری تھی۔

کل ایڈوانس پورٹ فولیو میں سال بہ سال 26 فیصد کمی کے ساتھ 4.3 بلین پاکستانی روپے رہا جس کی وجہ سال کے دوران قرضہ جات کی کم فراہمی اور پیشگی ادائیگیاں (Repayments) تھیں۔



## معاشی جائزہ

سال 2016-17 میں مجموعی قومی پیداوار کی نمو کی رفتار میں اضافہ بڑھ کر 5.3 فیصد ہو گیا جو گذشتہ سال اسی مدت میں 4.5 فیصد تھا۔ مستحکم نجی قرضہ جات کا استعمال، زراعت کی بحالی اور خدمات کے شعبے میں کاروباری متحرک کی کیفیت نے مجموعی قومی پیداوار کی نمو میں معاونت کی۔

تاہم، جیسے جیسے ترقی بڑھی، اندرونی اور بیرونی محاذ پر عدم توازن پھر ظاہر ہوا۔ داخلی طور پر ملک میں مالیاتی دباؤ بڑھا۔ سال 2016 تک کافی زیادہ گراؤٹ کے بعد انضمام شدہ مالیاتی خسارہ، مجموعی قومی پیداوار کا 5.8 فیصد پہنچ گیا جو سال 2016 میں 4.6 فیصد تھا۔ بیرونی طور پر سال 2017 میں، جاری موجودہ اکاؤنٹ خسارہ بڑھ کر 12.4 بلین پاکستانی روپے تک پہنچ گیا۔ درآمدات میں تیزی اور روپے کی قدر میں گراؤٹ کے نتیجے میں برآمدات میں کمی اور خام تیل کی بین الاقوامی قیمتوں میں اضافے سے تجارتی خسارہ بڑھ گیا۔

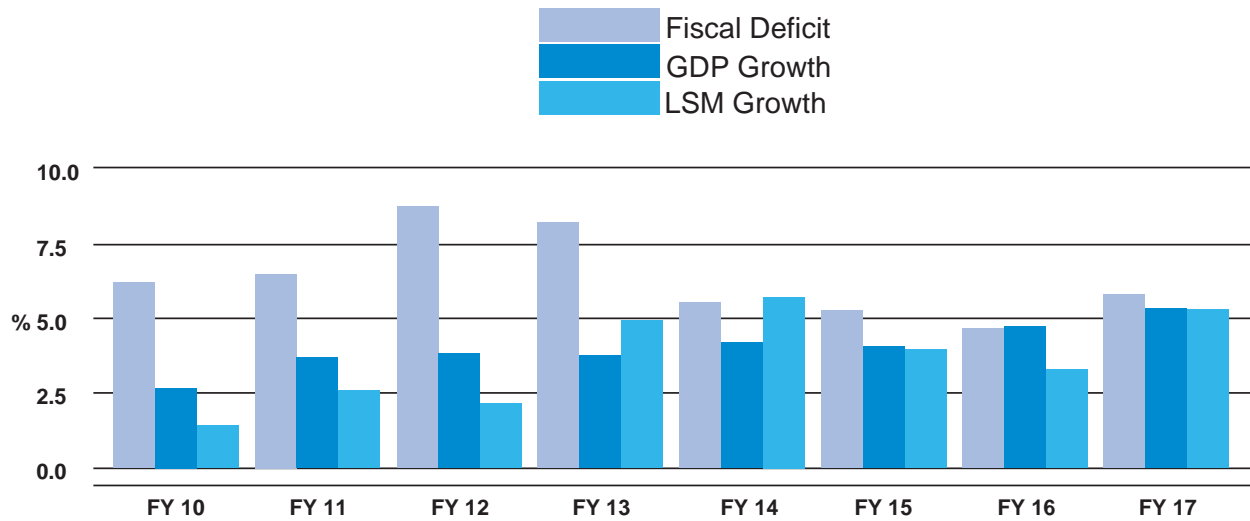
سال 2017 کے اختتام پر پاکستان کے سرکاری طور پر تسلیم شدہ ذخائر گر کر 20.1 ارب امریکی ڈالر ہو گئے جس کے مقابلے میں سال 2016 کے اختتام پر 23.2 ارب امریکی ڈالر تھے۔ ذخائر میں یہ کمی بیرونی قرضہ کی ادائیگیاں اور کم تر سمندر پار پاکستانیوں کے جانب سے ترسیل زر میں کمی کی وجہ سے ہے۔ افراط زر قابو میں رہا، اعتدال کے ساتھ بڑھا اور 4.6 فیصد رہا اور سال کے 6 فیصد کے ہدف سے کم رہا۔ جس کے نتیجے میں بینک دولت پاکستان نے سال 2017 کے دوران پالیسی نرخ کو بغیر تبدیلی کے 5.75 فیصد پر رکھا۔

حکومتی قرضوں کی شیڈولڈ بینکوں (Scheduled banks) کو ادائیگی اور کم حقیقی سودی نرخ کی وجہ سے سال 2017 میں نجی شعبے کو قرضہ جات کی فراہمی میں اٹھان آیا۔ نجی شعبے کو قرضہ جات کی فراہمی میں 14 فیصد اضافہ ہوا اور سال 2016 کے مقابلے میں 612 بلین پاکستانی روپے سے زیادہ رہا۔ فنانسنگ کے مواقعوں میں بہتری کی صورت حال وسیع بنیاد تھی لیکن وہ صنعتی پیداوار کی شعبے (Manufacturing sector) تک مرکوز رہی۔

سال 2017 نے حصص کی منڈی کی انڈیکس میں اہم کمی دیکھی اور سال کے دوران بیچ مارک PSX-100 (سابقہ KSE-100) کے شیئر انڈیکس میں 15.3 فیصد کمی ہوئی۔

معاشی اشارے

## Trend for Macroeconomic Indicators



Source: - Economic Survey of Pakistan

## منقسمہ منافع (Dividend)

بورڈ آف ڈائریکٹرز اس بات میں خوشی محسوس کرتے ہیں کہ وہ سال جس کا اختتام 31 دسمبر 2017 کو ہوا ہے 500 بلین پاکستانی روپوں کا نقد منقسمہ منافع تجویز کریں۔

## کمائی فی حصص

25,000 پاکستانی روپے مالیت کے حصص کی بنیادی اور گھٹی ہوئی کمائی فی حصص 14,385 پاکستانی روپے سے کم ہو کر 7,709 پاکستانی روپے ہوئی ہے۔

## مستقبل کا منظر نامہ

مالیاتی سال 2017 کے دوران کئی معیشت (Macroeconomic) میں عدم توازن میں اضافے کے باوجود یہ توقع کی گئی ہے کہ مجموعی قومی پیداوار کی نمو مالیاتی سال 2019 میں اعتدال کے ساتھ بڑھ کر 5.8 فیصد تک پہنچ جائے گی۔ ترقی کا محرک حکومتی اور نجی (قرضہ جات کا) استعمال ہوگا جس کی معاونت معتدل سرمایہ کاری ہوگی۔ توقع ہے کہ بلند تر حکومتی کپیٹل اخراجات، FDI میں اضافہ اور CPEC کے منصوبوں کے لیے بیرونی قرضہ جات کی وجہ سے سرمایہ کاری اعتدال کے ساتھ بڑھے گی۔ PKIC موافق معاشی ماحول سے پیدا ہونے والے مواقعوں سے فائدہ اٹھانے کی کوشش کرے گی۔

## خطرات سے نپٹنے کا انتظامی ڈھانچہ (Risk Management Framework)

PKIC کا خطرات سے نپٹنے کا انتظامی ڈھانچہ کی تعمیر انضمام شدہ رسک مینجمنٹ کے اصولوں پر کی گئی ہے تاکہ قرضہ جاتی رسک، سیالیت رسک اور آپریشن رسک کا انتظام کیا جاسکے۔ بورڈ آف ڈائریکٹرز ویری (strategic) سمت کا تعین کرتے ہیں اور اس کی حتمی ذمہ داری ہے کہ موثر رسک مینجمنٹ کے ڈھانچے کی موجودگی کو یقینی بنائے۔ بورڈ کمیٹیاں یعنی رسک مینجمنٹ کمیٹی (RMC) اور آڈٹ کمیٹی کے ساتھ ساتھ مینجمنٹ کی کمیٹیاں اس کام میں معاونت کرتی ہیں۔ رسک مینجمنٹ کمیٹی اور رسک مینجمنٹ فنکشن تو اتر سے کمپنی کو درپیش کاروباری خطرات کی تازہ ترین صورت حال سے آگاہ کرتا رہتا ہے۔ RMC ہم خطرے کی پالیسیوں، حدود۔ حکمت عملی اور خطرات بڑھنے کے عوامل، بورڈ کی منظوری کے لیے تجویز کرنا۔

رسک مینجمنٹ کے ڈھانچہ، جو سالوں میں تیار ہوا ہے اور مسلسل اس میں بہتری کا عمل جاری ہے، پر عملدرآمد رسک مینجمنٹ فنکشن کی ذمہ داری ہے۔ تمام قرضہ جات سے متعلق خطرات کا انتظام پالیسی میں درج رسک ریوارڈ (Reward) کے عوامل (Parameter)، مصنوعات کے قسم جو پیش کی جاسکتی ہے، قرضہ کی منظوری کا طریقہ اور اہم نکات کرتے ہیں۔ اندرونی قرضہ کی درجہ بندی کے طریقہ (Methodologies) منظوری کے ساتھ ساتھ قرضہ کے منظوری کے پراسس کے بعد کے لیے اہم معلومات فراہم کرنے کا ذریعہ ہے۔ منڈی اور سیالیت کا خطرہ کا انتظام اثاثہ جات اور مالیاتی ذمہ داری کی کمیٹی (Asset & Liability Committee) انتظام کرتی ہے جس کا انتظام مکمل طور دی ہوئی شرائط اور ضوابط سے کیا جاتا ہے۔ رسک مینجمنٹ فنکشن اندرونی دباؤ (Internal stress) کی ٹیسٹنگ کرتا ہے تاکہ مالیاتی دستاویزات کی صورتحال پر سودی نرخ کے خطرے اور وقفے وقفے سے سودی نرخ کے پروفائل کا تعین کر سکے۔ کمپنی ملکیتی سرمایہ (Equity) پورٹ فولیو کی خطرے پر مالیت (Value at Risk) کا حساب کتاب تسلیم شدہ نقطہ نظر کی بنیاد پر روزانہ کرتی ہے۔

آپریشنل خطرے کا انتظام خطرے بورڈ کی منظور شدہ پالیسی کے ذریعے کیا جاتا ہے۔ آپریشن کے نقصان کے ڈیٹا کا جمع کیا جانا اور اہم خطرے کے اشاروں کا تخمینہ گذشتہ کئی سالوں سے کیا جا رہا ہے۔ PKIC کے پاس ٹیسٹ شدہ کاروبار کے تسلسل کے منصوبے (BCP) موجود ہے جو کسی ہنگامی یا تباہی کی صورت میں بزنس آپریشن کے تسلسل کو یقینی بنانے کے لیے کئے جانے والے اقدامات یا واقعات کا احاطہ کرتا ہے۔

خطرے کے انتظام کا شعبہ مکمل طور پر اندرونی کپیٹل کی موزونیت کا تخمینہ کرنے کے پراسس کو تمام مادی خطرات جس میں شامل ہیں قرضہ جات، منڈی، آپریشنل، ترویجی (Strategic)، ارتکاز، سیالیت، سودی نرخ، شہرت کا خطرہ اور دیگر خطرات۔ رسک مینجمنٹ کا ڈھانچہ ہونے والے ارتقا اور متعلقہ ہدایات کے مطابق ان پر عملدرآمد کرنے والا اور جدید ہے۔

## پاکستان کویت انویسٹمنٹ کمپنی لمیٹڈ کی اینٹیٹی ریٹنگ (Entity Rating)

پاکستان کریڈٹ ریٹنگ ایجنسی (PACRA) نے کمپنی کی طویل المدتی اینٹیٹی ریٹنگ "ٹرپل اے (AAA)" برقرار رکھی ہے اور قلیل المدتی ریٹنگ "اے ون پلس (+A1)" رکھی ہے جو اعلیٰ ترین سطح ہے۔

جی سی آر۔ وی آئی ایس نے کمپنی کو کارپوریٹ گورننس ریٹنگ "CGR - 9" تفویض کی ہے۔ یہ مقررہ ریٹنگ اداراتی نظم و ضبط (Corporate Governance) کی اعلیٰ سطح ظاہر کرتی ہے۔

## اداراتی حسن کارکردگی (Corporate Governance) کے ضابطہ 2012 کی تعمیل

تمام ناظمین اداراتی نظم و ضبط (Corporate Governance) کے ضوابط کی تعمیل کی تصدیق کرتے ہیں۔ اداراتی نظم و ضبط کے قوانین کی متعلقہ شقوں کی تفصیلات درج ذیل ہے:

- کمپنی انتظامیہ کے تیار کردہ مالیاتی گوشوارے اسکے معاملات کی حالت، عملی امور کے نتائج، کیش فلو اور ملکییتی سرمایہ (equity) میں تبدیلی کے بارے میں تفصیلات کو بہتر طور پر پیش کرتے ہیں۔
- موزوں کھاتوں کی کتابیں قائم رکھی ہوئی ہیں۔
- مالیاتی دستاویزات کی تیاری میں حساب کتاب (Accounting) کی مناسب حکمت عملی یکساں طور پر اپنائی گئی ہے اور حساب کتاب کے تخمینے کی بنیاد معقول اور محتاط پر رکھ ہے۔
- پاکستان میں قابل اطلاق بین الاقوامی مالیاتی رپورٹنگ معیار پر عمل کرتے ہوئے مالیاتی دستاویزات کو تیار کیا گیا ہے اور ان سے کسی بھی انحراف کو مناسب طور پر ظاہر کیا گیا ہے۔
- اندرونی نگرانی (Internal Control) کے نظام کا ڈیزائن مضبوط بنیادوں پر تیار کیا گیا ہے اور اس کا موثر طور پر نفاذ اور نگرانی کی گئی ہے۔ اندرونی احتساب کا شعبہ متعین کنٹرولز کا مسلسل جائزہ لیتا رہتا ہے اور نگرانی اور جائزہ کا یہ عمل جاری رہیگا تاکہ مزید بہتری لائی جاسکے۔
- تمام واجبات جو محصول، ڈیویڈنڈ، لیویز اور فیسوں کو ادا کرنے کے لئے درکار ہیں انکا مکمل انتظام کیا گیا ہے اور یہ وقت مقررہ پر ادا کردئے جائیں گے یا جہاں کلیم کو واجبات میں شمار نہیں کیا گیا تو ان کو کھاتوں کی یادداشتوں (Notes) میں امکانی واجبات کے طور پر ظاہر کیا گیا ہے۔
- کمپنی کی ایک جاری ادارے کو طور پر چلنے رہنے میں کوئی شبہ نہیں ہے۔
- بورڈ کے تمام ممبران نے انسٹیٹیوٹ آف بزنس ایڈمنسٹریشن کے اشتراک سے کارپوریٹ گورننس کی آگاہی (Orientation) کے کورس میں شرکت کی ہے۔
- بورڈ نے خود تشخیصی نظام کے تحت اپنے ممبران کی کارکردگی کی تشخیص کی ہے۔
- کمپنی کا دستوری آڈٹ ایک کیو سی آر (QCR) درجہ بندی کے ادارے نے کیا ہے۔
- بورڈ آف ڈائریکٹرز اور کمپنی کے ملازمین نے 'اخلاقیات اور کاروباری طرز عمل' کے بیان پر دستخط کئے ہیں (ضابطہ اخلاق)

## اندرونی نگرانی (Internal Controls)

بورڈ آف ڈائریکٹرز اس بات کی تصدیق کرتے ہیں کہ ICFR سے متعلق انتظامیہ کے تخمینے کی اور مجموعی اندرونی نگرانیوں جس کو تفصیلاً "انٹرنل کنٹرول کے اسٹیٹمنٹ" میں بیان کیا گیا ہے اور وہ سالانہ رپورٹ میں شامل ہے۔

### بورڈ کے اجلاس

درج ذیل جدول کے مطابق، سال 2017 میں بورڈ آف ڈائریکٹرز کے 15 اجلاس ہوئے،

18 جنوری 2017	پہلا اجلاس
5 مارچ 2017	دوسرا اجلاس
3 مئی 2017	تیسرا اجلاس
یکم اکتوبر 2017	چوتھا اجلاس
8 نومبر 2017	پانچواں اجلاس

### آڈٹ کمیٹی کے اجلاس

درج ذیل جدول کے مطابق، سال 2017 میں آڈٹ کمیٹی کے 14 اجلاس ہوئے،

5 مارچ 2017	پہلا اجلاس
3 مئی 2017	دوسرا اجلاس
یکم اکتوبر 2017	تیسرا اجلاس
8 نومبر 2017	چوتھا اجلاس

## رسک مینجمنٹ کمیٹی کے اجلاس

درج ذیل جدول کے مطابق، سال 2017 میں رسک مینجمنٹ کمیٹی کے 4 اجلاس ہوئے،

5 مارچ 2017	پہلا اجلاس
3 مئی 2017	دوسرا اجلاس
یکم اکتوبر 2017	تیسرا اجلاس
8 نومبر 2017	چوتھا اجلاس

بورڈ اور اس کی ذیلی کمیٹیوں کے اجلاس میں حاضری کی تفصیلات درج ذیل ہیں

### بورڈ کے اجلاس کی تفصیلات

ڈائریکٹرز کے نام	دوران مدت اجلاس کی تعداد	اجلاس میں شرکت کی تعداد
جناب عبداللہ عبدلوہاب الرمضان، چیئر مین، (نان ایگزیکٹو ڈائریکٹر)	5	5
جناب محمد ریاد الممتاوا، رکن، (نان ایگزیکٹو ڈائریکٹر)	5	5
جناب فیصل عدنان ال خذیف، رکن (نان ایگزیکٹو ڈائریکٹر)	5	5
جناب نوید علاؤ الدین، رکن (نان ایگزیکٹو ڈائریکٹر)	5	5
جناب رانا اسد امین، رکن (نان ایگزیکٹو ڈائریکٹر) (جناب سلیم زمیندار کی جگہ)	2	2
جناب سلیم زمیندار، رکن، (نان ایگزیکٹو ڈائریکٹر)	3	3
جناب منصور خان - رکن (ایگزیکٹو ڈائریکٹر/مینجنگ ڈائریکٹر)	5	5

### رسک مینجمنٹ کمیٹی کے اجلاس کی تفصیلات

ڈائریکٹرز کے نام	دوران مدت اجلاس کی تعداد	اجلاس میں شرکت کی تعداد
جناب فیصل عدنان ال خذیف، چیئر مین (جناب عبداللہ عبدلوہاب الرمضان کی جگہ)	4	4
جناب نوید علاؤ الدین، رکن	4	4
جناب محمد ریاد الممتاوا، رکن (جناب عبداللہ عبدلوہاب الرمضان کی جگہ)	2	2
جناب عبداللہ عبدلوہاب الرمضان، چیئر مین	2	2

### آڈٹ کمیٹی کے اجلاس کی تفصیلات

ڈائریکٹرز کے نام	دوران مدت اجلاس کی تعداد	اجلاس میں شرکت کی تعداد
جناب رانا اسد امین، چیئر مین (جناب سلیم زمیندار کی جگہ)	2	2
جناب سلیم زمیندار، چیئر مین	2	2
جناب محمد ریاد الممتاوا - رکن	4	4
جناب نوید علاؤ الدین، رکن	4	4

## گذشتہ 6 سال کا عملی اور مالیاتی اعداد و شمار کا خلاصہ

2012	2013	2014	2015	2016	2017	پاکستانی روپے (ملین میں)
6,000	6,000	6,000	6,000	6,000	6,000	اداشدہ سرمایہ
7,777	9,680	12,512	13,727	16,822	18,128	محفوظ سرمایہ
30,805	22,291	24,634	28,367	28,941	29,129	کل اثاثہ جات
2,058	2,807	3,195	2,504	4,128	2,594	منافع قبل از محصول
1,641	2,360	2,678	1,828	3,452	1,850	خالص منافع بعد از محصول
450	675	600	455	500	500	نقد منقسمہ منافع
-	-	-	-	-	-	حصص منقسمہ منافع

یادداشت (Note): اعداد و شمار کے تقابل کے لیے 2012 تا 2013 کے سالوں کے اعداد و شمار ان سالوں کی انضمام شدہ مالیاتی دستاویزات سے حاصل کی گئی ہیں

پراویڈینٹ اور گریجویٹ فنڈز کی سرمایہ کاری کا بیان

31 دسمبر 2017 تک پراویڈینٹ اور گریجویٹ فنڈز کے غیر تصدیق شدہ کھاتوں کے مطابق سرمایہ کاری کی تفصیل بالترتیب 150.710 اور 98.429 ملین پاکستانی روپے رہی۔ 31 دسمبر 2016 تک پراویڈینٹ اور گریجویٹ فنڈز کے تصدیق شدہ کھاتوں کے مطابق سرمایہ کاری کی مالیت بالترتیب 146.655 ملین پاکستانی روپے اور 85.962 ملین پاکستانی روپے رہی۔

### محاسب (Auditors)

موجودہ آڈیٹرز میسرز کپی ایم جی تاسیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس، مدت معاہدہ اختتام پذیر ہو چکی ہے اور اس بات کے اہل ہونے کی وجہ سے اپنے آپ کو منتخب کروانے کے لیے اپنی خدمات دوبارہ پیش کرتے ہیں۔ آڈٹ کمیٹی، کارپوریٹ گورننس میں درج ضابطوں کے مطابق، میسرز کپی ایم جی تاسیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس کو سال جس کا اختتام 31 دسمبر 2018 کو ہوگا تک کے لیے منتخب کرنے کی تجویز پیش کر چکی ہے۔

### اعتراف

ہم حصص یافتگان کے اعتماد، مسلسل تعاون اور رہنمائی کرنے کو مخلصانہ طور پر سراہتے ہیں۔ ہم حکومت پاکستان، وزارت مالیات، اسٹیٹ بینک آف پاکستان اور سیکیورٹی اینڈ ایکسچینج کمیشن آف پاکستان کے بھی ان کی ہر وقت رہنمائی کیلئے شکر گزار ہیں۔

کوئی ادارہ بھی اپنے لوگوں کے بغیر کامیاب نہیں ہو سکتا، جن کی مشکل حالات میں بہتر کارکردگی دکھانے پر ان کی کاوشوں کو سراہا جانا چاہیے۔ بورڈ اپنے ٹیم کے ارکان کی کام سے لگن اور اخلاص کو سراہتا ہے اس بات کو کارڈ پر لانا چاہتا ہے۔

بورڈ کے ڈائریکٹرز کے جانب سے



منصور خان، میمنگ ڈائریکٹر



عبدالوہاب رمضان، چیئرمین

بتاریخ 7 مارچ 2018

کراچی

## Statement of Compliance with Code of Corporate Governance for the Year Ended December 31, 2017

This statement is being presented to comply with the relevant clauses of Code of Corporate Governance (CCG) issued by the Securities and Exchange Commission of Pakistan (SECP). The SBP vide BPRD circular No. 14 dated October 20, 2016 has intimated that the requirement of the CCG as mentioned in Prudential Regulations are now no longer applicable on DFIs, however it is expected that all DFIs will continue to follow the best practices on corporate governance.

The Company as a good governance practice has complied with relevant CCG clauses in the following manner:

1. The Board of Directors (“the Board”) of the Company comprises of 5 non-executive directors and one executive director. All the directors are nominees of the respective joint venture partner governments under requirements of the Joint Venture Agreement (JVA) between them. At present the Board includes:

Category	Names
Executive Director	Mr. Mansur Khan
Non-Executive Directors	Mr. Abdullah Abdulwahab Al-Ramadhan Mr. Mohammed R. Al-Mutawa Mr. Faisal Adnan Al-Hunaif Mr. Rana Assad Amin Mr. Naveed Alauddin

2. The Board has carried out the performance evaluation of its members, including the Chairman and the Chief Executive, on the basis of ‘Board Self Evaluation’ (BSE) process. The Self Evaluation of the Members of the Board and its Sub-Committees was conducted under the supervision of Pakistan Institute of Corporate Governance (PICG). The Board also monitors and assesses the performance of senior management on annual basis.
3. All the board members underwent a “Director Orientation Workshop” (DOW) arranged by the Company through the ‘Institute of Business Administration’ (IBA). All the directors were provided with an Orientation Package on their appointment. Currently four directors have completed the Director’s Training Certification under the Directors’ Training Program as prescribed by SECP. The Board is encouraging other members to get the Directors Training Certification as soon as possible.
4. The casual vacancy occurred on the board on July 24, 2017 was filled up by the directors within 31 days.
5. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a Banking Company, a DFI or an NBFIs or, being a member of a Stock Exchange has been declared as a defaulter by that Stock Exchange.
6. The directors have confirmed that none of them is serving as a director on more than seven listed companies (excluding the listed subsidiaries of listed holding companies where applicable).
7. The Company applies the fit and proper criteria given in the Prudential Regulations (PRs) issued by State Bank of Pakistan in making nominations of the persons for appointment as board members under the provisions of the Companies Act, 2017.
8. As per the Articles of Association and Joint Venture Agreement, the Chairman was elected amongst Kuwaiti Directors while the Managing Director was elected amongst Pakistani Directors.

9. (a) The Company has prepared a "Statement of Ethics & Business Practices ("the Code of Conduct") and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures, including posting the same on the Company's website (www.pkic.com).  
 (b) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.
10. The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety, objectivity, integrity and honesty, and relationship with the stakeholders.
11. The Board has developed and enforced appropriate policy related matters on conflict of interest, the clauses of which are contained in relevant policies to lay down circumstances or considerations when person may be deemed to have actual or potential conflict of interests, and the procedures for disclosing such interest.
12. The Board has developed and implemented policy related matters on anti-corruption, the clauses of which are contained in the relevant policies to minimize actual or perceived corruption in the Company.
13. The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.
14. The Board has developed a vision and mission statement, corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
15. The meetings of the Board of Directors were presided over by the Chairman and;
  - (a) The Board has met at least once in every quarter during the year.
  - (b) Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings.
  - (c) The minutes of the meetings were appropriately recorded and circulated
16. The Company has continued to present the details of all related party transactions before the Audit Committee and upon their recommendation to the board for review and approval. The definition of related party used is in accordance with repealed Companies Ordinance, 1984 and applicable financial reporting frame work as the regulations under Section 208 of the Companies Act, 2017 have not yet been announced.
17. The Board has approved the profit and loss account for, and Statement of Financial Position as at the end of, the first, second and third quarter of the year as well as the financial year end, and has placed the annual financial statements on the company's website. Monthly accounts were also prepared and circulated amongst the board members.
18. The Board has formed the following Board Sub-Committees:

Committee	Name of Chairman / Members
Audit Committee	Mr. Rana Assad Amin -Chairman Mr. Mohammad Reyad Al-Mutawa – Member Mr. Naveed Alauddin – Member
Risk Management Committee	Mr. Faisal Adnan Al-Hunaif – Chairman Mr. Naveed Alauddin – Member Mr. Mohammed Reyad Al-Mutawa – Member
Executive Committee (entrusted with Human Resources responsibilities)	Mr. Abdullah Abdulwahab Al-Ramadhan – Member Mr. Mansur Khan – Member

19. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, with their remuneration and terms and conditions of employment, and as per their prescribed qualifications.
20. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
21. The Directors, Chief Executive and Executives do not hold any interest in the shares of the Company.
22. A formal and transparent procedure for fixing the remuneration packages of Executive Director has been set in place.
23. The financial statements of the Company were duly endorsed by the Chief Executive and Chief Financial Officer, before approval of the Board.
24. The Audit Committee has met at least once every quarter of the financial year ended December 31, 2017. These meetings were held prior to the approval of quarterly results by the Board of Directors. The Chief Executive and Chairman of the Board are not members of the Audit Committee. The terms of reference of the committee have been formed and advised to the committee for compliance.
25. The Board has set up an effective internal audit function, which has an Audit Charter, duly approved by the Audit Committee, and which worked in accordance with the applicable standards.
26. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed International Federation of Accountants (IFAC) guidelines and all its partners are in compliance with IFAC guidelines on Code of Ethics as adopted by the ICAP.
27. The statutory audit of the company has been carried out by the audit firm which has been given the satisfactory rating under the 'Quality Control Review' (QCR) Rating Program of the Institute of Chartered Accountants of Pakistan (ICAP).
28. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive, other executive and non-executive directors, have been taken by the Board / shareholders.
29. The Company has complied with all the applicable corporate and financial reporting clauses of CCG.



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Abdullah Abdulwahab Al-Ramadhan  
Chairman



---

Mansur Khan  
Managing Director

Date: March 7, 2018  
Karachi





**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
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Karachi, 75530 Pakistan

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## Review Report to the Members on the Statement of Compliance with Code of Corporate Governance for the year ended December 31, 2017

We have reviewed the enclosed Statement of Compliance with the best practices as contained in Code of Corporate Governance (Code) prepared by the Board of Directors of Pakistan Kuwait Investment Company (Private) Limited for the year ended December 31, 2017 to comply with the requirements of the Code.

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

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

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

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

Date: March 7, 2018  
Karachi

KPMG Taseer Hadi & Co.  
Chartered Accountants

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

# Statement on Internal Controls

## REPORTING ON INTERNAL CONTROL SYSTEM

The company endeavors to follow the SBP's Internal Control Guidelines. It is the responsibility of the company's management to establish and maintain an adequate and effective system of internal control that could help in company's efforts to attain a professional and efficient working environment throughout the company. The Internal Control System comprises of various inter-related components including Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring.

Management ensures the efficient and effective Internal Control System by identifying control objectives reviewing pertinent policies / procedures and establishing relevant control procedures. All policies and procedures are reviewed and compared with existing practices and necessary amendments made where required on timely basis.

Alongside this appropriate test of transactions, observation of control environment, sharing of findings of Internal Control System and ensuring relevant appropriate follow-ups / corrective actions are also being done by the management on regular basis, Internal Control System in the company is designed to manage, rather than eliminate the risk of failure to achieve the business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

## EVALUATION OF EXISTING INTERNAL CONTROL SYSTEM

The company has made efforts to ensure during the year 2017 that an effective and efficient Internal Control System is implemented and no compromise is made in implementing the desired control procedures and maintaining suitable control environment in general. However, it is an ongoing process that includes identification, evaluation and management of significant risks faced by the company.

The observations and weaknesses identified by the auditors, both internal and external, have been taken care of and necessary steps have been taken by the management in the due time so as to ensure non-repetition of those exceptions and eliminations of such weaknesses to the maximum possible level. The management has also given timely and satisfactory response to the recommendations and suggestions made by its auditors.

We assess that the internal control system, customer services and operations have been maintained as compared to previous year in all areas / departments of the company. Further, due attention and focus is to enhance competence level and knowledge of the employees.

Recognizing it to be an ongoing process, the management of company adopted an internationally accepted Internal Control COSO Framework, in accordance with guidelines on Internal Controls issued by the State Bank of Pakistan. The management ensures effectiveness over internal control over financial reporting through timely review and updation of pertinent policies / procedures, establishing relevant control procedures and testing of internal controls. Further, the management considers that the Company's internal controls over financial reporting are sound in design and have been effectively implemented and monitored. However, because of the inherent limitations, internal control over financial reporting may not prevent or detect material misstatements or loss. The gaps identified are taken care of and necessary steps are taken by the management on a timely basis so as to ensure non-repetition of those exceptions and eliminations of such gaps to the maximum possible level through continuous monitoring. In accordance with the SBP directives, the Company completed all the seven stages of ICFR roadmap and has been submitting to the SBP periodically the Long Form Report (LFR) issued by the statutory auditors since 2009.



Head of Internal Audit



Chief Financial Officer



Managing Director



Chairman Audit Committee

Date: March 7, 2018  
Karachi



# Financial Statements

For the year ended December 31, 2017



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
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## AUDITORS' REPORT TO THE MEMBERS

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

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the repealed Companies Ordinance, 1984;
- b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the repealed Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the repealed Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2017 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Syed Iftikhar Anjum

Date: March 7, 2018  
Karachi

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

# Statement of Financial Position

As at December 31, 2017

2017 (USD in '000)	2016 (USD in '000)		Note	2017 (Rupees in '000)	2016 (Rupees in '000)
<b>ASSETS</b>					
554	561	Cash and balances with treasury banks	6	61,148	61,995
170	151	Balances with other banks	7	18,730	16,691
22,430	23,845	Lendings to financial institutions	8	2,476,726	2,632,880
207,602	192,055	Investments	9	22,922,841	21,206,169
28,678	40,053	Advances	10	3,166,570	4,422,496
1,780	1,828	Operating fixed assets	11	196,533	201,875
-	-	Deferred tax assets		-	-
2,596	3,616	Other assets	13	286,616	399,306
<u>263,810</u>	<u>262,109</u>			<u>29,129,164</u>	<u>28,941,412</u>
<b>LIABILITIES</b>					
-	-	Bills payable		-	-
23,203	24,106	Borrowings	14	2,562,007	2,661,764
22	33	Deposits and other accounts	15	2,500	3,650
-	-	Subordinated loans		-	-
-	-	Liabilities against assets subject to finance lease		-	-
11,628	10,284	Deferred tax liabilities	12	1,283,926	1,135,537
4,287	4,104	Other liabilities	16	473,321	453,141
<u>39,140</u>	<u>38,527</u>			<u>4,321,754</u>	<u>4,254,092</u>
<u>224,670</u>	<u>223,582</u>	<b>NET ASSETS</b>		<u>24,807,410</u>	<u>24,687,320</u>
<b>REPRESENTED BY</b>					
54,339	54,339	Share capital	17	6,000,000	6,000,000
67,303	62,276	Reserves	17.3	7,431,389	6,876,320
96,876	90,077	Unappropriated profit		10,696,759	9,946,000
<u>218,518</u>	<u>206,692</u>			<u>24,128,148</u>	<u>22,822,320</u>
6,152	16,890	Surplus on revaluation of 'available-for-sale' securities - net of tax	18	679,262	1,865,000
<u>224,670</u>	<u>223,582</u>			<u>24,807,410</u>	<u>24,687,320</u>
<b>CONTINGENCIES AND COMMITMENTS</b>					
			19		

The annexed notes 1 to 42 and annexures I, II and III form an integral part of these financial statements.



Chairman



Chief Executive



Director

# Profit and Loss Account

For the year ended December 31, 2017

2017 (USD in '000)	2016 (USD in '000)	Note	2017 (Rupees in '000)	2016 (Rupees in '000)
6,709	9,308	20	740,818	1,027,732
943	2,210	21	104,125	244,012
<u>5,766</u>	<u>7,098</u>		<u>636,693</u>	<u>783,720</u>
(2,581)	(606)	10.4	(284,942)	(66,941)
1,913	601	9.3	211,237	66,349
-	-		-	-
<u>(668)</u>	<u>(5)</u>		<u>(73,705)</u>	<u>(592)</u>
<u>6,434</u>	<u>7,103</u>		<u>710,398</u>	<u>784,312</u>
19	40		2,104	4,374
2,118	2,990		233,885	330,195
-	-		-	-
813	2,881	22	89,776	318,077
40	21		4,455	2,330
18,612	28,026	9.1.1	2,055,026	3,094,625
160	339	23	17,677	37,395
<u>21,762</u>	<u>34,297</u>		<u>2,402,923</u>	<u>3,786,996</u>
4,617	4,392	24	509,869	484,948
88	-		9,740	-
-	(382)	25	-	(42,106)
1	-	26	60	-
<u>4,706</u>	<u>4,010</u>		<u>519,669</u>	<u>442,842</u>
-	-		-	-
<u>23,490</u>	<u>37,390</u>		<u>2,593,652</u>	<u>4,128,466</u>
3,641	3,800	27	401,978	419,576
-	-		-	-
3,092	2,322	27	341,445	256,396
<u>6,733</u>	<u>6,122</u>		<u>743,423</u>	<u>675,972</u>
<u>16,757</u>	<u>31,268</u>		<u>1,850,229</u>	<u>3,452,494</u>
(USD)			(Rupees)	
<u>70</u>	<u>130</u>	28	<u>7,709</u>	<u>14,385</u>
(USD)			(Rupees)	
<u>70</u>	<u>130</u>	29	<u>7,709</u>	<u>14,385</u>

The annexed notes 1 to 42 and annexures I, II and III form an integral part of these financial statements.



Chairman



Chief Executive



Director

# Statement of Comprehensive Income

For the year ended December 31, 2017

2017 (USD in '000)	2016		2017 (Rupees in '000)	2016
16,757	31,268	Profit for the year	1,850,229	3,452,494
		Other comprehensive income		
		Not to be reclassified in profit and loss account in subsequent periods		
(29)	(21)	Remeasurement of defined benefit plan	(3,172)	(2,322)
9	6	Deferred tax on remeasurement of defined benefit plan	952	696
(451)	69	Share of remeasurement of defined benefit plans of associates	(49,788)	7,643
69	-	Deferred tax on remeasurement of defined benefit plans of associates	7,607	-
<u>16,355</u>	<u>31,322</u>	Comprehensive income transferred to equity	<u>1,805,828</u>	<u>3,458,511</u>
		Component of comprehensive income not transferred to equity		
(7,794)	4,096	(Deficit) / surplus on revaluation of 'available-for-sale' securities	(860,567)	452,265
982	423	Deferred tax on revaluation of 'available-for-sale' securities	108,466	46,757
(4,616)	4,942	Share of (deficit) / surplus on revaluation of 'available-for-sale' securities of associates	(509,668)	545,649
689	(623)	Deferred tax on revaluation of 'available-for-sale' securities of associates	76,031	(68,757)
<u>(10,739)</u>	<u>8,838</u>		<u>(1,185,738)</u>	<u>975,914</u>

The annexed notes 1 to 42 and annexures I, II and III form an integral part of these financial statements.



Chairman



Chief Executive



Director



## Statement of Changes in Equity

For the year ended December 31, 2017

	Note	Share capital	Statutory Reserve	Non-distributable Reserve	Capital Market Equalization Reserve	Unappropriated profit	Total
------(Rupees in '000)-----							
Balance as at January 1, 2016		6,000,000	4,454,684	843,263	450,623	7,978,238	19,726,808
Profit for the year ended December 31, 2016		-	-	-	-	3,452,494	3,452,494
Other comprehensive income		-	-	-	-	6,017	6,017
Total comprehensive income		-	-	-	-	3,458,511	3,458,511
Share of gain on bargain purchase by an associate	17.3.2	-	-	92,001	-	-	92,001
Transactions with the owners of the Company							
Final dividend for the year ended December 31, 2015 @Rs. 1,895.8 per share		-	-	-	-	(455,000)	(455,000)
Transfer to statutory reserve	17.3.1	-	690,499	-	-	(690,499)	-
Transfer to capital market equalization reserve	17.3.3	-	-	-	345,250	(345,250)	-
Balance as at December 31, 2016		6,000,000	5,145,183	935,264	795,873	9,946,000	22,822,320
Profit for the year ended December 31, 2017		-	-	-	-	1,850,229	1,850,229
Other comprehensive income		-	-	-	-	(44,401)	(44,401)
Total comprehensive income		-	-	-	-	1,805,828	1,805,828
Transactions with the owners of the Company							
Final dividend for the year ended December 31, 2016 @Rs. 2,083.3 per share		-	-	-	-	(500,000)	(500,000)
Transfer to statutory reserve	17.3.1	-	370,046	-	-	(370,046)	-
Transfer to capital market equalization reserve	17.3.3	-	-	-	185,023	(185,023)	-
Balance as at December 31, 2017		6,000,000	5,515,229	935,264	980,896	10,696,759	24,128,148

The annexed notes 1 to 42 and annexures I, II and III form an integral part of these financial statements.



Chairman



Chief Executive



Director

# Cash Flow Statement

For the year ended December 31, 2017

2017 (USD in '000)	2016		Note	2017 (Rupees in '000)	2016
		<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
23,489	37,389	Profit before taxation		2,593,652	4,128,466
(2,118)	(2,990)	Less: Dividend income		(233,885)	(330,195)
<u>21,371</u>	<u>34,399</u>			<u>2,359,767</u>	<u>3,798,271</u>
		Adjustments for:			
87	84	Depreciation		9,645	9,241
72	106	Amortization		7,921	11,757
(2,581)	(606)	Reversal of provision against non-performing loans and advances - net		(284,942)	(66,941)
-	(381)	Reversal of provision on fixed assets and non-current asset held for sale - net		-	(42,106)
88	-	Provision for impairment in other assets		9,740	-
1,913	601	Provision for diminution / impairment in the value of investments		211,237	66,349
(10)	-	Gain on disposal of operating fixed assets		(1,157)	(4)
(18,611)	(28,027)	Share in results of associates - net		(2,055,026)	(3,094,625)
(40)	(21)	Unrealised (gain) on revaluation of 'held-for-trading' securities		(4,455)	(2,330)
<u>(19,082)</u>	<u>(28,244)</u>			<u>(2,107,037)</u>	<u>(3,118,659)</u>
2,289	6,155			252,730	679,612
		Decrease / (Increase) in operating assets			
1,414	(23,845)	Lendings to financial institutions		156,154	(2,632,880)
(611)	98	'Held-for-trading' securities		(67,442)	10,851
13,955	6,866	Advances		1,540,869	758,089
655	2,777	Others assets (excluding advance taxation)		72,251	306,579
<u>15,413</u>	<u>(14,104)</u>			<u>1,701,832</u>	<u>(1,557,361)</u>
		(Decrease) in operating liabilities			
(904)	(32,470)	Borrowings		(99,757)	(3,585,191)
(10)	(1,595)	Deposits and other accounts		(1,150)	(176,100)
154	(121)	Other liabilities (excluding current taxation)		17,009	(13,409)
<u>(760)</u>	<u>(34,186)</u>			<u>(83,898)</u>	<u>(3,774,700)</u>
16,942	(42,135)			1,870,664	(4,652,449)
(3,250)	(2,229)	Income tax paid		(358,798)	(246,168)
<u>13,692</u>	<u>(44,364)</u>	<i>Net cash inflow / (outflow) from operating activities</i>		<u>1,511,866</u>	<u>(4,898,617)</u>
		<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
(16,876)	34,244	Net investment in 'available-for-sale' securities		(1,863,472)	3,781,127
(8,173)	636	Net investment in associates		(902,464)	70,197
-	1,298	Net investment in 'held-to-maturity' securities		-	143,292
15,997	12,327	Dividend received		1,766,329	1,361,124
(111)	(74)	Investments in operating fixed assets		(12,224)	(8,116)
10	-	Sale proceeds of operating fixed assets		1,157	4
<u>(9,153)</u>	<u>48,431</u>	<i>Net cash (outflow) / inflow from investing activities</i>		<u>(1,010,674)</u>	<u>5,347,628</u>
		<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
(4,528)	(4,121)	Dividend paid		(500,000)	(455,000)
<u>(4,528)</u>	<u>(4,121)</u>	<i>Net cash used in financing activities</i>		<u>(500,000)</u>	<u>(455,000)</u>
11	(54)	Increase / (Decrease) in cash and cash equivalents		1,192	(5,989)
712	767	Cash and cash equivalents at beginning of the year		78,686	84,675
<u>723</u>	<u>713</u>	Cash and cash equivalents at end of the year	30	<u>79,878</u>	<u>78,686</u>

The annexed notes 1 to 42 and annexures I, II and III form an integral part of these financial statements.



Chairman



Chief Executive



Director

# Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2017

## 1. STATUS AND NATURE OF BUSINESS

Pakistan Kuwait Investment Company (Private) Limited ("the Company") was incorporated in Pakistan as a Private Limited Company on March 17, 1979. The registered office is situated at 4th Floor, Block 'C', Finance and Trade Centre, Shahrah-e-Faisal, Karachi. The Company has a representative office in Lahore. The Company is a 50:50 joint venture between the Governments of Pakistan and Kuwait. The objective of the Company is to profitably promote industrial investments in Pakistan.

## 2. BASIS OF PRESENTATION

The US Dollar amounts presented in the statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement are converted at the rate of Rs. 110.42, prevalent at December 31, 2017, for 2017 and 2016. This additional information is presented only for the convenience of users of the financial statements.

## 3. STATEMENT OF COMPLIANCE

- 3.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984 and the directives issued by the SBP. However, in case requirements differ, the provisions of and directives issued under the repealed Companies Ordinance, 1984 and the directives issued by the SBP shall prevail.

The Companies Ordinance, 1984 was repealed by enactment of the Companies Act, 2017 on May 30, 2017. SECP vide its Circular No. 17 of 2017 and Circular No. 23 of 2017 has clarified that all those companies whose financial year, closes on or before December 31, 2017 can prepare financial statements in accordance with the provisions of repealed Companies Ordinance, 1984.

The SBP through its BSD Circular letter No. 11 dated September 11, 2002 has deferred the implementation of IAS 39 'Financial Instruments: Recognition and Measurement' and IAS 40 'Investment Property' for Non-Banking Financial Institutions (NBFIs) in Pakistan. Further, SECP has deferred the implementation of IFRS 7 'Financial Instruments: Disclosures' through SRO 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these IFRS and their respective interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC), have not been considered in preparation of these financial statements.

- 3.2 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 1, 2018.

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

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

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

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

IFRS 15 ‘Revenue from contracts with customers’ (effective for annual periods beginning on or after July 1, 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 ‘Revenue’, IAS 11 ‘Construction Contracts’ and IFRIC 13 ‘Customer Loyalty Programmes’. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.

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

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

Annual improvements to IFRS standards 2014-2017 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

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

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

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

The above amendments are not likely to have an impact on the Company’s financial statements.

In addition the Companies Act 2017 was enacted on May 30, 2017 and according to circular referred to in Note 3.1 for financial statements purposes would be applicable to financial statements for periods after January 01, 2018. Furthermore, SBP has also notified a new format of financial statements which would be effective from the accounting year ending December 31, 2018. The Companies Act 2017 and the revised format would result in additional disclosures and certain changes in the financial statements presentation.

### 3.3 Accounting estimates and judgement

The preparation of financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form basis of making the judgements about carrying values of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of its revision and future periods if the revision affects both current and future periods.

Judgements made by the management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 40.

### 4. BASIS OF MEASUREMENT

These financial statements have been prepared on the historical cost basis as modified for revaluation of certain investments at market rates in accordance with the requirements of BSD Circular No. 10 dated July 13, 2004 as amended through BSD Circular No. 11 dated August 04, 2004 and BSD Circular No. 14 dated September 24, 2004.

The financial statements are presented in Pakistan Rupees which is the Company's functional currency.

### 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year.

#### 5.2 Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with treasury and other banks in current and deposit accounts.

#### 5.3 Lendings to / borrowings from financial institutions

The Company enters into secured and unsecured lending and borrowing transactions with financial institutions. These are recorded as under:

##### Sale under repurchase agreement

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position and are measured in accordance with accounting policies for investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between sale and repurchase price is amortised as expense over the term of the repo agreement.

##### Purchase under resale agreement

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the statement of financial position. Amounts paid under these agreements are included in reverse repurchase agreement lendings. The difference between purchase and resale price is accrued as income over the term of the reverse repo agreement.

##### Other borrowings

Other borrowings including borrowings from SBP are recorded at the proceeds received. Mark-up on such borrowings is charged to the profit and loss account on a time proportion basis.

##### Other lendings

Lendings are stated net of provision. Mark-up on such lendings is charged to the profit and loss account on a time proportion basis except mark-up on impaired / delinquent lendings, which is recognized on receipt basis.

## 5.4 Investments

### Classification

The Company classifies its investments other than those in associates based on the criteria set out in BSD Circular Nos. 10, 11 and 14 dated July 13, 2004, August 04, 2004 and September 24, 2004 respectively. The investments are classified in the following categories as per SBP guidelines:

- Held for trading investments, investments which are acquired with the intention to trade by taking advantage of short term market / interest rate movements and shall be sold within 90 days.
- Held-to-maturity investments, the Company classifies non derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Company evaluates its intention and ability to hold such investment to maturity.
- Available-for-sale investments, investments which are not eligible to be classified as 'held for trading' or 'held to maturity' are classified as 'available-for-sale'.

### Initial Recognition

Investments are initially recognized at cost which is equivalent to fair value on the date of acquisition. An investment (other than investment that is held for trading) is measured at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the investment. For 'held-for-trading' investment transaction, transaction costs are charged to profit and loss on the date of acquisition.

### Trade date accounting

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

### Subsequent Recognition

Investments categorised as 'held-for-trading' and 'available-for-sale' are valued at fair / market value. Market value of government securities and listed shares are determined by reference to rates provided on PKRV (Reuters Page) and rates provided on the Pakistan Stock Exchange (PSX) at the date of statement of financial position respectively. The fair market value of Term Finance Certificates is as per the rates issued by the Mutual Funds Association of Pakistan (MUFAP). Any surplus or deficit arising as a result of revaluation of securities categorised as 'held-for-trading' is taken to profit and loss account and that of 'available-for-sale' is taken to the statement of financial position, and shown below equity.

Furthermore, investments classified as 'held-to-maturity' are stated at their amortised cost less impairment in value, if any.

Unquoted investments are stated at lower of cost and break-up value based on latest available financial statements.

Impairment loss is recognised whenever the carrying amount of an investment exceeds its recoverable amount. An impairment loss is taken to profit and loss account. Gain / (loss) on sale of investments during the year is included in profit and loss account.

Premium or discount on acquisition of government securities and listed term finance certificates is amortised over the period to maturity under effective interest method.

### Investment in associates

Associates are those entities in which the Company has significant influence, but does not have control, over the financial and operating policies. These financial statements include the Company's share of the total recognized gains and losses of associates on an equity accounting basis, from the date significant influence commences until the date that significant influence ceases. When the Company's share of losses exceeds its interest in an associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has incurred legal or constructive obligation.

## 5.5 Advances including net investment in finance leases

Advances are stated net of provision for doubtful debts. Provision for doubtful debts is determined in accordance with 'Prudential Regulations' issued by the SBP and the Credit Policy of the Company. The provision is charged to the profit and loss account.

Advances are written off when there are no realistic prospects of recovery.

Leases, where substantially all risks and rewards incidental to ownership of an asset are transferred to the lessee, are classified as finance lease. A receivable is recognised at an amount equal to the present value of the lease payments. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

## 5.6 Operating fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment loss (if any) except leasehold land which is stated at cost.

Depreciation is charged to profit and loss account applying the straight line method whereby the cost of an asset is written off over its estimated useful life. Depreciation is charged in the month of purchase and no depreciation is charged in the month of disposal. Depreciation is charged at the rates stated in note 11.1.

Maintenance and normal repairs are charged to profit and loss account as and when incurred.

Gain or loss on the sale or retirement of fixed assets is taken to profit and loss account.

## 5.7 Intangible assets

Intangible assets with definite useful lives are stated at cost less accumulated amortization and accumulated impairment loss (if any). Amortization is charged on a straight line basis over their estimated useful lives. Amortization is charged at the rates stated in note 11.2.

## 5.8 Non-current assets held for sale

Non-current assets are classified as 'held-for-sale', when their carrying amount will be recovered principally through sale transaction rather than continuing use. Such non-current assets are measured at the lower of their carrying values and fair values less costs to sell.

## 5.9 Certificates of investment (COI) / deposits

COI / deposits are initially recorded at the amount of proceeds received. Mark-up is accrued under effective interest rate method on a time proportion basis.

## 5.10 Revenue recognition

- i) Dividend income is recognised when the Company's right to receive payment is established.
- ii) Income from loans, term finance certificates, debentures, bank deposits, government securities and reverse repo transactions is recognised under effective interest rate method, except where recovery is considered doubtful, the income is recognised on receipt basis.
- iii) The Company follows the finance method in recognising income on lease contracts. Under this method the unearned income i.e. the excess of aggregate lease rentals and the estimated residual value over the cost of the leased asset is deferred and then amortised over the term of the lease, so as to produce a constant rate of return on net investment in the lease.
- iv) Gain on sale of securities is recognised at the time of sale of relevant securities.
- v) Advisory income is recognised as the services are rendered.

## 5.11 Taxation

### *Current*

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account the tax credits and tax rebates available, if any and any adjustments to any tax payable relating to prior years.

### *Deferred*

The Company accounts for deferred taxation using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. 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 that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax assets are recognised for all deductible temporary differences and any 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.

#### 5.12 Staff retirement benefits

##### *Defined benefit plan*

The Company operates a funded gratuity scheme for all its eligible permanent employees. 'Projected unit credit method' has been used for actuarial valuation. Actuarial gains or losses are recognised in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements and net interest income (expense).

The last actuarial valuation of the employees' defined benefit plan was conducted as of December 31, 2017.

##### *Defined contribution plan*

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

#### 5.13 Employees' compensated absences

Liability in respect of employees' compensated absences is recognised on the basis of actuarial valuation and is accounted for in the period in which these are earned. The actuarial valuation is carried out using 'Projected unit credit method'.

The last actuarial valuation of the employees' compensated absences was conducted as of December 31, 2017.

#### 5.14 Derivative financial instruments

Derivative financial instruments are initially measured at fair value and subsequently remeasured at fair value. The gain or loss on remeasurement to fair value is recognised in profit and loss account.

#### 5.15 Impairment

The carrying amount of the assets, other than deferred tax asset, are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses other than those relating to equity investments are reversed when there is an indication that impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

#### 5.16 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

#### 5.17 Foreign currency

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

#### 5.18 Off-setting of financial assets and financial liabilities

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

#### 5.19 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the year.

#### 5.20 Dividend distribution

Dividends (including bonus dividend) are recognized in the period in which these are approved.



## 5.21 Segment information

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

### Business segments

Following are the main segments of the Company:

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

### Geographical segments

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

6. CASH AND BALANCES WITH TREASURY BANKS	Note	2017 (Rupees in '000)	2016
Cash in hand in local currency		50	50
With State Bank of Pakistan in - local currency current account	6.1	60,899	61,780
With National Bank of Pakistan in - local currency current account		199	165
		<u>61,148</u>	<u>61,995</u>

6.1 This includes Rs. 50 million (2016: Rs. 50 million) held as minimum cash reserve required to be maintained with the SBP in accordance with its requirements issued from time to time.

7. BALANCES WITH OTHER BANKS	2017	2016
	(Rupees in '000)	
In Pakistan		
- current account	279	279
- deposit account	18,451	16,412
	<u>18,730</u>	<u>16,691</u>

#### 8. LENDINGS TO FINANCIAL INSTITUTIONS

8.1 In local currency		
Repurchase agreement lendings (reverse repo)	2,476,726	2,632,880
	<u>2,476,726</u>	<u>2,632,880</u>

8.2 Securities held as collateral against lendings to financial institutions	2017			2016		
	Held by the Company	Further given as collateral	Total	Held by the Company	Further given as collateral	Total
	----- (Rupees in '000) -----					
Market treasury bills	<u>2,476,726</u>	<u>-</u>	<u>2,476,726</u>	<u>2,632,880</u>	<u>-</u>	<u>2,632,880</u>

8.2.1 This represents lending to financial institutions against purchase and resale of government securities. Market value of these securities as at December 31, 2017 amounted to Rs. 2,458 million (December 31, 2016: 2,623 million). The markup rates on these lendings are 5.85 and 5.90 percent per annum with maturity in two days.

#### 9. INVESTMENTS

##### 9.1 Investments by type

Note	2017			2016		
	Held by the Company	Given as collateral	Total	Held by the Company	Given as collateral	Total
	----- (Rupees in '000) -----					
Held-for-trading securities						
Shares of listed companies	119,727	-	119,727	52,285	-	52,285
Available-for-sale securities						
Market treasury bills	3,548,276	-	3,548,276	2,092,831	-	2,092,831
Pakistan investment bonds	897,119	-	897,119	894,785	-	894,785
Shares of listed companies	3,371,254	-	3,371,254	2,853,753	-	2,853,753
Shares of unlisted companies	110,226	-	110,226	110,226	-	110,226
Listed preference shares	55,029	-	55,029	55,029	-	55,029
Listed sukuk / term finance certificates	839,120	-	839,120	857,464	-	857,464
Unlisted term finance certificates	298,479	-	298,479	527,253	-	527,253
	<u>9,119,503</u>	<u>-</u>	<u>9,119,503</u>	<u>7,391,341</u>	<u>-</u>	<u>7,391,341</u>
Associates	9.1.1					
	13,660,400	-	13,660,400	12,807,290	-	12,807,290
	<u>22,899,630</u>	<u>-</u>	<u>22,899,630</u>	<u>20,250,916</u>	<u>-</u>	<u>20,250,916</u>
Provision for diminution / impairment in the value of investments (other than associates)	9.3 & 40.3					
	(455,168)	-	(455,168)	(381,565)	-	(381,565)
Total investments - net of provisions	<u>22,444,462</u>	<u>-</u>	<u>22,444,462</u>	<u>19,869,351</u>	<u>-</u>	<u>19,869,351</u>
Surplus on revaluation of 'held-for-trading' securities	4,455	-	4,455	2,330	-	2,330
Surplus on revaluation of 'available-for-sale' securities	473,924	-	473,924	1,334,488	-	1,334,488
Total investments	<u>22,922,841</u>	<u>-</u>	<u>22,922,841</u>	<u>21,206,169</u>	<u>-</u>	<u>21,206,169</u>

9.1.1 Movement in investments in associates

	2017	2016
	(Rupees in '000)	
Investments at beginning of the year	12,807,290	10,194,397
Disposal of investments in associates	-	(169,074)
Investment in associates	902,464	98,877
Share of gain on bargain purchase by an associate	-	92,001
Share in (deficit) / surplus on revaluation / reserves of associates	(509,668)	545,649
Share of remeasurement of defined benefit plans of associates - net of deferred tax	(49,788)	7,643
Share of profit from associates recognized in profit and loss account	2,055,026	3,094,625
Dividend received from associates	(1,544,924)	(1,056,828)
Investments at end of the year	<u>13,660,400</u>	<u>12,807,290</u>

9.1.2 The cost of investment in associates as at December 31, 2017 amounted to Rs. 2,895 million (December 31, 2016: Rs. 1,992 million). Share in results of associates recorded under equity method of accounting, net of dividend, capital gain and income taxes amounted to Rs. 235 million (December 31, 2016: Rs. 1,759 million).

9.2 Investments by segments

	Note	2017	2016
		(Rupees in '000)	
Federal Government Securities			
- Market treasury bills	9.2.1	3,548,276	2,092,831
- Pakistan investment bonds	9.2.2	897,119	894,785
Fully paid up Ordinary Shares			
- Listed companies		3,490,981	2,906,038
- Unlisted companies		110,226	110,226
		3,601,207	3,016,264
Preference Shares			
- Listed companies		55,029	55,029
- Unlisted companies		-	-
Term Finance Certificates (TFCs) / Sukuk			
- Listed		839,120	857,464
- Unlisted		298,479	527,253
		1,137,599	1,384,717
Investments in Associates			
Ordinary shares-listed companies			
- Meezan Bank Limited	9.2.3	11,209,716	10,054,409
- The General Tyre & Rubber Company of Pakistan Limited		1,064,733	1,120,512
Mutual Funds			
- Al Meezan Mutual Fund		303,762	382,134
Ordinary shares-unlisted companies			
- Al Meezan Investment Management Limited	9.2.4	863,978	1,047,419
- National Clearing Company of Pakistan Limited		218,211	202,816
		13,660,400	12,807,290
		22,899,630	20,250,916
Provision for diminution / impairment in the value of investments	9.3 & 40.3	(455,168)	(381,565)
Total investments - net of provisions		22,444,462	19,869,351
Surplus on revaluation of 'held-for-trading' securities		4,455	2,330
Surplus on revaluation of 'available-for-sale' securities		473,924	1,334,488
		478,379	1,336,818
Total investments		<u>22,922,841</u>	<u>21,206,169</u>

- 9.2.1 The investment in market treasury bills is maturing on January 04, 2018 (2016: January 19, 2017 and February 02, 2017) and the effective mark-up rate is 5.991 (2016: 5.82 and 5.84) percent per annum.
- 9.2.2 The investments in Pakistan investment bonds are maturing between August 30, 2018 and September 3, 2019 (2016: August 30, 2018 and September 3, 2019) and the effective mark-up rates range between 11.45 and 13.12 (2016: 11.45 and 13.12) percent per annum.
- 9.2.3 Investments in shares of Meezan Bank Limited costing Rs. 2,422 million and market value of Rs. 21,396 million (2016: Cost Rs. 1,520 million and market value Rs.20,489 million) are held as strategic investment in terms of Prudential Regulation applicable to Corporate / Commercial Banking which can be sold only with prior permission of SBP.
- 9.2.4 The investment in Al-Meezan Investment Management Limited can be sold only with prior permission of SECP.
- 9.2.5 The market value of shares in listed associates amounted to Rs. 25,068 million (2016: Rs. 25,864 million).

9.3 Particulars for impairment / diminution in the value of investments	2017	2016
	(Rupees in '000)	
Opening balance	381,565	508,526
Charge for the year	211,237	66,349
Less: provision charge on associate	-	-
	211,237	66,349
Reversal of provision due to sale of impaired securities	(137,634)	(193,310)
Closing balance	73,603	(126,961)
	455,168	381,565

- 9.4 Information relating to quality of 'available-for-sale' securities and investments in shares of listed and unlisted companies, redeemable capital / sukuk required to be disclosed as part of the financial statements under the SBP's BSD Circular No. 4 dated February 17, 2006, are given in annexures "I" and "II", which are an integral part of these financial statements.

#### 9.5 Investment in Associates

The Company's associates are:

Associates	Note	Nature of Activities	Main Area of Operations	Percentage holding
Meezan Bank Limited (MBL)	a	Islamic Banking	Pakistan	30.00
The General Tyre & Rubber Company of Pakistan Limited (GTR)	a	Tyre Manufacturing	Pakistan	30.00
Al Meezan Investment Management Limited (AMIM)	a	Investment Management	Pakistan	30.00
Al Meezan Mutual Fund (AMMF)	b	Fund	Pakistan	4.26
National Clearing Company of Pakistan Limited (NCCPL)	c	Clearing & Settlement	Pakistan	17.65

a) These are considered an associate because of significant influence the Company is able to exercise over its management and its financial and operating policies. Significant influence is evidenced largely through the investment in the associate being more than 20% and representation on its board of directors.

b) This is considered an associate because of significant influence the Company is able to exercise over its management and its financial and operating policies. Significant influence is evidenced largely through the representation on the board of directors of management company and participation in decisions about dividend and other distributions policies.

c) This is considered an associate because of significant influence the Company is able to exercise over its management and its financial and operating policies. Significant influence is evidenced largely through the representation on its board of directors and participation in decisions about dividend and other distributions policies.

9.5.1 Summarized financial statements of associates  
2017

	MBL	GTR	AMMF	AMIM	NCCPL
	(Rupees in '000)				
Current Assets	571,378,000	5,335,525	7,088,314	3,517,110	13,384,695
Non-Current Assets	214,589,000	4,077,093	-	210,959	378,080
Total Assets	785,967,000	9,412,618	7,088,314	3,728,069	13,762,775
Current Liabilities	334,652,000	4,018,534	148,800	848,141	12,501,977
Non-Current Liabilities	412,906,000	2,067,374	-	-	7,999
Total Liabilities	747,558,000	6,085,908	148,800	848,141	12,509,976
Net Assets	38,409,000	3,326,710	6,939,514	2,879,928	1,252,799
Fair Value of Investment	21,396,220	3,376,462	295,675	863,978	218,211
Dividend Received	902,464	268,969	16,896	321,000	35,596
Profit / (loss) from continuing operations	9,932,844	989,013	(1,109,652)	916,905	425,300
Tax	(4,152,851)	(243,847)	-	(455,532)	(130,458)
Profit / (loss) after tax from continuing operations	5,779,993	745,166	(1,109,652)	461,373	294,842
Other Comprehensive Income	(1,768,485)	(34,533)	(419,593)	(2,842)	(5,894)
Total Comprehensive Income	4,011,508	710,633	(1,529,245)	458,531	288,948

9.5.2 The financial statements upto December 31, 2017 have been used for all associates.

	MBL	GTR	AMMF	AMIM	NCCPL
	(Rupees in '000)				
Current Assets	397,525,000	3,757,859	8,329,898	4,069,809	27,310,567
Non-Current Assets	265,743,000	3,695,232	-	121,046	265,529
Total Assets	663,268,000	7,453,091	8,329,898	4,190,855	27,576,096
Current Liabilities	278,343,000	2,348,280	153,585	699,458	26,396,915
Non-Current Liabilities	350,152,000	1,592,165	-	-	13,620
Total Liabilities	628,495,000	3,940,445	153,585	699,458	26,410,535
Net Assets	34,773,000	3,512,646	8,176,313	3,491,397	1,165,561
Fair Value of Investment	20,488,943	4,994,582	380,998	1,047,419	202,816
Dividend Received	902,464	-	13,854	123,600	16,908
Profit / (loss) from continuing operations	10,517,091	805,019	2,022,014	1,541,896	249,232
Tax	(3,914,668)	(241,895)	-	(340,408)	(73,947)
Profit / (loss) after tax from continuing operations	6,602,423	563,124	2,022,014	1,201,488	175,285
Other Comprehensive Income	1,606,575	-	342,141	2,987	(16,967)
Total Comprehensive Income	8,208,998	563,124	2,364,155	1,204,475	158,318

9.5.3 The financial statements upto December 31, 2016 have been used for all associates.

#### 9.5.4 Reconciliation of Summarized Information of Associates 2017

	MBL	GTR	AMMF	AMIM	NCCPL
	----- (Rupees in '000) -----				
Net Assets of the associate	38,409,000	3,326,710	6,939,514	2,879,928	1,252,799
Company's proportionate interest in associate	11,522,700	998,013	295,623	863,978	221,119
Other adjustments	(312,984)	66,720	8,139	-	(2,908)
Carrying amount of the Company's interest in associate	11,209,716	1,064,733	303,762	863,978	218,211

	MBL	GTR	AMMF	AMIM	NCCPL
	----- (Rupees in '000) -----				
Net Assets of the associate	34,773,000	3,512,646	8,176,313	3,491,397	1,165,561
Company's proportionate interest in associate	10,431,900	1,053,794	381,016	1,047,419	205,722
Other adjustments	(377,491)	66,718	1,118	-	(2,906)
Carrying amount of the Company's interest in associate	10,054,409	1,120,512	382,134	1,047,419	202,816

#### 9.5.5 Significant restrictions

The associates do not have significant restrictions on their ability to access or use their assets or settle liabilities other than those resulting from the regulatory framework within which they operate, including but not limited to the requirement of maintaining minimum level of capital and liquid assets, and limit on maximum exposures and other required ratios.

10. ADVANCES	Note	2017 (Rupees in '000)	2016 (Rupees in '000)
In Pakistan			
Advances		3,676,709	5,035,049
Net investment in finance leases	10.2	642,564	825,092
		<u>4,319,273</u>	<u>5,860,141</u>
Provision against advances	10.4	(1,152,703)	(1,437,645)
Advances net of provision		<u>3,166,570</u>	<u>4,422,496</u>
10.1 Particulars of gross advances			
In local currency		<u>4,319,273</u>	<u>5,860,141</u>
Short term (for upto one year)		1,116,912	1,621,136
Long term (for over one year)		3,202,361	4,239,005
		<u>4,319,273</u>	<u>5,860,141</u>
10.2 Net investment in finance leases			

	2017				2016			
	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	572,025	2,041	-	574,066	676,265	90,424	-	766,689
Residual value	68,505	2,517	-	71,022	51,550	24,700	-	76,250
Minimum lease payments	640,530	4,558	-	645,088	727,815	115,124	-	842,939
Financial charges for future periods	2,275	249	-	2,524	14,861	2,986	-	17,847
Present value of minimum lease payments	638,255	4,309	-	642,564	712,954	112,138	-	825,092

10.2.1 The Company has entered into lease agreements with various companies for lease of vehicles and plant and machinery. The amount recoverable under these arrangements are receivable latest by the year 2019 and are subject to finance income at rates ranging between 6.00 and 16.52 (2016: 7.00 and 16.52) percent per annum.

10.2.2 In respect of the aforementioned finance leases, the Company holds an aggregate sum of Rs. 69.221 million (2016: Rs. 74.112 million) as security deposits on behalf of the lessees which are included under other liabilities (note 16).

10.3 Advances include Rs. 1,153.527 million (2016: Rs 1,546.078 million) which have been placed under non-performing status as detailed below:

Category of classification	2017			2016		
	Classified Advances	Provision Required	Provision Held	Classified Advances	Provision Required	Provision Held
	(Rupees in '000)					
Substandard	-	-	-	-	-	-
Doubtful	1,647	823	823	216,863	108,430	108,430
Loss	1,151,880	1,151,880	1,151,880	1,329,215	1,329,215	1,329,215
	<u>1,153,527</u>	<u>1,152,703</u>	<u>1,152,703</u>	<u>1,546,078</u>	<u>1,437,645</u>	<u>1,437,645</u>

10.4 Particulars of provision against non-performing advances - specific

2017  
2016  
(Rupees in '000)

Opening balance	1,437,645	1,504,586
Reversals during the year	(284,942)	(66,941)
Closing balance	<u>1,152,703</u>	<u>1,437,645</u>
10.4.1 Local currency	1,152,703	1,437,645
Foreign currency	-	-
	<u>1,152,703</u>	<u>1,437,645</u>

10.5 Particulars of write offs

The Company has not written off any loans.

10.6 Particulars of loans and advances to staff included in advances

Opening balance	124,671	128,319
Disbursements during the year	34,122	41,587
Repayments during the year	(73,392)	(45,235)
	(39,270)	(3,648)
Balance at end of the year	<u>85,401</u>	<u>124,671</u>

11. OPERATING FIXED ASSETS

Property and equipment	11.1	192,355	189,776
Intangible assets	11.2	4,178	12,099
		<u>196,533</u>	<u>201,875</u>

## 11.1 Property and equipment

	2017									Rate of depreciation	
	Cost			Depreciation			Impairment				Net book value as at December 31,2017
	As at January 1, 2017	Additions / (disposals)	As at December 31, 2017	As at January 1, 2017	Charge / (disposals)	As at December 31, 2017	As at January 1, 2017	Charge / (reversals)	As at December 31,2017		
	(Rupees in '000)									%	
Leasehold land	100	-	100	-	-	-	-	-	-	100	-
Building on lease hold land	235,809	10,519	246,328	54,985	6,006	60,991	-	-	-	185,337	2.50 - 20.00
Furniture and fixtures	14,283	48	14,331	14,272	8	14,280	-	-	-	51	20.00
Motor vehicles	16,755	-	15,180	11,675	1,378	11,478	-	-	-	3,702	20.00
		(1,575)			(1,575)						
Office equipment	43,108	1,541	44,491	39,517	2,192	41,551	-	-	-	2,940	33.33
		(158)			(158)						
Electrical appliances	1,007	116	1,001	837	61	776	-	-	-	225	20.00
		(122)			(122)						
	311,062	12,224	321,431	121,286	9,645	129,076	-	-	-	192,355	
		(1,855)			(1,855)						

	2016									Rate of depreciation	
	Cost			Depreciation			Impairment				Net book value as at December 31,2016
	As at January 1, 2016	Additions / (disposals)	As at December 31, 2016	As at January 1, 2016	Charge / (disposals)	As at December 31, 2016	As at January 1, 2016	Charge / (reversals)	As at December 31,2016		
	(Rupees in '000)									%	
Leasehold land	100	-	100	-	-	-	-	-	-	100	-
Building on lease hold land	235,809	-	235,809	50,476	4,509	54,985	45,724	(45,724)	-	180,824	2.50 - 20.00
Furniture and fixtures	14,283	-	14,283	13,084	1,188	14,272	-	-	-	11	20.00
Motor vehicles	14,372	2,383	16,755	10,392	1,283	11,675	-	-	-	5,080	20.00
Office equipment	40,707	2,401	43,108	37,314	2,203	39,517	-	-	-	3,591	33.33
Electrical appliances	934	116	1,007	822	58	837	-	-	-	170	20.00
		(43)			(43)						
	306,205	4,900	311,062	112,088	9,241	121,286	45,724	(45,724)	-	189,776	
		(43)			(43)						

### 11.1.1 Included in cost of property and equipment are fully depreciated items still in use having cost of:

	2017	2016
	(Rupees in '000)	
Building	3,981	3,981
Furniture and fixture	14,262	14,262
Motor vehicles	8,289	9,864
Office equipment	39,535	36,919
Electrical appliances	674	662

### 11.1.2 Details of disposals of fixed assets whose original cost or the book value exceeds Rs. 1 million or Rs. 250,000 whichever is less and assets disposed off to the chief executive or to a director or to executives or to any related party, irrespective of the value are as follows:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particular of purchaser
(Rupees in '000)						
Honda Civic	1,575	1,575	-	1,130	Auction	Mr. Ali Akbar Khan



## 11.2 Intangible assets

	2017							
	Cost			Amortization			Net book value as at December 31, 2017	Rate of amortization
	As at January 1, 2017	Additions / (disposals)	As at December 31, 2017	As at January 1, 2017	Charge	As at December 31, 2017		
	(Rupees in '000)							%
Software	68,505	-	68,505	56,406	7,921	64,327	4,178	20.00
	68,505	-	68,505	56,406	7,921	64,327	4,178	
	2016							
	Cost			Amortization			Net book value as at December 31, 2016	Rate of amortization
	As at January 1, 2016	Additions / (disposals)	As at December 31, 2016	As at January 1, 2016	Charge	As at December 31, 2016		

## 12. DEFERRED TAX LIABILITIES

	Balance January 01, 2017	Recognised in profit and loss	Recognised in equity	Balance December 31, 2017
	(Rupees in '000)			
Debit / (credit) balances arising on account of Accelerated tax depreciation allowance	(35,431)	(277)	-	(35,708)
Provision for staff retirement gratuity and compensated absences	14,766	1,500	952	17,218
Finance lease arrangements	(125,708)	18,230	-	(107,478)
Share of profits from Associates	(1,336,753)	(275,149)	83,638	(1,528,264)
Provision against non-performing advances	431,294	(85,483)	-	345,811
Surplus / (deficit) on revaluation of 'held-for-trading' securities	(291)	(266)	-	(557)
Surplus / (deficit) on revaluation of 'available-for-sale' securities	(83,414)	-	108,466	25,052
	<u>(1,135,537)</u>	<u>(341,445)</u>	<u>193,056</u>	<u>(1,283,926)</u>
	Balance January 01, 2016	Recognised in profit and loss	Recognised in equity	Balance December 31, 2016
	(Rupees in '000)			
Debit / (credit) balances arising on account of Accelerated tax depreciation allowance	(21,423)	(14,008)	-	(35,431)
Provision for staff retirement gratuity and compensated absences	12,965	1,104	697	14,766
Finance lease arrangements	(181,545)	55,837	-	(125,708)
Share of profits from Associates	(989,293)	(278,703)	(68,757)	(1,336,753)
Provision against non-performing advances	451,376	(20,082)	-	431,294
Surplus / (deficit) on revaluation of 'held-for-trading' securities	253	(544)	-	(291)
(Deficit) / surplus on revaluation of 'available-for-sale' securities	(130,171)	-	46,757	(83,414)
	<u>(857,838)</u>	<u>(256,396)</u>	<u>(21,303)</u>	<u>(1,135,537)</u>

13. OTHER ASSETS	Note	2017	2016
		(Rupees in '000)	
Income / mark-up accrued in local currency		132,386	124,150
Advances, deposits, prepayments and other receivables		55,441	133,187
Advance taxation (payments less provisions)		98,789	141,969
		<u>286,616</u>	<u>399,306</u>
Non-current assets 'held-for-sale'	13.1	-	-
		<u>286,616</u>	<u>399,306</u>
13.1 Non-current assets 'held-for-sale'			

In 2015, the Board of Directors decided to divest the Company's interest in one of its associate, 'Pak-Kuwait Takaful Company Limited' (PKTCL) (30%). In this regard, efforts to sell the associate have been initiated. Based on the Company's intention this associate has accordingly been classified as 'non-current asset held-for-sale'. As at December 31, 2017, this non-current asset held-for-sale is stated at the lower of carrying amount and fair value less costs to sell. Other assets includes receivable from Pakistan Kuwait Takaful Company Limited amounting Rs. 9.740 million (2016: 5.087 million) that has been fully provided in the books during the year ended December 31, 2017.

14. BORROWINGS	Note	2017	2016
		(Rupees in '000)	
In Pakistan		<u>2,562,007</u>	<u>2,661,764</u>
14. 1 Particulars of borrowings with respect to currencies			
In local currency		<u>2,562,007</u>	<u>2,661,764</u>
14. 2 Details of borrowings secured / unsecured			
Secured			
Borrowings from SBP			
Under Long Term Finance Facility (LTFF)	14.2.1	1,560,360	1,656,829
Under Finance Facility for Storage of Agricultural Produce (FFSAP)	14.2.2	1,647	4,935
Term Finance Facility	14.2.3	1,000,000	1,000,000
		<u>2,562,007</u>	<u>2,661,764</u>
14.2.1 Borrowings from SBP under LTFF			

This represents Long Term Finance Facility on concessional rates to promote industrial growth leading to exports. The loans availed under the facility shall be repayable within a maximum period of ten years including maximum grace period of two years with mark-up payable at maximum of 5 percent per annum. SBP allocates an overall yearly limit under the facility to individual PFI. The sanctioned limit for the company for the period from July 1, 2017 to June 30, 2018 is Rs.1,000 million out of which no disbursement was made.

#### 14.2.2 Borrowings from SBP under FFSAP

This represents Financing Facility for Storage of Agricultural Produce (FFSAP) on concessional rates to develop the agricultural produce marketing and enhance storage capacity. The loans availed under the facility shall be repayable within a maximum period of seven years including a maximum grace period of six months with mark-up payable at maximum of 6 percent per annum. SBP allocates an overall yearly limit to individual PFI. The sanction limit was Rs. 300 million.

#### 14.2.3 Term Finance Facility

The Company has availed long term finance facilities from a bank. The interest rate on this facility is 6.67% (2016: 6.61%) percent per annum and maturity date is June 25, 2018 (2016: June 25, 2018).

15.	DEPOSITS AND OTHER ACCOUNTS	2017	2016
		(Rupees in '000)	
	Certificates of investment (COI)	2,500	3,650
15.1	Particulars of deposits		
	In local currency	2,500	3,650

The profit rate on this COI is 5.80 (2016: 5.65 and 5.70) percent per annum. The COI is due for maturity on September 21, 2018 (2016: May 8, 2017 and September 21, 2017).

16.	OTHER LIABILITIES	Note	2017	2016
			(Rupees in '000)	
	Mark-up / return / interest payable in local currency		10,499	11,209
	Accrued liabilities		331,746	315,542
	Staff retirement gratuity	32.1.4	46,786	38,648
	Security deposits against finance lease	10.2.2	69,221	74,112
	Employees' compensated absences		10,608	10,583
	Other liabilities		4,461	3,047
			<u>473,321</u>	<u>453,141</u>

#### 17. SHARE CAPITAL

17.1	Authorised Share Capital		2017	2016
	(Number of shares)			
	<u>400,000</u>	<u>400,000</u>	Ordinary shares of Rs. 25,000 each	<u>10,000,000</u>
17.2	Issued, Subscribed and Paid-up Share Capital			
	(Number of shares)			
	25,950	25,950	Ordinary shares of Rs. 25,000 each issued for cash	648,750
	<u>214,050</u>	<u>214,050</u>	Ordinary shares of Rs. 25,000 each issued as bonus shares	<u>5,351,250</u>
	<u>240,000</u>	<u>240,000</u>		<u>6,000,000</u>

The SBP on behalf of the Government of Pakistan (GOP) and Kuwait Investment Authority (KIA) on behalf of Government of Kuwait each hold 120,000 (2016: 120,000) ordinary shares of the Company as at December 31, 2017.

17.3	Reserves	Note	2017	2016
			(Rupees in '000)	
	Statutory reserve	17.3.1	5,515,229	5,145,183
	Non-distributable reserve	17.3.2	935,264	935,264
	Capital market equalization reserve	17.3.3	980,896	795,873
	Total reserves		<u>7,431,389</u>	<u>6,876,320</u>

17.3.1 Statutory reserve	2017	2016
	(Rupees in '000)	
At beginning of the year	5,145,183	4,454,684
Add: Transfer during the year	370,046	690,499
	5,515,229	5,145,183

According to BPD Circular No. 15 dated May 31, 2004 issued by the SBP, an amount not less than 20% of the after tax profits shall be transferred to create a reserve fund till such time the reserve fund equals the amount of the paid-up capital and after that a sum not less than 5% of profit after tax shall be credited to the statutory reserve. The Company has transferred 20% of its after tax profit for the year to this reserve amounting to Rs. 370.046 million (2016: Rs. 690.499 million).

17.3.2 Non-distributable reserve	2017	2016
	(Rupees in '000)	
At beginning of the year	935,264	843,263
Add: Addition during the year	-	92,001
	935,264	935,264

This represents share of gain on bargain purchase of an associate. This is recorded as a non distributable reserve in accordance with the SBP instructions letter (BPRD (R&P-02) / 625-110-2014-17729 ) issued to the associate. This gain may, as per the requirements of the above mentioned SBP letter, become available for distribution as stock dividend only with the prior approval of SBP. Further, this gain may, before distribution of the gain as stock dividend, be adjusted against any subsequent provisions / deficit assessed by the associate or recommended by the Banking Inspection Department of the SBP in subsequent inspections.

17.3.3 Capital market equalization reserve	2017	2016
	(Rupees in '000)	
At beginning of the year	795,873	450,623
Add: Transfer during the year	185,023	345,250
	980,896	795,873

The 'Capital Market Equalization Reserve' has been setup as decided in the 135th board meeting held on December 24, 2014, in order to provide adequate reserve against volatility in the value of capital market portfolio. An amount upto a minimum of ten percent of the profit after tax will be transferred till such time the reserve equals thirty percent of the capital market portfolio at cost.

18. SURPLUS ON REVALUATION OF 'AVAILABLE-FOR-SALE' SECURITIES-NET OF TAX	2017	2016
	(Rupees in '000)	
Federal government securities	54,831	100,755
Shares of listed companies	408,693	1,204,593
Listed / unlisted TFCs / sukuk	10,399	29,142
Share of surplus on revaluation of investments of associates	209,059	718,727
	682,982	2,053,217
Deferred tax	(3,720)	(188,217)
	679,262	1,865,000

#### 19. CONTINGENCIES AND COMMITMENTS

##### 19.1 Other Contingencies

19.1.1 The Income Tax Department has amended the deemed assessment orders for the tax years from 2003 to 2017, raising a tax demand of Rs. 3,430 million, mainly due to additions in respect of allocation of expenses against dividend income subject to tax at reduced rate / Final Tax Regime and capital gains.

In such orders, the taxation authority has not accepted the Company's contention on the matter of allocation of expenses on exempt capital gains and dividend income. The total additions made in tax years 2003 to 2017 under this head amount to Rs 7,659 million.

In tax year 2003, the Appellate Tribunal Inland Revenue (ATIR) had directed the tax authorities for the allocation to be made taking into account the 'cost of investment' rather than 'gross turnover'. Subsequently, the action of the Taxation Officer in refusing to issue the appeal effect in view of the departmental appeal before the High Court was contested in appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)] for application of section 124A of the Income Tax Ordinance, 2001 (Ordinance). The CIR(A) adjudged the matter in favour of the Company directing the Officer to give effect to the directions which have been maintained by the ATIR in the subsequent departmental appeal.

Relying on the above decision of ATIR, the CIR(A) through orders dated September 23, 2011, November 30, 2012 and June 15, 2015 and September 8, 2017 for tax years 2004 to 2007, tax year 2010, tax years 2011 to 2013 and tax year 2015 respectively, directed for the application of provision of section 124A of the Ordinance. The action was, however, maintained by the CIR(A) in the tax years 2008 and 2009 and appeals are currently pending before the ATIR. The department has preferred appeals against the order of the CIR(A) in the years 2004 to 2007 and 2010 to 2013 which are currently pending before the ATIR.

Appeal effect orders for the years 2003 to 2007 and 2010 have been issued. These are to attain finality once the departmental appeals before the ATIR / High Court as the case may be, are decided. However, in the order for tax year 2003, the Officer has not followed the directions of the CIR(A) and allocated expenses on the basis of turnover for which the Company has preferred an appeal which has been heard. The order of the said appeal is pending.

Further, the Company had made representation before Federal Board of Revenue for necessary clarification and has also referred the above matter to Alternate Dispute Resolution Committee, a mechanism available to provide an opportunity to taxpayers for an easy and efficient resolution of disputes. The same is still pending.

The Company has made provision of Rs. 1,358 million against the demand for the abovementioned years based on cost of investment. The management is confident that the ultimate outcome of the appeals would be in favor of the Company inter alia on the basis of the advice of the tax consultants and the relevant law and the facts.

19.2	Other Commitments	2017	2016
		(Rupees in '000)	
	Undisbursed sanctions for financial assistance in the form of:		
	- TFCs and Sukuks	400,000	-
	- loans and advances	450,000	1,235,359
		<u>850,000</u>	<u>1,235,359</u>
20.	MARK - UP / RETURN / INTEREST EARNED		
	On loans and advances	182,616	345,394
	On investments in:		
	- 'Available-for-sale' securities	466,081	644,670
	- 'Held-to-maturity' securities	-	3,108
	On deposits to financial institutions	505	544
	On securities purchased under resale agreements - government securities	91,616	34,016
		<u>740,818</u>	<u>1,027,732</u>
21.	MARK-UP / RETURN / INTEREST EXPENSED		
	Deposits / COIs'	198	18,741
	Borrowings	103,887	145,697
	Securities sold under repurchase agreements - government securities	40	79,574
		<u>104,125</u>	<u>244,012</u>

22.	GAIN ON SALE OF SECURITIES	Note	2017	2016
			(Rupees in '000)	
	Shares - listed securities - net		89,776	318,077
23.	OTHER INCOME			
	Gain on disposal of operating fixed assets		1,157	4
	Space / arrangement income		4,138	18,633
	Late payment charges		6,108	9,667
	Prepayment charges		1,377	4,200
	Nominee directors fee		4,881	4,378
	Others		16	513
			<u>17,677</u>	<u>37,395</u>
24.	ADMINISTRATIVE EXPENSES			
	Salaries, allowances and employees' benefits		231,575	290,157
	Directors' remuneration (including remuneration of Chief Executive)		36,829	34,169
	Provision for gratuity	32.1.5	18,198	17,460
	Employer's contribution to the provident fund		16,971	15,681
	Travelling and conveyance		8,088	6,416
	Rent and rates		9,230	9,115
	Utilities		5,002	4,934
	Communication		6,146	5,763
	Professional training and staff welfare		1,358	1,283
	Advertisements, periodicals and membership dues		2,353	1,610
	Printing and stationery		1,943	1,937
	Depreciation	11.1	9,645	9,241
	Amortization	11.2	7,921	11,757
	Auditors' remuneration	24.1	3,947	3,765
	Legal, consultancy and other professional services		50,673	44,762
	Repairs and maintenance		21,007	18,219
	Motor vehicle expenses		772	699
	Insurance		695	598
	Donations	24.2	16,000	12,000
	Workers' Welfare Fund		51,873	(12,493)
	Entertainment		863	798
	Bank charges		185	188
	Miscellaneous		8,595	6,889
			<u>509,869</u>	<u>484,948</u>
24.1	Auditors' remuneration			
	Audit fee		1,637	1,560
	Fee for half yearly review		655	624
	Special certifications and sundry advisory services		1,435	1,366
	Out of pocket expenses		220	215
			<u>3,947</u>	<u>3,765</u>

24.2	During the year, the Company donated to the following recognized institutions:	2017	2016
		(Rupees in '000)	
	Donee		
	The Citizens Foundation	6,000	5,000
	Roshni Homes Trust	3,000	1,000
	Layton Rehmatullah Benevolent Trust	3,000	500
	The Indus Hospital	3,000	-
	Karigar Training Institute	1,000	1,000
	The Kidney Centre	-	1,000
	Aziz Jehan Begum Trust for the Blind	-	1,000
	Centre for Development of Social Services	-	1,000
	Shaukat Khanum Memorial Trust	-	500
	Child Aid Association	-	500
	Al Umeed Rehabilitation Association	-	500
		<u>16,000</u>	<u>12,000</u>
	None of the directors or their spouse had any interest in the donations made.		
25.	REVERSAL OF PROVISION ON FIXED ASSETS AND NON-CURRENT ASSETS HELD FOR SALE - NET	2017	2016
		(Rupees in '000)	
	Reversal of impairment provision on fixed assets	-	(45,724)
	Provision for diminution / impairment in the value of non-current asset held for sale	-	3,618
		<u>-</u>	<u>(42,106)</u>
26.	OTHER CHARGES		
	Penalties imposed by the SBP	<u>60</u>	<u>-</u>
27.	TAXATION		
	For the year		
	- Current	401,978	419,576
	- Prior years	-	-
	- Deferred	341,445	256,396
		<u>743,423</u>	<u>675,972</u>
27.1	Relationship between tax expense and accounting profit		
	Profit before taxation	<u>2,593,652</u>	<u>4,128,466</u>
	Tax at the applicable rate of 30% (2016: 31%)	778,096	1,279,824
	Net tax effect on income taxed at reduced rates	(161,107)	(659,364)
	Tax effect of supertax charge	62,769	68,679
	Tax effect of provision for diminution / impairment in the value of investments	63,371	-
	Others	294	(13,167)
		<u>743,423</u>	<u>675,972</u>

28.	BASIC EARNINGS PER SHARE		2017	2016
			(Rupees in '000)	
	Profit for the year		1,850,229	3,452,494
			(Number in '000)	
	Weighted average number of ordinary shares		240	240
			(Rupees)	
	Basic earnings per share		7,709	14,385
29.	DILUTED EARNINGS PER SHARE		(Rupees in '000)	
	Profit for the year		1,850,229	3,452,494
			(Number in '000)	
	Weighted average number of ordinary shares		240	240
			(Rupees)	
	Diluted earnings per share		7,709	14,385

29.1 There were no convertible potential ordinary shares outstanding as on December 31, 2017 and December 31, 2016.

30.	CASH AND CASH EQUIVALENTS	Note	2017	2016
			(Rupees in '000)	
	Cash and balances with treasury banks	6	61,148	61,995
	Balances with other banks	7	18,730	16,691
			79,878	78,686

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

	Liabilities			Equity		
	Borrowings	Deposits and other accounts	other liabilities	Share Capital	Reserves	Unappropriated profit
	----- (Rupees in '000) -----					
Balance as at January 1, 2017	2,661,764	3,650	453,141	6,000,000	6,876,320	9,946,000
Changes from financing cash flows						
Dividend Paid	-	-	-	-	-	(500,000)
Liability related						
Changes in borrowings	(99,757)	-	-	-	-	-
Changes in deposits and other accounts	-	(1,150)	-	-	-	-
Changes in other liabilities						
- Cash based	-	-	17,009	-	-	-
- Non-cash based	-	-	3,171	-	-	-
Transfer of profit to reserves	-	-	-	-	555,069	(555,069)
Total Liability related changes	(99,757)	(1,150)	20,180	-	555,069	(555,069)
Total Equity related other changes	-	-	-	-	-	1,805,828
Balance as at December 31, 2017	2,562,007	2,500	473,321	6,000,000	7,431,389	10,696,759



31. STAFF STRENGTH		(Number)	
Permanent		53	61
Temporary / on contractual basis		1	2
Own staff strength at the end of the year		54	63
Outsourced		24	25
Total staff strength		78	88
32. DEFINED BENEFIT PLAN			
32.1 Staff retirement gratuity			
32.1.1 The Company operates a funded gratuity scheme for all its eligible permanent employees. 'Projected unit credit method' has been used for actuarial valuation. The last actuarial valuation of the employees' defined benefit plan was conducted as of December 31, 2017.			
32.1.2 Principal actuarial assumptions			
		2017	2016
		(% per annum)	
Discount rate		8.25	8.00
Expected rate of increase in salaries:			
For first two years		10.25	10.00
For third year and onwards		8.25	8.00
32.1.3 Reconciliation of payable to defined benefit plan	Note	2017	2016
		(Rupees in '000)	
Present value of defined benefit obligations	32.1.6	147,698	139,990
Fair value of plan assets	32.1.7	(100,912)	(101,342)
		46,786	38,648
32.1.4 Movement in payable to defined benefit plan			
Opening balance		38,648	33,258
Expense charged in the current year	32.1.5	18,198	17,460
Company's contribution to gratuity fund		(13,232)	(14,392)
Remeasurements recognized in OCI during the year	32.1.5	3,172	2,322
Closing balance		46,786	38,648
32.1.5 Charge for defined benefit plan			
<i>Cost recognized in profit and loss account for the year</i>			
Current service cost		15,100	14,517
Interest cost		11,501	13,308
Expected return on plan assets		(8,403)	(10,365)
		18,198	17,460
<i>Remeasurements recognized in OCI during the year</i>			
Actuarial loss / (gain) on obligation		(855)	(891)
Actuarial loss on assets		4,027	3,213
		3,172	2,322
Total defined benefit cost recognized in profit and loss and OCI		21,370	19,782

32.1.6	Reconciliation of present value of defined benefit obligation	2017	2016
		(Rupees in '000)	
	Opening balance of defined benefit obligation	139,990	156,643
	Current service cost	15,100	14,517
	Interest cost	11,501	13,308
	Benefits paid during the year	(18,038)	(43,587)
	Remeasurements: Actuarial (gain) / loss on obligation	(855)	(891)
	Closing balance of defined benefit obligation	<u>147,698</u>	<u>139,990</u>
32.1.7	Reconciliation of fair value of plan assets		
	Opening fair value of plan assets	101,342	123,385
	Expected return on plan assets during the year	8,403	10,365
	Actual contributions made by the employer	13,232	14,392
	Actual benefits paid during the year	(18,038)	(43,587)
	Remeasurements: Actuarial loss on plan assets	(4,027)	(3,213)
	Closing fair value of plan assets	<u>100,912</u>	<u>101,342</u>
	Actual return on plan assets is 6.00 % as at December 31, 2017 (8.00% as at December 31, 2016).		
32.1.8	Defined Benefit Cost for the following year	2017	2016
		(Rupees in '000)	
	<u>Cost to be recognised in P&amp;L for the following year</u>		
	Service Cost		
	(i) Current Service Cost	14,107	15,100
	(ii) Prior Service Cost	-	-
	Total Service Cost	<u>14,107</u>	<u>15,100</u>
	<u>Net Interest on the net defined benefit liability / (asset)</u>		
	(i) Interest on defined benefit obligation	11,899	11,501
	(ii) Interest income on plan assets	(8,029)	(8,403)
	Net Interest Cost	<u>3,870</u>	<u>3,098</u>
	Cost to be recognised in P&L for the following year	<u>17,977</u>	<u>18,198</u>
	Remeasurement for the following year would be calculated in that year.		
32.1.9	Remeasurements recognized in other comprehensive income, expense / (income) during the year	2017	2016
		(Rupees in '000)	
	<u>Remeasurements: Actuarial gain / (loss) on obligation:</u>		
	Loss due to change in financial assumptions	2,481	1,659
	(Gain) / loss due to change in experience adjustments	(3,336)	(2,550)
	Total actuarial loss / (gain) on obligation	(855)	(891)
	<u>Remeasurements: Actuarial gain/ (loss) on assets:</u>		
	Actual net return on plan assets	4,428	7,075
	less: Interest income on plan assets	8,403	10,365
		3,975	3,290
	Opening difference	(52)	77
	Net return on plan assets	<u>4,027</u>	<u>3,213</u>
	Total Remeasurements recognized in OCI during the year	<u>3,172</u>	<u>2,322</u>

32.1.10	Disaggregation of fair value of plan assets	2017	2016
		(Rupees in '000)	
	<i>Quoted:</i>		
	Cash and cash equivalents - after adjusting for current liabilities	2,483	15,320
	Debt instruments	92,317	22,093
	Mutual Funds	6,112	63,929
	Total	<u>100,912</u>	<u>101,342</u>
32.1.11	Maturity profile of defined benefit obligation	2017	2016
		Years	Years
	Weighted average duration of the present value of defined benefit obligation	8	8
	Benefit Payments	2017	2016
	Distribution of timing of benefit payments	(Rupees in '000)	
	Years		
	1	21,192	7,389
	2	15,393	21,475
	3	12,477	15,437
	4	6,649	28,133
	5	25,534	6,708
	6 - 10	87,276	101,689
32.1.12	Sensitivity analysis on significant actuarial assumptions: Actuarial liability		
	Discount rate +1%	136,075	128,972
	Discount rate -1%	161,101	152,715
	Future salary increases +1%	161,660	150,555
	Future salary increases -1%	135,387	130,624

### 33. DEFINED CONTRIBUTION PLAN

The Company operates an approved funded contributory provident fund for all its permanent employees to which monthly contributions are made both by the Company (at 10 % of Salary), and by the employees (at the rate of 10 %) of Salary.

### 34. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2017	2016	2017	2016	2017	2016
	----- (Rupees in '000) -----					
Fee	-	-	15,114	13,040	-	-
Managerial remuneration	17,280	17,280	-	-	211,005	209,298
Charge for defined benefit plan	-	-	-	-	18,198	17,461
Contribution to defined contribution plan	-	-	-	-	16,971	15,681
Rent and house maintenance	2,640	2,640	-	-	-	-
Utilities	275	268	-	-	-	-
Medical	318	279	-	-	6,955	2,476
Bonus paid	5,760	7,200	-	-	45,814	53,777
Others	663	693	-	-	-	-
	<u>26,936</u>	<u>28,360</u>	<u>15,114</u>	<u>13,040</u>	<u>298,943</u>	<u>298,693</u>
No. of persons	<u>1</u>	<u>1</u>	<u>5</u>	<u>5</u>	<u>53</u>	<u>62</u>

34.1 The Chief Executive is also provided with the free use of two Company maintained cars as per his entitlement.

## 35. FAIR VALUE OF FINANCIAL INSTRUMENTS

### 35.1 On balance sheet financial instruments

2017										
	Held-for-trading	Available-for-sale	Held-to-maturity	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----										
Financial assets measured at fair value										
Investments										
- Market treasury bills	-	3,547,663	-	-	-	3,547,663	-	3,547,663	-	3,547,663
- Pakistan investment bonds	-	953,175	-	-	-	953,175	-	953,175	-	953,175
- Shares of listed companies	124,182	3,473,133	-	-	-	3,597,315	3,597,315	-	-	3,597,315
- Listed sukuk / term finance certificates	-	849,254	-	-	-	849,254	-	849,254	-	849,254
- Unlisted term finance certificates	-	265,106	-	-	-	265,106	-	265,106	-	265,106
Financial assets not measured at fair value										
Cash and balances with treasury banks	-	-	-	61,148	-	61,148	-	-	-	-
Balances with other banks	-	-	-	18,730	-	18,730	-	-	-	-
Investments										
- Investments in associates - listed	-	12,578,211	-	-	-	12,578,211	25,068,357	-	-	25,068,357
- Listed preference shares	-	50,000	-	-	-	50,000	40,150	-	-	40,150
- Shares in unlisted companies	-	540	-	-	-	540	-	-	-	-
- Shares of unlisted associates	-	1,082,189	-	-	-	1,082,189	-	-	-	-
Advances	-	-	-	3,166,570	-	3,166,570	-	-	-	-
Other assets	-	-	-	88,931	-	88,931	-	-	-	-
Financial liabilities not measured at fair value										
Borrowings	-	-	-	-	(2,562,007)	(2,562,007)	-	-	-	-
Deposits and other accounts	-	-	-	-	(2,500)	(2,500)	-	-	-	-
Other liabilities	-	-	-	-	(426,535)	(426,535)	-	-	-	-
	124,182	22,799,271	-	3,335,379	(2,991,042)	23,267,790				

2016										
	Held-for-trading	Available-for-sale	Held-to-maturity	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----										
Financial assets measured at fair value										
Investments										
- Market treasury bills	-	2,092,214	-	-	-	2,092,214	-	2,092,214	-	2,092,214
- Pakistan investment bonds	-	996,156	-	-	-	996,156	-	996,156	-	996,156
- Shares of listed companies	54,616	3,814,026	-	-	-	3,868,642	3,868,642	-	-	3,868,642
- Listed preference shares	-	44,200	-	-	-	44,200	44,200	-	-	44,200
- Listed sukuk / term finance certificates	-	881,375	-	-	-	881,375	-	881,375	-	881,375
- Unlisted term finance certificates	-	498,845	-	-	-	498,845	-	498,845	-	498,845
Financial assets not measured at fair value										
Cash and balances with treasury banks	-	-	-	61,995	-	61,995	-	-	-	-
Balances with other banks	-	-	-	16,691	-	16,691	-	-	-	-
Investments										
- Investments in associates - listed	-	11,557,055	-	-	-	11,557,055	25,864,523	-	-	25,864,523
- Shares in unlisted companies	-	17,446	-	-	-	17,446	-	-	-	-
- Shares of unlisted associates	-	1,250,235	-	-	-	1,250,235	-	-	-	-
Advances	-	-	-	4,422,496	-	4,422,496	-	-	-	-
Other assets	-	-	-	93,177	-	93,177	-	-	-	-
Financial liabilities not measured at fair value										
Borrowings	-	-	-	-	(2,661,764)	(2,661,764)	-	-	-	-
Deposits and other accounts	-	-	-	-	(3,650)	(3,650)	-	-	-	-
Other liabilities	-	-	-	-	(414,492)	(414,492)	-	-	-	-
	54,616	21,151,552	-	4,594,359	(3,079,906)	22,720,621				

The fair value of financial assets and liabilities not carried at fair value are not significantly different from their carrying values since assets and liabilities are either short term in nature or in case of loans are frequently repriced.

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair values estimates.

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

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

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

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

### 36. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2017					Total
	Corporate Finance	Treasury	Investment Banking	Capital Markets	Others	
	----- (Rupees in '000) -----					
Total income - gross	286,388	459,509	1,504	2,378,687	13,198	3,139,286
Total mark-up / return / interest expense	(103,887)	(238)	-	-	-	(104,125)
Segment provision / impairment / unrealised gains	284,943	-	-	(206,783)	-	78,160
	181,056	(238)	-	(206,783)	-	(25,965)
Net operating income	467,444	459,271	1,504	2,171,904	13,198	3,113,321
Administrative expenses and other charges						(519,669)
Profit before taxation						2,593,652
Segment assets - net	5,354,691	7,095,135	-	16,240,924	438,414	29,129,164
Segment non-performing loans	1,153,527	-	-	-	-	1,153,527
Segment provision required and held	1,152,703	-	-	-	-	1,152,703
Segment liabilities	2,643,856	2,598	-	1,241	1,674,059	4,321,754
Segment return on net assets (ROA) %	4.85	6.64	-	15.09	3.01%	-
Segment cost of funds (%)	3.85	5.63	-	-	-	-

	2016					Total
	Corporate Finance	Treasury	Investment Banking	Capital Markets	Others	
	----- (Rupees in '000) -----					
Total income - gross	488,952	552,422	1,500	3,742,897	26,627	4,812,398
Total mark-up / return / interest expense	(100,690)	(143,322)	-	-	-	(244,012)
Segment provision / impairment / unrealised losses	66,941	-	-	(64,019)	-	2,922
	(33,749)	(143,322)	-	(64,019)	-	(241,090)
Net operating income	455,203	409,100	1,500	3,678,878	26,627	4,571,308
Administrative expenses and other charges						(442,842)
Profit before taxation						4,128,466
Segment assets - net	7,000,662	5,838,126	-	15,578,636	523,988	28,941,412
Segment non-performing loans	1,546,078	-	-	-	-	1,546,078
Segment provision required and held	1,437,645	-	-	-	-	1,437,645
Segment liabilities	2,748,926	3,781	-	583	1,500,802	4,254,092
Segment return on net assets (ROA) %	6.54	9.50	-	27.42	5.08	-
Segment cost of funds (%)	4.32	6.18	-	-	-	-

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

### 37. RELATED PARTY TRANSACTIONS

The Company has related party relationship with its associates, associated undertakings, employee benefit plans, key management personnel and its directors.

The Company enters into transactions with related parties in the normal course of business. These transactions were carried out on commercial terms and at market rates.

	2017	2016
	(Rupees in '000)	
Expenses charged to related parties	13,714	27,584
Expenses charged by		
- associates	489	378
- other related party	24,211	24,120
Dividend income from		
- associates	1,544,925	1,056,826
Gain on disposal/redemption of shares/units of related parties	-	8,514
Mark-up earned on bank deposit with an associate	349	259
Mark-up earned on loans and advances		
- key management personnel	495	464
Loans and advances to key management personnel		
Balance as at January 1,	23,553	10,350
Disbursement during the year	600	21,600
(Deletion) / addition during the year	(4,444)	-
Recovery during the year	(11,264)	(8,397)
	(15,108)	13,203
Balance as at December 31,	8,445	23,553

	2017	2016
	(Rupees in '000)	
Mark-up expense on COI		
- other related party	143	163
Deposits / COIs		
- other related party	2,500	2,500
Bank balances with an associate - Meezan Bank	12,476	13,717
Mark-up receivable on bank deposit with an associate - Meezan Bank	30	30
Mark-up payable to related party		
- other related party	41	40
Investments in		
- associates	13,660,400	12,807,290
- other related party	500	500
Contribution made to provident fund	16,971	15,681
Contribution made to gratuity fund	13,233	14,392
Key management personnel		

Key management personnel include the Managing Director, Chief Financial Officer, Head of Risk Management, Head of Capital Markets & Treasury, Head of Compliance, Head of Internal Audit and Head of Human Resources. Their salaries and other benefits amount to Rs. 76.385 million (2016: Rs. 81.350 million) and staff retirement benefits amount to Rs. 9.927 million (2016: Rs. 11.984 million).

### 38. CAPITAL ADEQUACY

38.1 The Basel III Framework for capital adequacy is applicable to the Company. The Company monitors its capital adequacy ratio and endeavors to maintain it at a level sufficiently higher than the minimum regulatory requirement. The Company calculates capital requirement as per Basel III regulatory framework, using the Standardized Approach for Credit Risk and Market Risk whereas Basic Indicator Approach for Operational Risk.

#### Objectives of Capital Management

The capital management objectives of the Company are as follows:

- To maintain sufficient capital to support overall business strategy, expansion and growth;
- To integrate capital allocation decisions with the strategic and financial planning process;
- To meet the regulatory capital adequacy ratios as defined by SBP;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide adequate return to shareholders; and
- To have a prudent buffer to protect the Company under different economic and stress scenarios caused by unexpected and unforeseeable events.

### Statutory Capital Requirement

State Bank of Pakistan (SBP) requires Banks/DFIs to maintain prescribed capital to total risk-weighted asset ratios. The capital adequacy ratios of the Banks/DFIs are subject to Basel III capital adequacy guidelines stipulated by the SBP through its BPRD Circular No. 6 of 2013 dated August 15, 2013. These instructions were effective from December 31, 2013 in a phased manner with full implementation to be expected by December 31, 2019. Under Basel III guidelines Banks/DFIs are required to maintain the following ratios on an ongoing basis

Sr. #	Ratio	2016	2017	2018	2019
1	CET1	6.00%	6.00%	6.00%	6.00%
2	ADT1	1.50%	1.50%	1.50%	1.50%
3	Tier1	7.50%	7.50%	7.50%	7.50%
4	Total Capital	10.00%	10.00%	10.00%	10.00%
5	Capital Conservation Buffer (CCB)	0.65%	1.28%	1.90%	2.50%
6	Total Capital Plus CCB	10.65%	11.28%	11.90%	12.50%

### Capital Management

The regulatory capital as managed by the Company is analyzed into following tiers:

- Common Equity Tier 1 Capital (CET1), which includes fully paid up capital, general reserves, statutory reserves as per the financial statements and net un-appropriated profits. Goodwill and other intangibles are deducted from Tier 1 Capital.
- Additional Tier 1 Capital (ADT1), which includes perpetual non-cumulative preference shares and share premium resulting from the same. The Company did not have any ADT1 as of December 31, 2017.
- Tier 2 Capital, which includes surplus on revaluation of AFS securities after all regulatory adjustments applicable on Tier 2.

The Company also stress tests its capital adequacy to various risks as per SBP stress testing guidelines.





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38.2 CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2017

Rows #	Common Equity Tier 1 capital (CET1): Instruments and reserves	2017	2016
		(Rupees in '000)	
		Amount	Amount
1	Fully Paid-up Capital/ Capital deposited with SBP	6,000,000	6,000,000
2	Balance in Share Premium Account		
3	Reserve for issue of Bonus Shares		
4	Discount on Issue of shares		
5	General/ Statutory Reserves	7,431,389	6,876,320
6	Gain/(Losses) on derivatives held as Cash Flow Hedge		
7	Unappropriated/unremitted profits/ (losses)	10,696,759	9,946,000
8	Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		
9	CET 1 before Regulatory Adjustments	24,128,148	22,822,320
10	Total regulatory adjustments applied to CET1	9,278,808	7,547,144
11	Common Equity Tier 1	14,849,340	15,275,176
	<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	AT1 before regulatory adjustments		
18	Total regulatory adjustment applied to AT1 capital	-	-
19	Additional Tier 1 capital after regulatory adjustments		
20	Additional Tier 1 capital recognized for capital adequacy	-	-
21	Tier 1 Capital (CET1 + admissible AT1)	14,849,340	15,275,176
	<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		
27	Revaluation Reserves (net of taxes)		
28	of which: Revaluation reserves on fixed assets		
29	of which: Unrealized gains/losses on AFS	604,878	1,488,579
30	Foreign Exchange Translation Reserves		
31	Undisclosed/Other Reserves (if any)		
32	T2 before regulatory adjustments	604,878	1,488,579
33	Total regulatory adjustment applied to T2 capital	604,878	1,488,579
34	Tier 2 capital (T2) after regulatory adjustments	-	-
35	Tier 2 capital recognized for capital adequacy		
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital		
37	Total Tier 2 capital admissible for capital adequacy		
38	TOTAL CAPITAL (T1 + admissible T2)	14,849,340	15,275,176
39	Total Risk Weighted Assets (RWA)	35,990,412	38,409,108

	2017	2016	
Capital Ratios and buffers (in percentage of risk weighted assets)			
40	CET1 to total RWA	41.26%	39.77%
41	Tier-1 capital to total RWA	41.26%	39.77%
42	Total capital to total RWA	41.26%	39.77%
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	7.28%	6.65%
44	of which: capital conservation buffer requirement	1.28%	0.65%
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)	35.26%	33.77%
National minimum capital requirements prescribed by SBP			
48	CET1 minimum ratio	6.00%	6.00%
49	Tier 1 minimum ratio	7.50%	7.50%
50	Total capital minimum ratio	11.275%	10.65%

Regulatory Adjustments and Additional Information		2017	(Rupees in '000)		2016
		Amounts subject to Pre- Basel III treatment*			
38.2.1	Common Equity Tier 1 capital: Regulatory adjustments				
1	Goodwill (net of related deferred tax liability)				
2	All other intangibles (net of any associated deferred tax liability)	4,178			12,099
3	Shortfall in provisions against classified assets				
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)				
5	Defined-benefit pension fund net assets				
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities				
7	Cash flow hedge reserve				
8	Investment in own shares/ CET1 instruments				
9	Securitization gain on sale				
10	Capital shortfall of regulated subsidiaries				
11	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS				
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)				
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)	7,903,606	1,975,902	5,414,174	3,609,449
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)				
15	Amount exceeding 15% threshold				
16	of which: significant investments in the common stocks of financial entities				
17	of which: deferred tax assets arising from temporary differences				
18	National specific regulatory adjustments applied to CET1 capital				
19	Investments in TFCs of other banks exceeding the prescribed limit				
20	Any other deduction specified by SBP (mention details)				
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	1,371,024		2,120,871	
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	9,278,808		7,547,144	

	2017	2016
	(Rupees in '000)	
	Amounts subject to Pre- Basel III treatment	
<b>38.2.2 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	987,951	1,804,725
29 Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	383,073	316,146
30 Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	1,371,024	2,120,871
<b>38.2.3 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	987,951	1,804,725
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)	987,951	1,804,725
		2017      2016 (Rupees in '000)
<b>38.2.4 Additional Information</b>		
Risk Weighted Assets subject to pre-Basel III treatment		
37 Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)		
(i) of which: deferred tax assets		
(ii) of which: Defined-benefit pension fund net assets		
(iii) of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity		
(iv) of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity		
Amounts below the thresholds for deduction (before risk weighting)		1,975,902      3,609,449
38 Non-significant investments in the capital of other financial entities		1,801,781      1,216,407
39 Significant investments in the common stock of financial entities		2,412,397      2,281,022
40 Deferred tax assets arising from temporary differences (net of related tax liability)		
Applicable caps on the inclusion of provisions in Tier 2		
41 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)		
42 Cap on inclusion of provisions in Tier 2 under standardized approach		
43 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		
44 Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		

### 38.3 Capital Structure Reconciliation

Step 1		
Table: 38.3.1	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	2017	2017

(Rupees in '000)

#### Assets

Cash and balances with treasury banks	61,148	61,148
Balances with other banks	18,730	18,730
Lending to financial institutions	2,476,726	2,476,726
Investments	22,922,841	22,922,841
Advances	3,166,570	3,166,570
Operating fixed assets	196,533	196,533
Deferred tax assets	-	-
Other assets	286,616	286,616
<b>Total assets</b>	<b>29,129,164</b>	<b>29,129,164</b>

#### Liabilities & Equity

Bills payable	-	-
Borrowings	2,562,007	2,562,007
Deposits and other accounts	2,500	2,500
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	1,283,926	1,283,926
Other liabilities	473,321	473,321
<b>Total liabilities</b>	<b>4,321,754</b>	<b>4,321,754</b>

Share capital	6,000,000	6,000,000
Reserves	7,431,389	7,431,389
Unappropriated profits	10,696,759	10,696,759
Minority Interest	-	-
Surplus on revaluation of assets	679,262	679,262
<b>Total liabilities &amp; equity</b>	<b>29,129,164</b>	<b>29,129,164</b>

Step 2			
Table: 38.3.2	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	2017	2017	
(Rupees in '000)			
Assets			
Cash and balances with treasury banks	61,148	61,148	
Balanced with other banks	18,730	18,730	
Lending to financial institutions	2,476,726	2,476,726	
Investments	22,922,841	22,922,841	
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold			a
of which: significant capital investments in financial sector entities exceeding regulatory threshold	7,903,606	7,903,606	b
of which: Mutual Funds exceeding regulatory threshold			c
of which: reciprocal crossholding of capital instrument			d
of which: others (mention details)			e
Advances	3,166,570	3,166,570	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB			f
general provisions reflected in Tier 2 capital			g
Fixed Assets	196,533	196,533	
Deferred Tax Assets	-	-	
of which: DTAs excluding those arising from temporary differences			h
of which: DTAs arising from temporary differences exceeding regulatory threshold			i
Other assets	286,616	286,616	
of which: Goodwill			j
of which: Intangibles	4,178	4,178	k
of which: Defined-benefit pension fund net assets			l
Total assets	29,129,164	29,129,164	
Liabilities & Equity			
Bills payable	-	-	
Borrowings	2,562,007	2,562,007	
Deposits and other accounts	2,500	2,500	
Sub-ordinated loans			
of which: eligible for inclusion in AT1			m
of which: eligible for inclusion in Tier 2			n
Liabilities against assets subject to finance lease			
Deferred tax liabilities	1,283,926	1,283,926	
of which: DTLs related to goodwill			o
of which: DTLs related to intangible assets			p
of which: DTLs related to defined pension fund net assets			q
of which: other deferred tax liabilities			r
Other liabilities	473,321	473,321	
Total liabilities	4,321,754	4,321,754	
Share capital	6,000,000	6,000,000	
of which: amount eligible for CET1	6,000,000	6,000,000	s
of which: amount eligible for AT1	6,000,000	6,000,000	t
Reserves	7,431,389	7,431,389	
of which: portion eligible for inclusion in CET1(provide breakup)	7,431,389	7,431,389	u
of which: portion eligible for inclusion in Tier 2	7,431,389	7,431,389	v
Unappropriated profit/ (losses)	10,696,759	10,696,759	w
Minority Interest			
of which: portion eligible for inclusion in CET1			x
of which: portion eligible for inclusion in AT1			y
of which: portion eligible for inclusion in Tier 2			z
Surplus on revaluation of assets	679,262	679,262	
of which: Revaluation reserves on Property			aa
of which: Unrealized Gains/Losses on AFS	679,262	679,262	
In case of Deficit on revaluation (deduction from CET1)	679,262	679,262	ab
Total liabilities & Equity	29,129,164	29,129,164	

Step 3

Basel III Disclosure Template (with added column)		
Table: 38.3.3	Component of regulatory capital reported by bank	Source based on reference number from step 2
	(Rupees in '000)	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital/ Capital deposited with SBP	6,000,000	
2 Balance in Share Premium Account		(s)
3 Reserve for issue of Bonus Shares		
4 General/ Statutory Reserves	7,431,389	(u)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge		
6 Unappropriated/unremitted profits/(losses)	10,696,759	(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)		
8 CET 1 before Regulatory Adjustments	24,128,148	(x)
Common Equity Tier 1 capital: Regulatory adjustments		
9 Goodwill (net of related deferred tax liability)		(j) - (o)
10 All other intangibles (net of any associated deferred tax liability)	4,178	(k) - (p)
11 Shortfall of provisions against classified assets		(f)
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)		{(h) - (r)} * x%
13 Defined-benefit pension fund net assets		{(l) - (q)} * x%
14 Reciprocal cross holdings in CET1 capital instruments		(d)
15 Cash flow hedge reserve		
16 Investment in own shares/ CET1 instruments		
17 Securitization gain on sale		
18 Capital shortfall of regulated subsidiaries		
19 Deficit on account of revaluation from bank's holdings of property/ AFS		(ab)
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		(a) - (ac) - (ae)
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	7,903,606	(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 Investment in TFCs of other banks exceeding the prescribed limit		
28 Any other deduction specified by SBP (mention details)		
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	1,371,024	
30 Total regulatory adjustments applied to CET1	9,278,808	
Common Equity Tier 1	14,849,340	
Additional Tier 1 (AT 1) Capital		
31 Qualifying Additional Tier-1 instruments plus any related share premium		
32 of which: Classified as equity		(t)
33 of which: Classified as liabilities		(m)
34 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)		(Y)
35 of which: instrument issued by subsidiaries subject to phase out		
36 AT1 before regulatory adjustments		

Table: 38.3.3		Component of regulatory capital reported by bank	Source based on reference number from step 2
		(Rupees in '000)	
Additional Tier 1 Capital: regulatory adjustments			
37	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		
38	Investment in own AT1 capital instruments		
39	Reciprocal cross holdings in Additional Tier 1 capital instruments		
40	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)
41	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation		(ad)
42	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	987,951	
43	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	383,073	
44	Total of Regulatory Adjustment applied to AT1 capital	1,371,024	
45	Additional Tier 1 capital		
46	Additional Tier 1 capital recognized for capital adequacy	-	
Tier 1 Capital (CET1 + admissible AT1)		14,849,340	
Tier 2 Capital			
47	Qualifying Tier 2 capital instruments under Basel III		
48	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)		(n)
49	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)		(z)
50	of which: instruments issued by subsidiaries subject to phase out		
51	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets		(g)
52	Revaluation Reserves eligible for Tier 2		
53	of which: portion pertaining to Property		
54	of which: portion pertaining to AFS securities	604,878	portion of (aa)
55	Foreign Exchange Translation Reserves		(v)
56	Undisclosed/Other Reserves (if any)		
57	T2 before regulatory adjustments	604,878	
Tier 2 Capital: regulatory adjustments			
58	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	987,951	
59	Reciprocal cross holdings in Tier 2 instruments		
60	Investment in own Tier 2 capital instrument		
61	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)
62	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation		(af)
63	Amount of Regulatory Adjustment applied to T2 capital	987,951	
64	Tier 2 capital (T2)	-	
65	Tier 2 capital recognized for capital adequacy	-	
66	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
67	Total Tier 2 capital admissible for capital adequacy	-	
TOTAL CAPITAL (T1 + admissible T2)		14,849,340	

## 38.4 Main Features Template of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments		
	Main Features	Common Shares
1	Issuer	Pakistan Kuwait Investment Company (Private) Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	NA
3	Governing law(s) of the instrument	Government of Pakistan
	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	Solo
7	Instrument type	Ordinary Shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	6,000,000
9	Par value of instrument	PKR 25,000 per share
10	Accounting classification	Share Holder's Equity
11	Original date of issuance	1979
12	Perpetual or dated	NA
13	Original maturity date	NA
14	Issuer call subject to prior supervisory approval	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	NA
18	coupon rate and any related index/ benchmark	NA
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially discretionary or mandatory	NA
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	NA
23	Convertible or non-convertible	NA
24	If convertible, conversion trigger (s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	NA
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA
36	Non-compliant transitioned features	NA
37	If yes, specify non-compliant features	NA



### 38.5 Capital Adequacy Ratio

	Capital Requirements		Risk Weighted Assets	
	2017	2016	2017	2016
	(Rupees in '000)			
<b>Credit Risk on On-Balance Sheet</b>				
PSE's	173	631	1,733	6,310
Banks	54,145	61,456	541,453	614,555
Corporates	290,827	395,299	2,908,268	3,952,991
Retail portfolio	660	3,973	6,604	39,731
Secured by residential property	2,681	2,509	26,809	25,094
Past due loans	82	13,032	823	130,318
Commercial Entity	1,064,733	1,120,513	10,647,330	11,205,129
Significant Investment & DTA	603,098	570,256	6,030,992	5,702,555
Listed equity investments	78,904	105,354	789,039	1,053,540
Unlisted equity investments	81	2,617	810	26,169
Investments in fixed assets	19,235	18,978	192,355	189,776
Other assets	9,890	16,416	98,895	164,160
	<u>2,124,509</u>	<u>2,311,034</u>	<u>21,245,111</u>	<u>23,110,328</u>
<b>Credit risk on Off-Balance Sheet</b>				
Non market related	64,250	24,772	642,500	247,719
<b>Market Risk</b>				
Interest rate risk	-	-	-	-
Equity position risk	614,088	673,513	7,676,100	8,418,909
	<u>614,088</u>	<u>673,513</u>	<u>7,676,100</u>	<u>8,418,909</u>
<b>Operational Risk</b>	514,136	530,572	6,426,701	6,632,152
	<u>514,136</u>	<u>530,572</u>	<u>6,426,701</u>	<u>6,632,152</u>
<b>TOTAL</b>	<u>3,316,983</u>	<u>3,539,891</u>	<u>35,990,412</u>	<u>38,409,108</u>
<b>Capital Adequacy Ratio</b>				
		2017		2016
		(Rupees in '000)		
Total eligible regulatory capital held	(e)	<u>14,849,340</u>		<u>15,275,176</u>
Total Risk Weighted Assets	(i)	<u>35,990,412</u>		<u>38,409,108</u>
Capital Adequacy Ratio (e) / (i)		41.26%		39.77%
Leverage Ratio				
Tier 1 Capital	(f)	<u>14,849,340</u>		<u>15,275,176</u>
Total Exposure	(g)	<u>20,700,356</u>		<u>22,629,628</u>
Leverage Ratio (f) / (g)		71.73%		67.50%

Capital Adequacy Ratios	2017		2016	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	41.26%	6.00%	39.77%
Tier-1 capital to total RWA	7.50%	41.26%	7.50%	39.77%
Total capital to total RWA	11.275%	41.26%	10.65%	39.77%
Leverage Ratio	3.00%	71.73%	3.00%	67.50%

### 39. RISK MANAGEMENT

Risk is an integral part of business and the company aims at delivering superior shareholder value by achieving an appropriate trade-off between risk and returns. Risk Management strategy is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring. The risks that the Company takes are reasonable, controlled within its financial resources and credit competence. The primary objective of this risk management is to ensure that the process of achieving an appropriate balance between risks the Company wishes to accept (at a price that is commensurate to that risk) and risks the Company wishes to mitigate, or whenever capital is put at risk, is done in an objective, documented and transparent fashion and also to ensure that these risks are taken within predefined and pre-approved tolerance limits/levels.

The Board of Directors has oversight on all the risks assumed by Company. Policies approved from time to time by Board of Directors form the governing framework for each type of risk. Risk Management Committee (RMC) of the Board has been constituted to facilitate focused oversight of various risks and is updated on quarterly basis by an independent Risk Management Function on the risk exposures, trends and benchmarks for each risk type covered within the scope of policy. The main goals of Risk Management are to oversee the enterprise-wide risk policies and guidelines under the guidance of the Board of Directors and RMC, to establish and monitor limits, to set and manage decision processes and to implement risk assessment methods. Functional level committees oversee the implementation of risk management practices and exposure levels.

The risk management framework is based on prudent risk identification, measurement, monitoring and management process which are closely aligned with all activities of the Company so as to ensure that risks are kept within an acceptable level.

#### 39.1 Credit risk

Credit risk is the potential for financial loss arising from borrower's or counterparty's inability to meet its obligations under a contract.

Credit Risk is the predominant risk type faced by the Company in its lending activities. All credit risk related aspects are governed by a credit policy approved by the Board of Directors. The policy outlines the type of products that can be offered, targeted customer profile and the credit approval process and limits. In order to assess the credit risk associated with any corporate financing proposal, variety of risks relating to the borrower and relevant industry are assessed. A structured and standardized credit approval process is followed which includes a well-established procedure of comprehensive credit appraisal and credit rating. The credit evaluation system comprises of well-designed credit appraisal, review and approval procedures for the purpose of emphasizing prudence in lending activities and ensuring the high quality of asset portfolio. Each credit proposal is evaluated on standalone basis as well as its implication on company's portfolio in terms of portfolio pricing and rating is also assessed. The internal credit rating methodologies have been developed for rating obligors. The rating serves as the key input in the approval as well as post approval credit process. All the credit applications and reviews are thoroughly analyzed by Risk Management Function. The application approval process is further supplemented by regular review of the existing credit limits, overall credit portfolio and the monitoring of early warning indicators that can trigger a tightening of lending standards and an increase in the frequency and depth of credit portfolio review.

Internal Credit Risk Rating System developed by the Company is capable of quantifying credit risk pertinent to specific counterparty as well as the risk inherent in the facility structure. It takes into consideration various qualitative and quantitative factors and generates an internal rating. The rating models have been internally tested, validated and checked for compliance with SBP guidelines for Internal Credit Rating System. The Risk Rating Models, both Obligor Risk Rating (ORR) and Facility Risk Rating (FRR), are regularly reviewed based on day to day working experience and changes in market dynamics. The Internal Risk Rating Policy is also in place which was approved by Board of Directors.

Credit risk management process adopted various concentration limits, counterparty and group level limits. Sectoral concentration limits are set for extending credit to a specific industry sector. The Company monitors the concentration to any given sector to ensure that the loan portfolio is well diversified. ORR is also used on aggregate group level to determine the amount of credit exposure the Company is willing to take on a particular group.

Various analysis and reports are also performed on periodic basis and are reported to the Risk Management Committee of the Board. These analysis mainly include migration analysis, sector-wise and rating-wise portfolio distribution analysis etc. The Company performs stress testing on its credit portfolio as per SBP stress testing guidelines.

The disbursement and administration of credit facilities is managed by Credit Administration Department (CAD).

To manage non-performing customers Special Asset Management (SAM) Department is functional and is responsible to recover overdue exposures.

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

### 39.1.1 Segment Information

#### 39.1.1.1 Segment by class of business

	2017					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Textile	2,344,817	54.29	-	-	-	-
Chemical and pharmaceutical	27,278	0.63	-	-	-	-
Cement	93,333	2.16	-	-	-	-
Sugar	35,822	0.83	-	-	-	-
Electronics and electrical appliances	11,111	0.26	-	-	-	-
Construction	282,830	6.55	-	-	-	-
Transport, storage and communication	196,715	4.55	-	-	-	-
Financial and Insurance	83,333	1.93	-	-	400,000	47.06
Power	623,712	14.44	-	-	450,000	52.94
Services	1,647	0.04	2,500	100.00	-	-
Individuals	85,401	1.98	-	-	-	-
Petroleum	441,311	10.22	-	-	-	-
Others	91,963	2.12	-	-	-	-
	<u>4,319,273</u>	<u>100.00</u>	<u>2,500</u>	<u>100.00</u>	<u>850,000</u>	<u>100.00</u>

	2016					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Textile	2,848,524	48.61	-	-	329,109	26.64
Chemical and pharmaceutical	118,229	2.02	-	-	700,000	56.66
Cement	93,333	1.59	-	-	-	-
Sugar	35,822	0.61	-	-	-	-
Electronics and electrical appliances	11,111	0.19	-	-	-	-
Construction	410,184	7.00	-	-	-	-
Transport, storage and communication	305,679	5.22	-	-	206,250	16.70
Financial and Insurance	166,667	2.84	-	-	-	-
Power	1,093,004	18.65	-	-	-	-
Trusts	-	-	1,150	31.51	-	-
Services	4,935	0.08	2,500	68.49	-	-
Individuals	124,672	2.13	-	-	-	-
Petroleum	537,512	9.17	-	-	-	-
Others	110,469	1.89	-	-	-	-
	<u>5,860,141</u>	<u>100.00</u>	<u>3,650</u>	<u>100.00</u>	<u>1,235,359</u>	<u>100.00</u>

### 39.1.1.2 Segment by sector

	2017					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / government	3,413	0.08	-	-	-	-
Private	4,315,860	99.92	2,500	100.00	850,000	100.00
	<u>4,319,273</u>	<u>100.00</u>	<u>2,500</u>	<u>100.00</u>	<u>850,000</u>	<u>100.00</u>
	2016					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / government	12,512	0.21	-	-	-	-
Private	5,847,629	99.79	3,650	100.00	1,235,359	100.00
	<u>5,860,141</u>	<u>100.00</u>	<u>3,650</u>	<u>100.00</u>	<u>1,235,359</u>	<u>100.00</u>

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

	2017		2016	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	----- (Rupees in '000) -----			
Textile	757,128	757,128	913,160	913,160
Chemical and pharmaceutical	1,278	1,278	17,898	17,898
Construction	169,111	169,111	169,111	169,111
Cement	93,333	93,333	93,333	93,333
Sugar	35,822	35,822	35,822	35,822
Electronics and electrical appliances	11,111	11,111	11,111	11,111
Transport, storage and communication	-	-	211,929	105,964
Services	1,647	823	4,935	2,468
Others	84,097	84,097	88,779	88,778
	<u>1,153,527</u>	<u>1,152,703</u>	<u>1,546,078</u>	<u>1,437,645</u>

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

	2017		2016	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	----- (Rupees in '000) -----			
Public / government	-	-	-	-
Private	1,153,527	1,152,703	1,546,078	1,437,645
	<u>1,153,527</u>	<u>1,152,703</u>	<u>1,546,078</u>	<u>1,437,645</u>

## 39.2 Liquidity risk

It is the risk that the Company is unable to fund its current obligations and operations in the most cost effective manner. The company's Asset and Liability Committee (ALCO) is primarily responsible for the formulation of the overall strategy and oversight of the liquidity management.

Liquidity risk arises from mismatches in the timing of cash flows. The objective of the company's liquidity management is to ensure that all foreseeable funding commitments can be met when due. To limit this risk, the Company maintains statutory deposits with the central bank. The Company's key funding source is the inter-bank money market. Comprehensive gap analysis is done on monthly basis to evaluate match/mismatch between assets and liabilities. ALCO reviews liquidity gap analysis and devise the liquidity management strategy. For effective monitoring of liquidity position, gap limits for each maturity bucket are in place, monitored by Risk Management Department and reviewed by ALCO on monthly basis. Moreover, Contingency Funding Plan is in place to address liquidity issues in times of crisis situations.

The maturity profile of assets and liabilities is prepared based on their contractual maturities and non-contractual assets and liabilities. The assumptions for allocation of non-contractual assets and liabilities are deliberated and approved by ALCO. The ALCO agreed upon various assumptions for such allocation including the Company's historical trend and past experience, expected utilization of assets, expected useful lives of fixed assets, statutory requirements and variance approach.

For measurement of the liquidity risk, global regulatory liquidity standards namely Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), along with a set of five risk monitoring tools have been implemented by SBP. Both of these ratios aim to achieve two separate but complementary objectives and their calculations involve assessing overall liquidity position through detailed evaluation of assets, liabilities and off-balance sheet activities. PKIC remains in compliance of both the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) requirement.

### 39.2.1 Maturities of assets and liabilities based on Asset and Liability Committee (ALCO) of the Company

	2017									
	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Above ten years
(Rupees in '000)										
<b>Assets</b>										
Cash and balances with treasury banks	61,148	61,148	-	-	-	-	-	-	-	-
Balances with other banks	18,730	18,730	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,476,726	2,476,726	-	-	-	-	-	-	-	-
Investments	22,922,841	3,547,751	124,235	-	3,978,964	2,045,012	11,273,025	1,249,950	703,904	-
Advances	3,166,570	124,011	68,143	704,958	219,800	386,009	341,792	532,018	765,545	24,294
Operating fixed assets	196,533	604	1,208	1,811	3,624	7,247	7,247	12,534	23,180	139,078
Other assets	286,616	80,711	-	90,321	13,247	316	98,789	-	3,232	-
<b>Total</b>	<b>29,129,164</b>	<b>6,309,681</b>	<b>193,586</b>	<b>797,090</b>	<b>4,215,635</b>	<b>2,438,584</b>	<b>11,720,853</b>	<b>1,794,502</b>	<b>1,495,861</b>	<b>163,372</b>
<b>Liabilities</b>										
Borrowings	2,562,007	2,821	37,308	1,050,093	100,311	256,215	229,930	349,731	535,598	-
Deposits and other accounts	2,500	-	-	-	2,500	-	-	-	-	-
Deferred tax liabilities	1,283,926	165,985	(46,219)	(69,475)	-	-	133,528	1,182,204	(82,097)	-
Other liabilities	473,321	350,091	62,831	19,345	41	-	-	41,013	-	-
<b>Total</b>	<b>4,321,754</b>	<b>518,897</b>	<b>53,920</b>	<b>999,963</b>	<b>102,852</b>	<b>256,215</b>	<b>363,458</b>	<b>1,572,948</b>	<b>453,501</b>	<b>-</b>
<b>Net assets</b>	<b>24,807,410</b>	<b>5,790,784</b>	<b>139,666</b>	<b>(202,873)</b>	<b>4,112,783</b>	<b>2,182,369</b>	<b>11,357,395</b>	<b>221,554</b>	<b>1,042,360</b>	<b>163,372</b>
Share capital	6,000,000									
Reserves	7,431,389									
Un-appropriated profit	10,696,759									
Surplus on revaluation of 'available-for-sale' securities – net of tax	679,262									
<b>Total</b>	<b>24,807,410</b>									
2016										
	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Above ten years
(Rupees in '000)										
<b>Assets</b>										
Cash and balances with treasury banks	61,995	61,995	-	-	-	-	-	-	-	-
Balances with other banks	16,691	16,691	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,632,880	2,632,880	-	-	-	-	-	-	-	-
Investments	21,206,169	1,495,539	651,473	-	4,003,533	2,047,267	10,838,653	1,267,705	901,999	-
Advances	4,422,496	117,471	97,150	1,120,128	286,387	617,858	475,771	659,020	1,013,902	34,809
Operating fixed assets	201,875	765	1,532	2,298	4,596	9,192	9,192	15,990	22,616	135,694
Other assets	399,306	178,746	59,074	15,410	316	142,496	-	3,264	-	-
<b>Total</b>	<b>28,941,412</b>	<b>4,504,087</b>	<b>809,229</b>	<b>1,137,836</b>	<b>4,294,832</b>	<b>2,816,813</b>	<b>11,323,616</b>	<b>1,945,979</b>	<b>1,938,517</b>	<b>170,503</b>
<b>Liabilities</b>										
Borrowings	2,661,764	2,052	22,177	24,949	51,542	1,190,338	256,019	416,002	698,685	-
Deposits and other accounts	3,650	-	-	1,150	2,500	-	-	-	-	-
Deferred tax liabilities	1,135,537	237,007	(18)	-	-	133,214	891,445	-	(126,111)	-
Other liabilities	453,141	295,370	106,375	10	40	21,845	-	29,501	-	-
<b>Total</b>	<b>4,254,092</b>	<b>534,429</b>	<b>128,534</b>	<b>26,109</b>	<b>54,082</b>	<b>1,345,397</b>	<b>1,147,464</b>	<b>445,503</b>	<b>572,574</b>	<b>-</b>
<b>Net assets</b>	<b>24,687,320</b>	<b>3,969,658</b>	<b>680,695</b>	<b>1,111,727</b>	<b>4,240,750</b>	<b>1,471,416</b>	<b>10,176,152</b>	<b>1,500,476</b>	<b>1,365,943</b>	<b>170,503</b>
Share capital	6,000,000									
Reserves	6,876,320									
Un-appropriated profit	9,946,000									
Surplus on revaluation of 'available-for-sale' securities – net of tax	1,865,000									
<b>Total</b>	<b>24,687,320</b>									

### 39.2.2 Maturities of assets and liabilities based on contractual maturities

In accordance with BSD Circular No. 02 dated January 14, 2013, issued by SBP, the Company is required to report maturity gaps of assets and liabilities on contractual basis which are as follows:

	2017									
	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Above ten years
(Rupees in '000)										
<b>Assets</b>										
Cash and balances with treasury banks	61,148	61,148	-	-	-	-	-	-	-	-
Balances with other banks	18,730	18,730	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,476,726	2,476,726	-	-	-	-	-	-	-	-
Investments	22,922,841	20,822,523	-	-	519,023	670,527	-	163,516	747,252	-
Advances	3,166,570	124,011	68,143	704,958	219,800	386,009	341,792	532,018	765,545	24,294
Operating fixed assets	196,533	604	1,208	1,811	3,624	7,247	7,247	12,534	23,180	139,078
Other assets	286,616	80,711	-	90,321	13,247	316	98,789	-	3,232	-
	29,129,164	23,584,453	69,351	797,090	755,694	1,064,099	447,828	708,068	1,539,209	163,372
<b>Liabilities</b>										
Borrowings	2,562,007	2,821	37,308	1,050,093	100,311	256,215	229,930	349,731	535,598	-
Deposits and other accounts	2,500	-	-	-	2,500	-	-	-	-	-
Deferred tax liabilities	1,283,926	1,283,926	-	-	-	-	-	-	-	-
Other liabilities	473,321	371,219	60,331	-	41	717	-	41,013	-	-
	4,321,754	1,657,966	97,639	1,050,093	102,852	256,932	229,930	390,744	535,598	-
<b>Net assets</b>	<b>24,807,410</b>	<b>21,926,487</b>	<b>(28,288)</b>	<b>(253,003)</b>	<b>652,842</b>	<b>807,167</b>	<b>217,898</b>	<b>317,324</b>	<b>1,003,611</b>	<b>163,372</b>
Share capital	6,000,000									
Reserves	7,431,389									
Un-appropriated profit	10,696,759									
Surplus on revaluation of 'available-for-sale' securities - net of tax	679,262									
	<u>24,807,410</u>									
2016										
	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Above ten years
(Rupees in '000)										
<b>Assets</b>										
Cash and balances with treasury banks	61,995	61,995	-	-	-	-	-	-	-	-
Balances with other banks	16,691	16,691	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,632,880	2,632,880	-	-	-	-	-	-	-	-
Investments	21,206,169	17,265,867	2,092,214	-	-	544,607	668,731	-	634,750	-
Advances	4,422,496	117,471	97,150	1,120,128	286,387	617,858	475,771	659,020	1,013,902	34,809
Operating fixed assets	201,875	765	1,532	2,298	4,596	9,192	9,192	15,990	22,616	135,694
Other assets	399,306	320,715	59,074	15,410	316	527	-	3,264	-	-
	28,941,412	20,416,384	2,249,970	1,137,836	291,299	1,172,184	1,153,694	678,274	1,671,268	170,503
<b>Liabilities</b>										
Borrowings	2,661,764	2,052	22,177	24,949	51,542	1,190,338	256,019	416,002	698,685	-
Deposits and other accounts	3,650	-	-	1,150	2,500	-	-	-	-	-
Deferred tax liabilities	1,135,537	1,135,537	-	-	-	-	-	-	-	-
Other liabilities	453,141	317,932	106,375	10	40	-	-	28,784	-	-
	4,254,092	1,455,521	128,552	26,109	54,082	1,190,338	256,019	444,786	698,685	-
<b>Net assets</b>	<b>24,687,320</b>	<b>18,960,863</b>	<b>2,121,418</b>	<b>1,111,727</b>	<b>237,217</b>	<b>(18,154)</b>	<b>897,675</b>	<b>233,488</b>	<b>972,583</b>	<b>170,503</b>
Share capital	6,000,000									
Reserves	6,876,320									
Un-appropriated profit	9,946,000									
Surplus on revaluation of 'available-for-sale' securities - net of tax	1,865,000									
	<u>24,687,320</u>									

### 39.2.3 Liquidity Coverage Ratio (LCR)

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

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

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

(Amount in PKR in thousands)		TOTAL UNWEIGHTED <sup>a</sup> VALUE (average)	TOTAL WEIGHTED <sup>b</sup> VALUE (average)
<b>HIGH QUALITY LIQUID ASSETS</b>			
1	Total high quality liquid assets (HQLA)		6,561,009
<b>CASH OUTFLOWS</b>			
2	Retail deposits and deposits from small business customers of which:		
2.1	stable deposit		
2.2	Less stable deposit		
3	Unsecured wholesale funding of which:		1,001,335
3.1	Operational deposits (all counterparties)	3,338	1,335
3.2	Non-operational deposits (all counterparties)		
3.3	Unsecured debt	1,000,000	1,000,000
4	Secured wholesale funding		-
5	Additional requirements of which:		
5.1	Outflows related to derivative exposures and other collateral requirements		
5.2	Outflows related to loss of funding on debt products		
5.3	Credit and Liquidity facilities		
6	Other contractual funding obligations	881,846	118,185
7	Other contingent funding obligations	706,061	706,061
8	<b>TOTAL CASH OUTFLOWS</b>		<b>1,825,581</b>
<b>CASH INFLOWS</b>			
9	Secured lending		
10	Inflows from fully performing exposures	154,503	77,251
11	Other Cash inflows		
12	<b>TOTAL CASH INFLOWS</b>		<b>77,251</b>
<b>TOTAL ADJUSTED VALUE</b>			
21	<b>TOTAL HQLA</b>		<b>6,561,009</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>		<b>1,748,330</b>
23	<b>LIQUIDITY COVERAGE RATIO</b>		<b>375%</b>

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

b Weighted values must be calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates ( for inflows and outflows)

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

### 39.2.4 Net Stable Funding Ratio (NSFR)

Net Stable Funding Ratio "NSFR" ensures that PKIC reduces funding risk over a longer time horizon by requiring the company to fund its activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress.

The NSFR limits overreliance on short-term funding, encourages better assessment of funding risk across all on-and-off balance sheet items and promotes funding stability. The ratio is defined as the amount of available stable funding (ASF), relative to the amount of required stable funding (RSF). NSFR reporting to SBP commenced from March 31, 2017 on a quarterly basis. Minimum requirement is set at 100% by SBP, effective from December 31, 2017 onwards. Notably, PKIC's remained well in compliance as at December 31, 2017.

(Amount in PKR in thousands)		UNWEIGHTED VALUE BY RESIDUAL MATURITY				Weighted value
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
<b>ASF Item</b>						
1	Capital:					
2	Regulatory capital	24,128,148				24,128,148
3	Other capital instruments					-
4	Retail deposits and deposit from small business customers:					-
5	Stable deposits					-
6	Less stable deposits					-
7	Wholesale funding:					-
8	Operational deposits			2,500		1,250
9	Other wholesale funding				1,371,474	1,371,474
10	Other liabilities:					-
11	NSFR derivative liabilities					-
12	All other liabilities and equity not included in other categories		-	100,352	1,233,635	1,283,811
13	<b>Total ASF</b>					<b>26,784,683</b>
<b>RSF item</b>						
14	Total NSFR high-quality liquid assets (HQLA)					6,147,114
15	Deposits held at other financial institutions for operational purposes					
16	Performing loans and securities:					
17	Performing loans to financial institutions secured by Level 1 HQLA		2,476,726			371,509
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions					
19	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:				1,508,463	1,282,193
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk				842,731	547,775
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	2,847,306				1,423,653
22	Other assets:					
23	Physical traded commodities, including gold					
24	Assets posted as initial margin for derivative contracts					
25	NSFR derivative assets					
26	NSFR derivative liabilities before deduction of variation margin posted					
27	All other assets not included in the above categories	16,315,127		191,526		16,410,890
28	Off-balance sheet items		850,000			42,500
29	<b>Total RSF</b>					<b>20,078,521</b>
30	<b>Net Stable Funding Ratio (%)</b>					<b>133%</b>



### 39.3 Market risk

Market risk is the risk of losses due to on and off-balance sheet positions arising out of changes in market variables, such as interest rates, foreign exchange rates, equity prices and credit spreads.

The Company is exposed to interest rate risk and equity price risk. To manage and control market risk a well-defined limits structure is in place. Market Risk is managed by the Risk Management Function which makes sure that exposure in Money Market and Equity Market adheres with the risk tolerance levels and matches with overall business goals set by Board of Directors (BOD), Risk Management Committee of the Board (RMC) and ALCO.

Market Risk is pertinent to the Trading Book which consists of positions in financial instruments held either with trading intent or in order to hedge other elements of the trading book. The trading book includes equity and money market securities classified as 'Held for Trading'. These positions are actively managed by the capital market and money market desks.

All investments excluding trading book are considered as part of banking book. Banking book includes:

- Available-for-sale Securities
- Held-to-maturity Securities
- Other Strategic Investments

Due to diversified nature of investments in banking book, it is subject to interest rate risk and equity price risk.

A well-defined limits structure is in place to effectively manage market risk. These limits are reviewed, adjusted and approved periodically by ALCO. Middle Office monitors these limits on daily basis.

The Company is using Basel-III Standardized approach to calculate risk weighted assets against market risk exposures.

To manage market risk, the Company carries out stress testing of its statement of financial position by varying sources of market risk as per SBP guidelines.

#### 39.3.1 Interest rate risk

Interest Rate Risk arises when there is a mismatch between positions, which are subject to interest rate adjustment within a specific period. The Company manages its interest rate risk by entering into floating rate agreements with its customers. The interest rate risk strategy is discussed in ALCO meetings on periodic basis. The Risk Management Function carries out stress testing to ascertain the interest rate risk on the statement of financial position and also prepares the interest rate risk profile on monthly basis.

2017

Effective yield / interest rate %	Exposed to yield / profit risk										Not exposed to yield / interest rate risk	
	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Above ten years		
(Rupees in '000)												
<b>On balance sheet financial instruments</b>												
<b>Financial Assets</b>												
Cash and balances with treasury banks	-	61,148	-	-	-	-	-	-	-	-	-	61,148
Balances with other banks	2.50	18,730	18,451	-	-	-	-	-	-	-	-	279
Lendings to financial institutions	5.87	2,476,726	2,476,726	-	-	-	-	-	-	-	-	-
Investments	7.19	22,922,841	3,987,330	674,693	-	518,717	433,846	-	-	-	-	17,308,255
Advances	5.33	3,166,570	1,493,441	45,149	70,806	104,038	263,978	235,765	359,891	555,484	24,294	13,724
Other assets	-	286,616	-	-	-	-	-	-	-	-	-	286,616
		28,932,631	7,975,948	719,842	70,806	622,755	697,824	235,765	359,891	555,484	24,294	17,670,022
<b>Financial Liabilities</b>												
Borrowings	4.00	2,562,007	2,821	1,037,308	50,093	100,311	256,215	229,930	349,731	535,598	-	-
Deposits and other accounts	5.80	2,500	-	-	-	2,500	-	-	-	-	-	-
Other liabilities	-	473,321	-	-	-	-	-	-	-	-	-	473,321
		3,037,828	2,821	1,037,308	50,093	102,811	256,215	229,930	349,731	535,598	-	473,321
<b>On balance sheet gap</b>		25,894,803	7,973,127	(317,466)	20,713	519,944	441,609	5,835	10,160	19,886	24,294	17,196,701

2016

Effective yield / interest rate %	Exposed to yield / profit risk										Not exposed to yield / interest rate risk	
	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Above ten years		
(Rupees in '000)												
<b>On balance sheet financial instruments</b>												
<b>Financial Assets</b>												
Cash and balances with treasury banks	-	61,995	-	-	-	-	-	-	-	-	-	61,995
Balances with other banks	3.00	16,691	16,412	-	-	-	-	-	-	-	-	279
Lendings to financial institutions	5.83	2,632,880	2,632,880	-	-	-	-	-	-	-	-	-
Investments	7.41	21,206,169	1,942,943	1,298,844	230,688	-	544,340	451,816	-	-	-	16,737,538
Advances	5.88	4,422,496	782,498	306,975	1,466,684	182,844	197,282	264,044	427,036	716,402	21,412	57,319
Other assets	-	124,150	-	-	-	-	-	-	-	-	-	124,150
		28,464,381	5,374,733	1,605,819	1,697,372	182,844	741,622	715,860	427,036	716,402	21,412	16,981,281
<b>Financial Liabilities</b>												
Borrowings	6.54	2,661,764	2,052	1,022,177	24,949	51,542	190,338	256,019	416,002	698,685	-	-
Deposits and other accounts	5.68	3,650	-	-	1,150	2,500	-	-	-	-	-	-
Other liabilities	-	414,493	-	-	-	-	-	-	-	-	-	414,493
		3,079,907	2,052	1,022,177	26,099	54,042	190,338	256,019	416,002	698,685	-	414,493
<b>On balance sheet gap</b>		25,384,474	5,372,681	583,642	1,671,273	128,802	551,284	459,841	11,034	17,717	21,412	16,566,788

### 39.3.2 Currency risk

Foreign exchange risk arises in case of an on balance sheet / off balance sheet asset or liability position when there is adverse exchange rate movement. The Company's exposure to this category of market risk is negligible.

	2017			
	Assets	Liabilities	Off balance sheet items	Net currency exposure
	------(Rupees in '000)-----			
Pakistan Rupees	29,129,164	4,321,754	850,000	23,957,410
United States Dollars	-	-	-	-
	<u>29,129,164</u>	<u>4,321,754</u>	<u>850,000</u>	<u>23,957,410</u>
	-----			
	2016			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	------(Rupees in '000)-----			
Pakistan Rupees	28,941,412	4,254,092	1,235,359	23,451,961
United States Dollars	-	-	-	-
	<u>28,941,412</u>	<u>4,254,092</u>	<u>1,235,359</u>	<u>23,451,961</u>

### 39.3.3 Equity price risk

It is the risk to earnings or capital that results from adverse changes in the value / price of equity related portfolios.

ALCO is responsible for making investment decisions in the capital market and setting limits that are a component of the risk management framework. Equity Price Risk is monitored and controlled through various regulatory and internal limits. Portfolio, sector and scrip-wise limits are assigned by the ALCO such as overall exposure limits in capital market HFT and AFS portfolio, mark-to-market limit on trading portfolio, sector-wise Investment limits in various sectors to guard against concentration risk. These limits are monitored on daily basis and are reviewed and revised periodically by ALCO. The ALCO approves exposure limits applicable to investments and meets on regular basis to discuss equity investments related strategy. The Company calculates Value at Risk (VaR) on a daily basis using Historical Method and Variance Covariance Approach.

### 39.4 Operational risk

Operational Risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events. It is an inherent risk faced by all businesses and covers a large number of operational risk events including business interruption and system failure, internal and external fraud, employment practices and workplace safety, customer and business practices, transaction execution and process management, and damage to physical assets etc.

Risk Management Policy sets out the guidelines to identify, assess, monitor, control and report operational risk. Operational Risk Loss Data including Loss Events and Near Misses are being collected, throughout the year, from all the respective departments / units on monthly basis. For the purpose of monitoring of the occurrences of key operational risks, Key Risk Indicators (KRIs) are also being collected from all respective departments / units on quarterly basis.

The Company is currently using Basic Indicator Approach to calculate Operational risk weighted assets as per Basel III requirements for capital adequacy calculation.

#### Business Continuity Plan

The Company has approved Business Continuity Plan (BCP) in place which covers the steps and events to be considered to ensure continuity of business operations in case of any emergency or disaster. Regular BCP testing is conducted on regular basis to test the effectiveness of the plan and readiness of the Company to address emergency situations.

#### 40. ACCOUNTING ESTIMATES AND JUDGEMENTS

##### 40.1 Provision against non-performing advances

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

##### 40.2 Classification of investments

In classifying investments as 'held-for-trading' the Company has determined 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.

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

The investments which are not classified as 'held-for-trading' or 'held-to-maturity' are classified as 'available-for-sale'.

##### 40.3 Impairment of 'available-for-sale' equity instruments

The management determines that 'available-for-sale' equity investments are impaired when there has been a significant or prolonged decline in market value / fair value below its cost. In making this judgement, the management considers among other factors, the decline in market price below cost by 30% as significant and if the decline in market price persists for nine months as prolonged.

##### 40.4 Income taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues as described in note 19 and the appeals of the department pending at various levels of authorities.

##### 40.5 Useful life and residual value of property and equipment

Estimates of useful life and residual value of property and equipment are based on the management's best estimate.

#### 41. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue in the Board of Directors meeting held on March 7, 2018.

#### 42. GENERAL AND NON-ADJUSTING EVENT

42.1 The Pakistan Credit Rating Agency (PACRA) has maintained for the Company, the long-term entity rating to AAA (Triple A) and the short term rating at A1+(A one plus), the highest level.

42.2 The Board of Directors of the Company has proposed cash dividend of Rs. 500 million (2016: Rs. 500 million) for the year ended December 31, 2017 in their meeting held on March 7, 2018. These financial statements do not include the effect of this appropriation which will be accounted for subsequent to the year end.

42.3 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.



Chairman



Chief Executive



Director

## QUALITY OF AVAILABLE FOR SALE SECURITIES

As Referred to in Note 9.4 to the financial statements

Sr. No.	Name of Company	2017		2016	
		Market Value	Rating	Market Value	Rating
		(Rupees in '000)		(Rupees in '000)	
	AVAILABLE FOR SALE PORTFOLIO				
	STRATEGIC PORTFOLIO				
1	THE HUB POWER COMPANY LIMITED	63,027	AA+/A1+	85,522	AA+/A1+
	TOTAL	<u>63,027</u>		<u>85,522</u>	
	GENERAL PORTFOLIO				
	OIL AND GAS				
2	OIL AND GAS DEVELOPMENT COMPANY LIMITED	126,439	AAA/A-1+	141,110	AAA/A-1+
3	ATTOCK PETROLEUM LIMITED	10,200	Unrated	68,462	Unrated
4	PAKISTAN STATE OIL COMPANY LIMITED	228,978	AA/A1+	260,526	AA/A1+
5	PAKISTAN OILFIELDS LIMITED	297,249	Unrated	346,540	Unrated
6	PAKISTAN PETROLEUM LIMITED	247,586	Unrated	176,024	Unrated
	TOTAL	<u>910,452</u>		<u>992,662</u>	
	CHEMICALS				
7	ENGRO CORPORATION LIMITED	-	-	215,099	AA/A1+
8	FAUJI FERTILIZER COMPANY LIMITED	138,680	AA/A1+	157,442	AA/A1+
9	ENGRO FERTILIZER LIMITED	163,645	AA-/A1+	259,684	AA-/A1+
	TOTAL	<u>302,325</u>		<u>632,225</u>	
	CONSTRUCTION AND MATERIALS				
10	CHERAT CEMENT COMPANY LIMITED	38,075	A/A1	-	-
11	LUCKY CEMENT LIMITED	206,964	Unrated	-	-
	TOTAL	<u>245,039</u>		<u>-</u>	
	ELECTRICITY				
12	KOT ADDU POWER COMPANY LIMITED	266,347	AA+/A-1+	389,390	AA+/A-1+
13	K-ELECTRIC LIMITED	151,759	AA/A1+	131,822	AA/A-1
14	NISHAT CHUNIAN POWER LIMITED	443,275	A+/A1	747,277	A+/A-2
	TOTAL	<u>861,381</u>		<u>1,268,489</u>	
	BANKS				
15	NATIONAL BANK OF PAKISTAN	194,240	AAA/A1+	-	-
16	BANK AL FALAH LIMITED	202,300	AA+/A1+	132,860	AA/A1+
17	BANK AL HABIB LIMITED	51,678	AA+/A1+	52,235	AA+/A1+
18	UNITED BANK LIMITED	285,714	AAA/A-1+	274,735	AAA/A-1+
19	HABIB BANK LIMITED	228,968	AAA/A-1+	374,443	AAA/A-1+
20	MCB BANK LIMITED	127,392	AAA/A1+	-	-
	TOTAL	<u>1,090,292</u>		<u>834,273</u>	
	FINANCIAL SERVICES				
21	SME LEASING LIMITED	617	B+/B	855	B/B
	TOTAL	<u>617</u>		<u>855</u>	
	PREFERENCE SHARES				
22	MASOOD TEXTILE MILLS LIMITED (CUMULATIVE PREFERENCE SHARES) 12.1%	50,000	Unrated	44,200	Unrated
	PREFERENCE SHARES TOTAL	<u>50,000</u>		<u>44,200</u>	
	GRAND TOTAL	<u>3,523,133</u>		<u>3,858,226</u>	

## QUALITY OF AVAILABLE FOR SALE SECURITIES

As Referred to in Note 9.4 to the financial statements

Sr. No.	Particulars	2017		2016	
		Market Value	Rating	Market Value	Rating
		(Rupees in '000)		(Rupees in '000)	
	Government Securities				
1	MARKET TREASURY BILLS - Three months - Six months	3,547,663 -	GOVERNMENT SECURITIES	- 2,092,214	GOVERNMENT SECURITIES
2	PAKISTAN INVESTMENT BONDS - Ten years	952,563	GOVERNMENT SECURITIES	996,156	GOVERNMENT SECURITIES
	Sub Total	4,500,226		3,088,370	
	Listed Sukuk Certificates				
1	K-ELECTRIC Certificate of Rs. 5,000 each Mark up : 8.92% ( 3-Months KIBOR Ask Rate + 2.75%) Redemption : Bullet on March-2019 Maturity : March, 2019 CEO of the company : Mr. Tayyab Tareen	242,391	AA	246,624	AA
2	K-ELECTRIC Certificate of Rs. 5,000 each Mark up : 7.17% ( 3-Months KIBOR Ask Rate + 1.00%) Redemption : Quarterly installments from Sep -2017 Maturity : June, 2022 CEO of the company : Mr. Tayyab Tareen	167,196	AA+	187,258	AA+
	Sub Total	409,587		433,882	
	Listed Term Finance Certificates				
1	SONERI BANK LIMITED Certificate of Rs. 5,000 each Mark up : 7.55% ( KIBOR 6-Month (s) Ask Rate + 1.35%) Redemption : Half yearly installments from Jan-2016 Maturity : July, 2023 CEO of the company : Mr. Mohammad Aftab Manzoor	439,668	A+	447,492	A+
	Sub Total	439,668		447,492	

## QUALITY OF AVAILABLE FOR SALE SECURITIES

As Referred to in Note 9.4 to the financial statements

Sr. No.	Name of Securities	2017		2016	
		Cost	Rating	Cost	Rating
		(Rupees in '000)		(Rupees in '000)	
1	Unlisted Term Finance Certificates BANK AL FALAH LIMITED Certificate of Rs. 5,000 each Mark up : 8.66% ( 6-Months KIBOR Ask Rate + 2.50%) Redemption : Half yearly from Dec - 2009 Maturity : Dec, 2017 CEO of the company : Mr. Atif Bajwa	-	-	66,493	AA-
2	NEW ALLIED ELECTRONICS INDUSTRIES (PRIVATE) LIMITED * Certificate of Rs. 5,000 each Mark up : 16.37% ( KIBOR 3-Months Ask Rate + 2.75%) Redemption : Quarterly Installments commencing from Aug - 2007 Maturity : May, 2011 CEO of the company : Mr. Mian Pervez Akhtar	21,138	Unrated	21,138	Unrated
3	DEWAN FAROOQUE SPINNING MILLS LIMITED * Certificate of Rs. 5,000 each Mark up : 16.66% ( KIBOR 6-Months Ask Rate + 3.75%) Redemption : Half yearly Installments commencing from Dec - 2004 Maturity : Dec , 2009 CEO of the company : Mr. Ishtiaq Ahmed	12,500	Unrated	12,500	Unrated
4	FAYSAL BANK LIMITED Certificate of Rs. 5,000 each Mark up : 8.39% ( KIBOR 6-Month (s) Ask Rate + 2.25%) Redemption : Half yearly Installments commencing from Dec -2010 Maturity : Dec, 2017 CEO of the company : Mr. Nauman Ansari	-	-	162,175	AA-
5	BANK AL HABIB LIMITED Certificate of Rs. 5,000 each Mark up : 6.91% ( KIBOR 6-Month (s) Ask Rate + 0.75%) Redemption : Half yearly commencing from Sep-2016 Maturity : Mar, 2026 CEO of the company : Mr. Mansoor Ali Khan	264,841	AA	264,947	AA
	Sub Total	298,479		527,253	

\* These TFCs are fully provided in the books of PKIC

**PARTICULARS OF INVESTMENT IN UNLISTED COMPANIES**

As Referred to in Note 9.4 to the financial statements

Sr. No.	Investments in unlisted companies	2017	2016	2017	2016
		NUMBER OF SHARES		COST (Rupees in '000)	
	Particulars of investments held in unlisted companies				
1	Arabian Sea Country Club Chief Executive: Mr. Arif Ali Khan Abbasi Breakup value per share: Rs. (2.49) Date of Financial statements: 30-June-2015	215,000	215,000	2,150	2,150
2	Axle Products Limited Chief Executive: Mr. Muzzamil Niazi Breakup value per share: Not Available Date of Financial statements: Not Available	404,350	404,350	4,043	4,043
3	Engine Systems Limited Chief Executive: Mr. Muzzamil Niazi Breakup value per share: Not Available Date of Financial statements: Not Available	1,000,000	1,000,000	10,000	10,000
4	FTC Management Company (Private) Limited Chief Executive: Engr. Commandar @ Muhammad Kaleem Sheikh Breakup value per share: Rs. 712.46 Date of Financial statements: 30-June-2015	50,000	50,000	500	500
5	Rays Shipping Limited Chief Executive: Mr. Farooq H. Rahimtoola Breakup value per share: Rs. 9.57 Date of Financial statements: 30-June-2014	1,000,000	1,000,000	6,500	6,500
6	Transmobile Limited Chief Executive: Mr. Muzzamil Niazi Breakup value per share: Not Available Date of Financial statements: Not Available	1,000,000	1,000,000	10,000	10,000
7	Islamic International Rating Agency Chief Executive: Ms. Sabeen Saleem Breakup value per share: Rs. 3,820.11 Date of Financial statements: 31-December-2013	100	100	10,290	10,290
8	Pakistan Textile City Limited Chief Executive: Mr. Muhammad Hanif Kasbati Breakup value per share: Rs. 3.38 Date of Financial statements: 30-June-2015	5,000,000	5,000,000	50,000	50,000
9	Innovative Investment Bank (Formerly Crescent Standard Investment Bank Limited) Chief Executive: Not Available Breakup value per share: Not Available Date of Financial statements: Not Available	4,770	4,770	4,770	4,770
10	Pakistan Mercantile Exchange Limited Chief Executive: Mr. Ejaz Ali Shah Breakup value per share: Rs. (3.14) Date of Financial statements: 30-June-2014	909,090	909,090	11,773	11,773
11	Dada Bhoy Padube Limited Chief Executive: Not Available Breakup value per share: Not Available Date of Financial statements: Not Available	100,000	100,000	200	200
	<b>TOTAL</b>	<b>9,683,310</b>	<b>9,683,310</b>	<b>110,226</b>	<b>110,226</b>



## PARTICULARS OF INVESTMENT HELD IN SHARES OF LISTED COMPANIES

As Referred to in Note 9.4 to the financial statements

Annexure - II

Sr. No.	Name of Company	2017	2016	2017			2016		
		Total Shares		Cost	Impairment	Cost after Impairment	Cost	Impairment	Cost after Impairment
------(Rupees in '000)-----									
AVAILABLE FOR SALE PORTFOLIO									
STRATEGIC PORTFOLIO									
1	THE HUB POWER COMPANY LIMITED	692,602	692,602	23,850	-	23,850	23,850	-	23,850
	TOTAL	692,602	692,602	23,850	-	23,850	23,850	-	23,850
GENERAL PORTFOLIO									
OIL AND GAS									
2	OIL AND GAS DEVELOPMENT COMPANY LIMITED	776,700	853,400	131,400	25,388	106,012	158,435	50,776	107,659
3	ATTOCK PETROLEUM LIMITED	19,500	100,000	10,229	-	10,229	52,454	-	52,454
4	PAKISTAN STATE OIL COMPANY LIMITED	781,200	600,000	259,742	-	259,742	241,309	-	241,309
5	PAKISTAN OILFIELDS LIMITED	500,200	648,200	208,144	79,029	129,115	269,717	102,475	167,242
6	PAKISTAN PETROLEUM LIMITED	1,202,400	935,400	212,013	30,776	181,237	171,177	46,034	125,143
	TOTAL	3,280,000	3,137,000	821,528	135,193	686,335	893,092	199,285	693,807
CHEMICALS									
7	ENGRO CORPORATION LIMITED	-	680,500	-	-	-	191,483	-	191,483
8	FAUJI FERTILIZER COMPANY LIMITED	1,753,000	1,508,500	137,571	-	137,571	177,449	20,007	157,442
9	ENGRO FERTILIZER COMPANY LIMITED	2,416,500	3,820,000	155,697	7,577	148,120	288,078	28,395	259,683
	TOTAL	4,169,500	6,009,000	293,268	7,577	285,691	657,010	48,402	608,608
CONSTRUCTION AND MATERIALS									
10	CHERAT CEMENT COMPANY LIMITED	343,300	-	56,068	17,993	38,075	-	-	-
11	LUCKY CEMENT LIMITED	400,000	-	254,801	-	254,801	-	-	-
	TOTAL	743,300	-	310,869	17,993	292,876	-	-	-
ELECTRICITY									
12	KOT ADDU POWER CO. LIMITED	4,941,500	4,941,500	294,768	-	294,768	294,770	-	294,770
13	K-ELECTRIC LIMITED	24,050,500	14,068,500	200,590	48,831	151,759	115,476	-	115,476
14	NISHAT CHUNIAN POWER LIMITED	13,469,302	13,469,302	282,000	-	282,000	282,000	-	282,000
	TOTAL	42,461,302	32,479,302	777,358	48,831	728,527	692,246	-	692,246
BANKS									
15	NATIONAL BANK OF PAKISTAN	4,000,000	-	289,135	94,895	194,240	-	-	-
16	BANK AL-FALAH LIMITED	4,760,000	3,500,000	150,430	-	150,430	103,649	-	103,649
17	BANK AL-HABIB LIMITED	885,500	885,500	28,705	-	28,705	28,706	-	28,706
18	UNITED BANK LIMITED	1,520,000	1,150,000	290,072	-	290,072	206,792	-	206,792
19	HABIB BANK LIMITED	1,370,330	1,370,330	245,919	-	245,919	245,919	-	245,919
20	MCB BANK LIMITED	600,000	-	137,740	-	137,740	-	-	-
	TOTAL	13,135,830	6,905,830	1,142,001	94,895	1,047,106	585,066	-	585,066

Sr. No.	Name of Company	2017	2016	2017			2016		
		Total Shares		Cost	Impairment	Cost after Impairment	Cost	Impairment	Cost after Impairment
------(Rupees in '000)-----									
FINANCIAL SERVICES									
21	SME LEASING LIMITED	215,000	225,000	2,365	2,311	54	2,475	2,419	56
22	DADABHOY LEASING COMPANY LIMITED	10,750	10,750	13	13	-	14	14	-
	<b>TOTAL</b>	<b>225,750</b>	<b>235,750</b>	<b>2,378</b>	<b>2,324</b>	<b>54</b>	<b>2,489</b>	<b>2,433</b>	<b>56</b>
PREFERENCE SHARES									
23	MASOOD TEXTILE MILLS LIMITED (CUMULATIVE PREFERENCE SHARES) 12.1%	5,000,000	5,000,000	50,000	-	50,000	50,000	-	50,000
24	SECURITY LEASING CORPORATION LIMITED (PREF.SHARES) 9.1%	500,000	500,000	5,029	5,029	-	5,029	5,029	-
	<b>PREFERENCE SHARES TOTAL</b>	<b>5,500,000</b>	<b>5,500,000</b>	<b>55,029</b>	<b>5,029</b>	<b>50,000</b>	<b>55,029</b>	<b>5,029</b>	<b>50,000</b>
	<b>TOTAL - AVAILABLE FOR SALE PORTFOLIO</b>	<b>70,208,284</b>	<b>54,959,484</b>	<b>3,426,281</b>	<b>311,842</b>	<b>3,114,439</b>	<b>2,908,782</b>	<b>255,149</b>	<b>2,653,633</b>

## PARTICULARS OF INVESTMENT IN LISTED SUKUK / TFCs

As Referred to in Note 9.4 to the financial statements

Sr. No.	Particulars	2017	2016	2017	2016
		NUMBER OF SUKUK / TFCs		COST (Rupees in '000)	
	Particulars of investments held in listed Sukuk				
1	K-ELECTRIC SUKUK Certificate of Rs. 5,000 each Mark up : 8.92% ( 3-Months KIBOR Ask Rate + 2.75% ) Redemption : Bullet on March, 2019 Maturity : March, 2019	47,275	47,275	236,375	236,375
2	K-ELECTRIC SUKUK Certificate of Rs. 5,000 each Mark up : 7.17% ( 3-Months KIBOR Ask Rate + 1.00% ) Redemption : Quarterly Installments from September, 2017 Maturity : June, 2022	32,703	36,337	163,516	181,685
	TOTAL	79,978	83,612	399,891	418,060
	Particulars of investments held in listed TFCs				
1	SONERI BANK LIMITED Certificate of Rs. 5,000 each Mark up : 7.55% ( 6-Months KIBOR Ask Rate + 1.35% ) Redemption : Half yearly from January, 2016 Maturity : July, 2023	87,846	87,881	439,228	439,404
	TOTAL	87,846	87,881	439,228	439,404

## PARTICULARS OF INVESTMENT IN TERM FINANCE CERTIFICATES

As Referred to in Note 9.4 to the financial statements

Sr. No.	Name of TFCs	2017	2016	2017	2016
		NUMBER OF TFCs		COST (Rupees in '000)	
	Particulars of investments held in unlisted term finance certificates (TFCs)				
1	BANK AL FALAH LIMITED (02-12-2009) Certificate of Rs. 5,000 each Mark up : 8.66% ( 6-Months KIBOR + 2.50% ) Redemption : Half yearly from Dec - 2009 Maturity : Dec - 2017	-	13,299	-	66,493
2	NEW ALLIED ELECTRONICS INDUSTRIES (PRIVATE) LIMITED * Certificate of Rs. 5,000 each Mark up : 16.37% ( 3-Months KIBOR Ask Rate + 2.75% ) Redemption : Quarterly Installments commencing from Aug - 2007 Maturity : May , 2011	4,228	4,228	21,138	21,138
3	DEWAN FAROOQUE SPINNING MILLS LIMITED * Certificate of Rs. 5,000 each Mark up : 16.66% ( 6-Months KIBOR Ask Rate + 3.75% ) Redemption : Half yearly Installments commencing from Dec - 2004 Maturity : Dec , 2009	2,500	2,500	12,500	12,500
4	FAYSAL BANK LIMITED Certificate of Rs. 5,000 each Mark up : 8.39% ( 6-Months KIBOR Ask Rate + 2.25% ) Redemption : Half yearly Installments commencing from December - 2010 Maturity : Dec , 2017	-	32,435	-	162,175
5	BANK AL HABIB Certificate of Rs. 5,000 each Mark up : 6.91% ( 6-Months KIBOR Ask Rate + 0.75% ) Redemption : Half yearly Installements commencing from Sep-2016 Maturity : Mar, 2026	52,968	52,989	264,841	264,947
	TOTAL	59,696	105,451	298,479	527,253

\* These TFCs are fully provided in the books of PKIC

**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF  
OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED  
DURING THE YEAR ENDED DECEMBER 31, 2017**

S. No.	Name and address of the borrower	Name of individuals/ partners/ directors (with NIC No.)	NIC / CNIC Nos.	Father's/ Husband's name	Outstanding Liabilities at beginning of year			Principal written-off	Interest/ Mark-up written-off	Other financial relief provided	Total (9+10+11)	
					Principal	Interest/ Mark-up	Others					
1	2	3		4	5	6	7	8	9	10	11	12
Rupees in '000												
2017												
NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
				Sub Total (2017) :	-	-	-	-	-	-	-	-

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