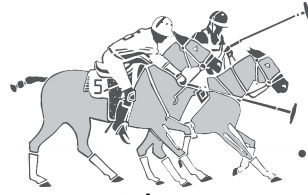
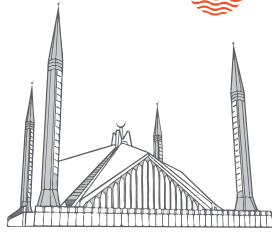


Peshawar



Gilgit



Rawalpindi / Islamabad

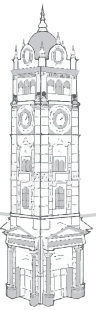
Muzaffarabad

Mirpur

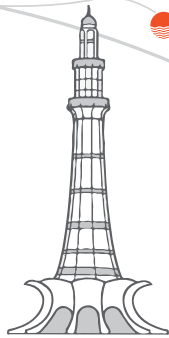
Sialkot

Sargodha

Gujranwala



Faisalabad



Lahore


Sahiwal

# Annual Report 2015



*Passion Reborn*





With a view to fulfill our vision of providing modern banking services to every segment of society, we continued expanding our outreach to unbanked areas.

While the Bank takes pride in having established a deeply rooted personalized relation with its clients, the Bank has also stamped its footprint in all spheres of banking by offering a wide range of customized products and services.

The Bank now has a network of 406 branches, strategically located in 194 cities of the Country, duly supported by 274 ATMs offering 24/7 banking services.

**CONQUERING**

**NEW HORIZONS**



**406 BRANCHES | 274 ATMs | 194 CITIES**



# CONTENTS

Corporate Information .....	04
Vision, Mission Statement .....	05
Core Values .....	07
Management .....	08
Credit Rating .....	10
Six Years at a Glance .....	11
Corporate Social Responsibility (CSR) .....	15
President's Message .....	18
Economic Review .....	24
Directors' Report .....	26
Statement of Compliance with the Code of Corporate Governance .....	36
Auditors' Review Report to the members on Code of Corporate Governance .....	40
Shariah Advisor's Report .....	42
Statement of Internal Controls .....	44
Notice of Annual General Meeting .....	45
Unconsolidated Financial Statements of The Bank of Punjab .....	47
Consolidated Financial Statements of The Bank of Punjab and its Subsidiary Punjab Modaraba Services (Pvt.) Ltd. ....	125
Pattern of Shareholding .....	204
Foreign Correspondents .....	210
Form of Proxy	

## CORPORATE INFORMATION

### Board Of Directors

Mr. Ghafoor Mirza	Chairman
Mr. Naeemuddin Khan	President/CEO
Mr. Mohammad Afzaal Bhatti	Director
Mr. Mohammad Jehanzeb Khan	Director
Khawaja Farooq Saeed	Director
Mr. Saeed Anwar	Director
Dr. Umar Saif	Director
Syed Maratib Ali	Director
Mr. Omar Saeed	Director
Mr. Raza Saeed	Secretary to the Board

### Central Audit Committee (CAC)

Khawaja Farooq Saeed	Chairman
Mr. Omar Saeed	Member
Mr. Saeed Anwar	Member

### Board Risk Management Committee (BRMC)

Syed Maratib Ali	Chairman
Mr. Omar Saeed	Member
Mr. Saeed Anwar	Member

### Human Resource & Remuneration Committee (HR&RC)

Mr. Mohammad Jehanzeb Khan	Chairman
Khawaja Farooq Saeed	Member
Dr. Umar Saif	Member
Mr. Naeemuddin Khan	Ex-officio Member

### Auditors

Deloitte Yousuf Adil, Chartered Accountants

### Registered Office

BOP Tower, 10-B, Block-E/II,  
Main Boulevard, Gulberg-III, Lahore.  
Telephones: +92 - 42-35783700-10  
Fax No. +92 - 42 - 35783975  
UAN: 111-200 -100

### Website

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

### Registrar

M/s. Corplink (Pvt) Limited  
Wings Arcade, 1-K, Commercial,  
Model Town, Lahore.  
Telephones: +92 - 42 - 35916714, 35916719, 35839182  
Fax No. +92 - 42 - 35869037

# Our Vision & Mission

## VISION

To be a customer focused bank  
with service excellence.

## MISSION

To exceed the expectation of our stakeholders by leveraging our relationship with the Government of Punjab and delivering a complete range of professional solutions with a focus on programme driven products and services in the agriculture and middle tier markets through a motivated team.



# Banking Made Asaan

Everyday bank account  
for **Everyone**

**No Minimum Balance Requirement**

**No Service Charges**

**Account can be opened with as low as Rs. 100**

**Free ATM/Debit Card on Asaan CA**

Opening a bank account has never been easier. The Bank of Punjab is the first bank to launch the “**BOP Asaan Account**”, a bank account for the common man with minimum documentation keeping with our tradition of placing our customers’ ease and convenience first. “**BOP Asaan Account**” allows you to open your Current and Savings account without any hassle.







## CORE VALUES

**OUR CUSTOMERS**  
as our first priority

**PROFITABILITY**  
for the prosperity of our stakeholders that allows us  
to constantly invest, improve and succeed

**CORPORATE SOCIAL RESPONSIBILITY**  
to enrich the lives of community where we operate

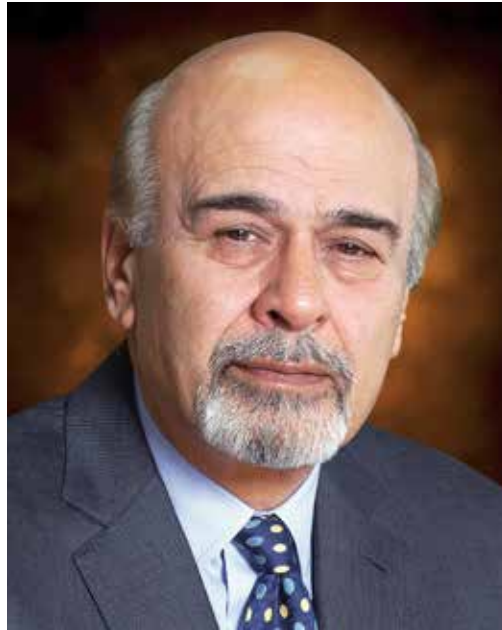
**RECOGNITION AND REWARD**  
for the talented and high performing employees

**EXCELLENCE**  
in everything we do

**INTEGRITY**  
in all our dealings

**RESPECT**  
for our customers and each other

# MANAGEMENT



**Naeemuddin Khan**  
President / CEO



**Shahid Waqar Mahmood**  
Group Head SAM & Legal



**Khalid S. Tirmizey**  
Deputy CEO



**Nadeem Amir**  
Chief Financial Officer



**Ijaz ur Rehman Qureshi**  
Chief Risk Officer



**Moghis Bokhari**  
Group Head Human Resource



**Ahmed Shah Durrani**  
Group Head Retail Banking



**Mustafa Hamdani**  
Group Head IB & WB (South)



**Taimur Afzal**  
Group Head Retail Finance



**Muhammad Babar Ayyaz**  
Head Wholesale Banking-I



**Asim Jahangir Seth**  
Head Wholesale Banking-II



**Khawar S. Ansari**  
Group Head Treasury & FIs



**Omer Iqbal Sheikh**  
Head Islamic Banking



**Javed Iqbal**  
Chief Information Officer



**Irfanuddin**  
Group Head Operations



**Col (R) Tenwir ul Hassan**  
Group Head Administrative Support



**Asad Ullah Khan**  
Head Audit & RAR



**Khalid Munir**  
Head C & IC



**Raza Saeed**  
Secretary to the Board



## CREDIT RATING

### Entity Ratings by PACRA

Long Term: AA-

Short Term: A1+

### Rating Definition

#### Long Term Rating

AA: Very High Credit Quality. AA Ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable for foreseeable events.

#### Short Term Rating

A1+: Obligations supported by the highest capacity for timely repayment.



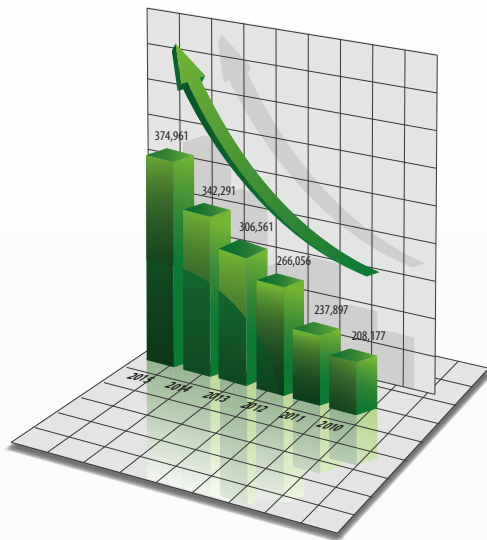
## SIX YEARS AT A GLANCE

Criteria	2015	2014	2013	2012	2011	2010	
<b>BALANCE SHEET</b>							
Total Assets	Rs in m	472,284	420,370	352,698	332,111	280,998	229,190
Advances (net)	Rs in m	219,399	170,313	157,286	149,605	127,130	120,818
Investments (net)	Rs in m	176,043	154,875	123,956	129,519	92,581	56,403
Shareholders' Equity	Rs in m	19,397	15,256	12,577	10,733	10,135	2,947
Revaluation Reserves	Rs in m	3,282	4,071	905	1,638	638	721
Deposits	Rs in m	374,961	342,291	306,561	266,056	237,897	208,177
Borrowings	Rs in m	55,236	44,743	22,802	44,684	24,964	11,527
<b>OPERATING RESULTS</b>							
Markup/ return/ interest earned	Rs in m	31,266	29,522	24,228	24,666	20,685	18,220
Markup/ return/ interest expensed	Rs in m	20,199	20,526	20,209	22,523	21,073	18,802
Net markup income	Rs in m	11,068	8,996	4,019	2,143	(388)	(582)
Non-markup based income	Rs in m	7,624	2,790	3,596	3,191	1,990	1,883
Non-markup based expenses	Rs in m	7,666	6,250	5,280	4,558	3,711	4,168
Provision against NPLs	Rs in m	3,431	1,119	(673)	(965)	(3,164)	560
Net profit/(loss) before tax	Rs in m	7,529	4,307	3,001	1,404	523	(6,186)
Net profit/(loss) after tax	Rs in m	4,748	2,787	1,938	1,634	348	(4,029)
<b>OTHER INFORMATION</b>							
EPS (Non dilutive)	Rs. Per share	3.05	1.94	2.34	2.63	0.66	(7.62)
Dividend - Cash	%	-	-	-	-	-	-
Dividend - Bonus issue-Interim	%	-	-	-	-	-	-
Dividend - Bonus issue-Final	%	-	-	-	-	-	-
No. of branches	No.	406	364	334	306	284	273
Staff Strength	No.	6,739	6,180	6,092	5,491	4,999	4,464
Break up value per share*		8.60	6.77	5.58	4.82	4.55	1.93

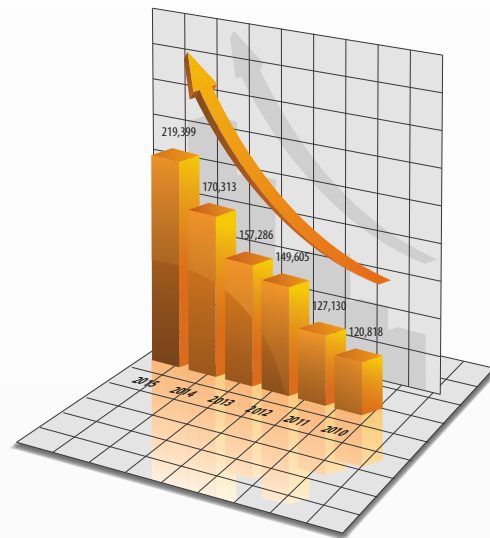
\*including impact of share deposit money at par value.

# GROWTH TRENDS

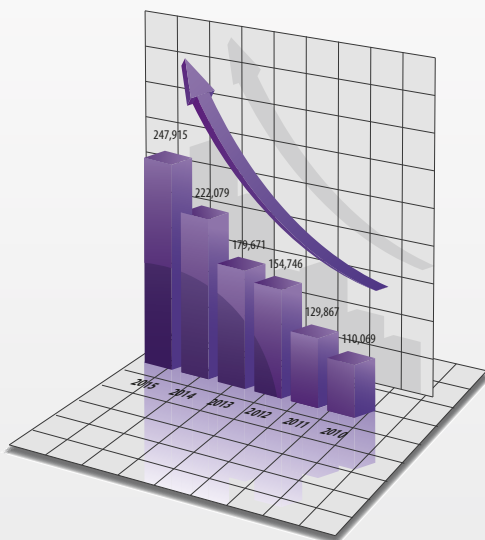
**Deposits**  
Rs. in Million



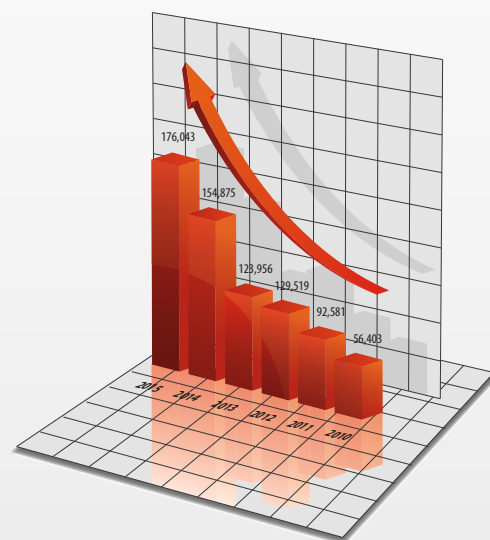
**Advances (net)**  
Rs. in Million



**CASA**  
Rs. in Million



**Investments (net)**  
Rs. in Million



**SUCCESS OF  
YOUR BUSINESS,**

**OUR BUSINESS**

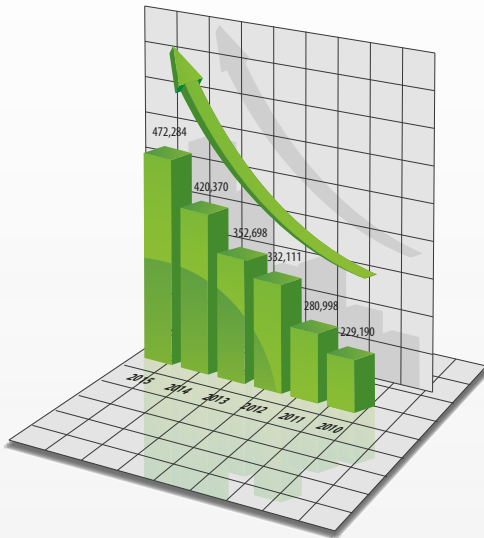


- Free online cash deposit and withdrawal ■ Free ATM/Debit Card and Cheque Book
- All free features start on maintaining a monthly average balance of PKR 25,000/-
- Free Asset Insurance on minimum PKR 1 million balance
- Free over the counter/ATM cash withdrawal Insurance on minimum PKR 100,000/- monthly average balance
- Free Demand Drafts and Pay Orders

# GROWTH TRENDS

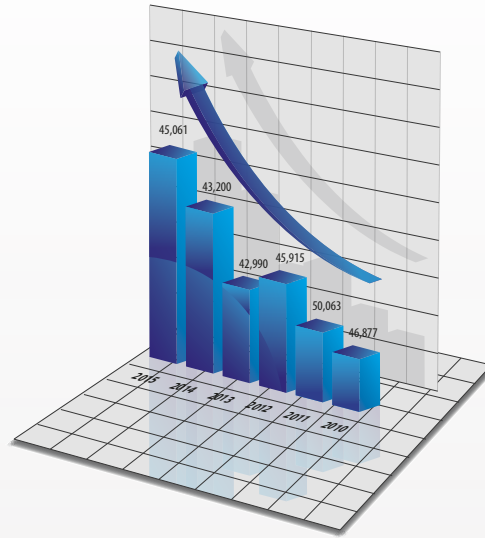
## Assets

Rs. in Million



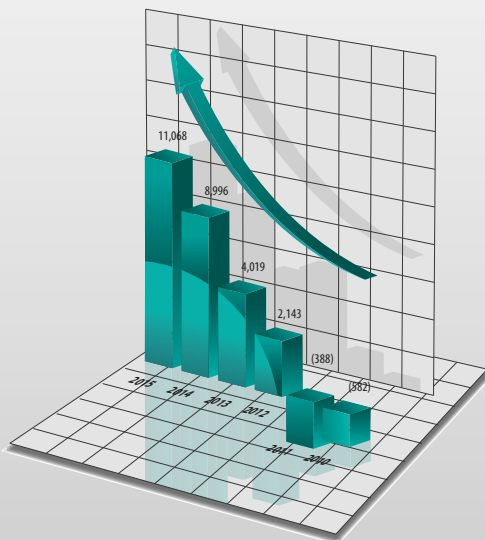
## Home Remittance Business

Rs. in Million



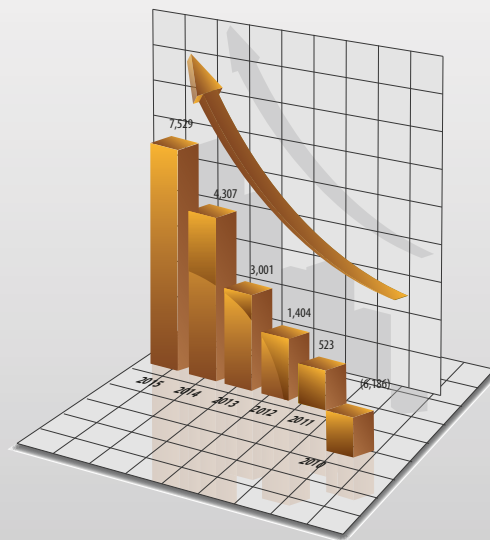
## Net Interest Margin

Rs. in Million



## Profit Before Tax

Rs. in Million







## CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Bank of Punjab, as a vibrant corporate entity, is fully cognizant of its responsibilities towards the society. While the commercial entities are supposed to generate best possible return on shareholders' equities by effectively mitigating risks, the real success rests in contributing towards the uplift of all segments of society. Besides cementing the organization's position in the society, Corporate Social Responsibility (CSR) initiatives always result into financial inclusion which ultimately translates into healthy economic activities.

Accordingly, the Bank has been taking keen interest in development of specially designed programs, products and services to meet the requirements of under privileged communities across the country. Besides focusing the areas of education, sports, art & culture, healthcare and social welfare under its Corporate Social Responsibility (CSR) initiatives, the Bank has been making calculated and conscious efforts for empowerment of peoples.

### Key CSR initiatives taken by the Bank:

#### Social Development through Banking Services:

The Bank has been making every effort to expand its outreach to every corner of the country with special emphasis on under developed and unbanked areas to promote financial inclusion. Besides offering easy access to state of the art banking products and services to the residents of these areas, new branches are also equipped with latest technologies, online connectivity and 24/7 banking services through a vast network of strategically located ATMs. Availability of top notch banking services at the door steps of the



residents of under privileged areas, with easy access to specially designed credit lines; help promote economic activities in these areas by uplifting agriculture and SME sectors. The Bank takes pride in improving the social lives of millions of peoples across the country by addressing their financial woes through its vast network of branches.



In order to make every segment of the society more effective with an equal opportunity to excel and contribute towards national economy, the Bank has been making a conscious effort to empower women. Besides offering equal opportunity to women in all dealings of the Bank, specially designed products and services are also offered to encourage women empowerment. In order to inculcate habit of savings among the children and housewives, products like Young Lions Saving Scheme and Gharayloo Saving Scheme have been introduced. Women's Entrepreneur Finance Scheme has been specifically designed for empowering women and help them to contribute toward national economy.

The Bank has been whole heartedly supporting the Government's Pakistan Remittance initiative (PRI). Besides being a key contributor towards the country's foreign reserves, remittances from abroad is the only source of income for a large number of beneficiaries, eagerly waiting for the same. In order to facilitate the beneficiaries and contribute towards this national cause, the Bank has been partnering with number of exchange companies for quickest and easiest repayment of remittances through its network of branches spanned across the country.

The Bank has been fully supporting the Government of the Punjab (GoPb) initiative for providing self employment opportunities to educated unemployed youth through providing vehicles for commercial

use. While 20,000 vehicles were distributed among educated unemployed youth in years 2011-2012, process for financing 50,000 more vehicles is underway. Besides offering a unique earning opportunity to educated unemployed youth, the scheme has also been hailed as a major breakthrough towards improving transportation system in the country.

#### **Disbursement of Financial Assistance to the Farmers:**

During the year 2015, the Government of Pakistan (GoP) initiated financial assistance program for the farmers of the country under "PM Kissan Package". The Bank of Punjab has been playing pivotal role in facilitating the Government in disbursement of financial assistance to the eligible farmers in shortest possible time and in a fully transparent manner.

#### **Disbursement of Financial Assistance through Khidmat Cards:**

During the year 2015, the GoPb, under its poverty alleviation program, initiated financial assistance program for the needy persons of the province of Punjab. The Bank of Punjab has introduced specially designed prepaid MasterCard, called Khidmat Card, for disbursement of financial assistance to the needy persons through ATMs network.

### Culture, Sports and Heritage:

The Bank makes every possible effort to encourage promotion of culture, sports and local heritage in the country. Accordingly, Bank generously participates in activities promoting the culture, sports and local heritage. Besides organizing and sponsoring different sports events across the country, the Bank also extends financial support to the cultural events at the Regional levels.

### Environment protection and energy conservation:

The persistent energy crisis in the country has made it obligatory for every individual and organization to play its role in preserving energy. Accordingly, every effort is being made to keep energy consumption at barest minimum level and ensure effective utilization of day light in offices and branches of the Bank. Further, the generators are being used rationally to avoid pollution and help curtail fuel consumption.

The Bank also realizes the financing needs to help produce alternative energy. Besides facilitating and financing large scale projects, the Bank has also introduced Solar Penal Financing Scheme with an

objective to reduce energy woes of common man and help produce low cost environment friendly energy.

### Employees' Relations:

The Bank takes pride in creating jobs for educated youth of the country. While jobs are awarded through a completely transparent and merit based system, the Bank also acts as an equal opportunity employer to help promote women empowerment. The Bank also takes due care of its lower cadre staff through award of concessional staff finance facilities, award of scholarship to their children and lending helping hand at dire need through benevolent fund scheme.

### Special Care for Elderly and Special Persons:

Besides offering personalized and priority services to the senior citizens, the Bank ensures hazard free services to the special persons visiting the Bank. Senior citizens, pensioners and disabled persons are duly taken care of in line with the directives of GoP and State Bank of Pakistan.





## PRESIDENT'S MESSAGE

On the behest of improved security situation in the country, better management of energy resources and persistent declining trend in global commodity prices, the year 2015 witnessed marked improvement in key macroeconomic indicators. With a view to augment Government's pro-growth initiatives and encourage investment in the country, State Bank of Pakistan slashed its policy rate to decade low of 6.0%.

The Business strategy implemented by the Bank during the year 2015 has remained successful. The Bank has been able to post tremendous financial results throughout the year. While all key business segments performing in line with the Bank's business plan, the Bank made history by posting highest ever quarterly profits during the year 2015. Owing to commendable financial results, Bank has been able to meet all statutory requirements, as per arrangements agreed with SBP, throughout the year.

# WE DRIVE YOUR BUSINESS TO NEW DESTINATIONS



Explore new opportunities and expand your horizons by driving your business to new destinations.

- Financing Structure Customized according to Business Needs
- Fleet Management Solutions through Tracker System
- All Vehicles Leased – Cars, Vans, Small & Large Trucks etc.
- Insurance and Tracker Facilities

The Bank has been pursuing a very well thought out expansion plan with a view to take its brand image in every corner of the country and ensure availability of state of art banking products and services to its valued clients. While Bank's presence in the unbanked areas of the country has proved a breakthrough in generating economic activities in remote areas, it has also been a landmark step towards enhancing financial inclusion. Besides improving social life of the residents of remote areas, the Bank has been able to cash upon available business opportunities and also generated sizeable low cost deposits from new branches. Your Bank also remained fully aware of market sentiments and persisted with the policy of revamping its products and services to cater changing business requirements of its diverse clientele. The expansion and aggressive marketing to procure low cost deposits with a view to improve Bank's Net Interest Margin (NIM) has started yielding results and your Bank has been able to show phenomenal financial results with commendable improvement in operational profitability for the year 2015.

Taking lead from improved market situation and better operating environment, your Bank persisted with policy of growth with a view to enhance its outreach while reaping economies of scales. While the recovery of legacy non-performing loans portfolio remained corner stone of the our strategy, the Bank did not shy away from new lucrative lending opportunities to boost its spread and also contributed towards Government's initiatives for enhancing investment in the country. To achieve the desired objective, your Bank has put in place an efficient Risk Management System to manage risk within acceptable levels and ensure that fresh lending decisions are not only commercially viable but carry manageable credit risk. Accordingly, it is heartening to note that your Bank has been able to increase its spreads significantly.

The growth of Islamic Banking during last decade has been hailed as a major breakthrough in the banking industry of the country. The attractive business avenue has also lured the Bank to enter into Islamic Banking market in year 2013 under brand name of "Taqwa Islamic Banking" to provide Riba free banking solutions to its customers. The endeavour has proved to be a great success and in less than two years, the branch network of "Taqwa Islamic Banking" has expanded to 48. As the Bank is now being recognized as a significant player of Islamic Banking Industry, the Management has planned to further enhance the Islamic Banking operations.

The Bank also continued its policy of enhancing its products and services base through implementation of new technology based initiatives. Accordingly, while the ATMs network has been enhanced considerably to offer 24/7 banking services, other Alternative Delivery Channels (ADCs) initiatives such as Debit MasterCard, SMS Banking, Phone Banking and Branchless Banking have also started maturing. The BOP Debit MasterCard offers Point of Sale (POS) transactions facility with features of utility bills depositing and withdrawal through local and international ATMs.

Your Bank fully recognizes its role in facilitating Federal as well as Provincial Governments, in their endeavours to uplift under privileged segments of society. Consequently, your Bank has been whole heartedly supporting the Government's Pakistan Remittance initiative (PRI). With a view to facilitate the beneficiaries and contribute towards this national cause, your Bank has been partnering with number of exchange companies for quickest and easiest repayment of remittances through its network spanned across the country.

BOP has been fully supporting the Government of the Punjab (GoPb) initiative for providing self employment opportunities to educated unemployed youth through financing of vehicles for commercial use. While 20,000 vehicles were distributed in years 2011-2012, process for financing 50,000 more vehicles is near to completion. It is pertinent to mention that your Bank is now managing largest auto leasing portfolio in the Banking industry and that too with a very minimal default rate.

During the year 2015, the Government of Punjab, under its poverty alleviation program, initiated financial assistance program for the needy persons of the province. The Bank of Punjab has introduced specially designed prepaid MasterCard, namely "Khidmat Card", for disbursement of financial assistance to the needy persons through ATMs network. Your Bank also supported the Government of Pakistan in distribution of financial assistance to the farmers of the country under "PM Kissan Package".

The Management is fully aware of the fact that success of the organization heavily depends upon performance of its Human Resource. Accordingly, Human Resource function of the Bank has been strengthened and culture of transparency, merit and zero tolerance towards corrupt practices has been adopted across the organization. A state of the art Learning and Development Center has been



established to impart quality training to staff members in line with modern banking requirements. Besides hiring best resource on purely merit basis, performance of every staff member is evaluated on a uniform yardstick to help promote culture of merit and fair play in the organization.

In order to ensure compliance with Guidelines and Regulations of State Bank of Pakistan and Securities and Exchange Commission of Pakistan, Internal Control system has been strengthened. While controls are designed and implemented for each process flow to mitigate risks, continuous testing, evaluation and redesigning of the same is being carried out as an on-going exercise.

The Management is fully cognizant of the growing technological requirements and to that end, your Bank is in process of implementing Flexcube Core Banking System, one of the world's leading CBS. The Management is hopeful that implementation of CBS would bring improvement and efficiencies in all facets of operations. Further, it will provide necessary leverage to offer new range of products and services to better serve its valued clients.

The Management takes keen interest in building its public image as a vibrant corporate entity. Your Bank also takes pride in sponsoring key events to help improve Bank's image.

Your Bank has achieved many milestones in the last year and current financial position of the Bank clearly depicts a very bright future ahead. While celebrating the success of the Bank, the Management also remains vigilant of the future challenges. In order to maintain the current growth trends and capture due share in a highly competitive operating environment, it is required to continuously revamp its strategies and keep adding on latest products and services by ensuring appropriate monitoring system to stay a step ahead of its competitors. Further, Government of Pakistan's initiatives related to China Pakistan Economic Corridor (CPEC) is expected to create enormous economic opportunities across the country, in near future. Accordingly, Bank has already geared up for challenges ahead and devised a comprehensive expansion strategy to play its due role in the development of the country and also cash upon available opportunities.

While appreciating the continuous support and guidance of Government of the Punjab and State Bank of Pakistan, I also wish to thank the Board of Directors for their valuable guidance and our staff for their professional and dedicated team efforts.

**Naeemuddin Khan**  
President /CEO



**BOP INSTANT REMITTANCE**

**AN EFFECTIVE WAY TO TRANSFER YOUR FUNDS**

BOP Instant Remittance is the fastest, easiest and most secure service which enables you to transfer your funds instantly from anywhere in the world, encompassing 406 branches and 274 ATMs in 194 cities nationwide. Be rest assured the money you send will reach your loved ones in the most secure way.

For more information, please call our BOP Money Banking or visit your nearest BOP Branch.  
www.bop.com.pk | BOP Phone Banking: 211-267-200

**BOP**  
THE BANK OF PUNJAB  
*Passion Reborn*



# Banking on the go!

With BOP SMS Banking, you can manage your account 24 hours a day, 7 days a week, without the need to visit the branch or call Phone Banking. With just an SMS, BOP gives you the liberty to carry your account in your phone anywhere, anytime.

Receive instant alerts for all financial transactions

Stay updated on latest offers by BOP

Inquire about your latest account balance

Manage & deactivate your Debit MasterCard

Receive instant notifications for requests and complaints



## ECONOMIC REVIEW

While the emerging economies of the world have been facing slower economic growth, performance of Pakistan's economy remained satisfactory with GDP growth reaching 4.2% in FY15, a seven year high level. Accordingly, in view of visible improvement in macroeconomic environment, marked improvement in security conditions, relatively better energy management and persistently low global commodity prices, the government envisaged GDP growth of 5.5 percent for FY16, anticipating better performance in all three economic sectors compared with the last year. Further, the policy rate was reduced by 400 bps to multi-decade low of 6.0 percent and this policy stance was augmented by a pro-growth budget for FY16.

This improvement in the external sector was critical in maintaining exchange rate stability during the FY15, and also in diluting global risk perception for Pakistan. The stable PKR parity also helped in keeping the CPI inflation under control, and in lowering inflation expectations in the country. Average CPI inflation declined to 2.1 percent during July-December 2015, with perishable food items and motor fuel leading the way. Meanwhile, trend in YoY CPI inflation has reversed; it rose for third consecutive month to 3.2 percent in December 2015. Keeping in view the benign outlook of global commodity prices, expectation of a moderate pickup in domestic demand and further ease in supply side constraints, the average inflation in FY16 is expected to remain in the range of 3 to 4 percent. However, global oil price trends and excess domestic food stocks (wheat, rice, and sugar) may exert downward pressures on inflation.

Industrial activity has gathered pace as large-scale manufacturing recorded a growth of 4.4 percent during



the period Jul-Nov FY16, as compared with a growth of 3.1 percent during the same period last year. This improvement was a function of continued softening of international as well as domestic prices of industrial raw material; better energy management, especially gas supplies to fertilizer plants; strong demand for construction material, such as cement, and steel; and pick-up in auto financing.

The performance of the services sector is yet to reflect a clear sign of improvement. While the strong profitability of the banking system and a visible improvement in transportation, storage and communication are key positives.

Pakistan's overall balance of payment position continued to strengthen in H1-FY16. The external current account

# GROWING & DELIVERING



One of the fastest growing Islamic Banking networks in the country, now with

**48** dedicated

Islamic Banking branches nationwide



It's not just our Islamic banking branch network that's growing, it's the business as a whole. In line with customer demands, we remain committed to growing our Islamic Banking Division and thank our customers for their trust in The Bank of Punjab.

deficit narrowed down to almost half of the last year's level on account of persistent decline in international oil prices and steady growth in workers' remittances. As a result, the country's total FX reserves attained an all time high level of US\$ 20.8 billion by end of year 2015.

The credit to private sector increased by Rs. 339.8 billion during H1-FY16 as compared to the Rs. 224.5 billion in same period last year. The impact of monetary easing, improved financial conditions of the major corporate sector and better business environment encouraged firms to avail credit not only for working capital requirements but also for fixed investments.

During the year 2015, the Banking sector of the country continued to maintain its steady growth trend. While total assets of the Banking Sector grew by 16.8% on YoY basis, net investment and advances witnessed substantial growth of 29.6% and 8.3% respectively. Further, deposits

of the Banking Sector grew by 12.6% during the year 2015. As at December 31, 2015, the Capital Adequacy Ratio (CAR) of the Banking Sector remained at 17.3% and NPLs to Gross Loans ratio of Banking Sector remained at 11.4%. For the year 2015, ROA and ROE, before tax, of the Banking Sector remained at 2.5% and 25.8%, respectively.

Despite interest rate hike by the US and a slowdown in China's economy, Pakistan's external sector outlook can be termed as positive for the FY16. The trade deficit is likely to benefit from a sharp fall in prices of commodities in recent months. Moreover, these prices are likely to persist at low levels due to abundant supplies, sufficient inventories and weak demand. The resulting relatively low trade deficit will be largely offset by workers' remittances and expected CSF inflows. In the real sector, it is expected that construction and its allied industries would progress owing to ongoing projects under the China Pakistan Economic Corridor (CPEC).



## DIRECTORS' REPORT

For the year ended December 31, 2015

The Board of Directors is pleased to present the 26th Annual Report of The Bank of Punjab together with the audited Financial Statements and Auditors' Report thereon for the year ended December 31, 2015.

### Performance at a Glance

During year 2015, the Bank remained focused on accelerating the growth trends with a view to further improve key operating parameters, including margins and operational efficiency. Accordingly, the Bank was able to withstand highly competitive operating conditions and noteworthy progress has been registered in all facets of operation. The progress made during the year also portrays the escalating trust and confidence of valued clients which has enabled the Bank to embark upon the journey towards attaining its rightful place in the Banking industry.

During the year, the Bank was able to post a pretax profit of Rs. 7,529 million as against Rs. 4,307 million last year, thus registering an increase of 75% over year 2014. The Operational Profit improved to Rs. 6,016 million as against Rs. 2,652 million (excluding Dividends, Gains, Provisions and refund received from GOPb) during year 2014 thereby registering impressive growth of 127%.

The Bank continued with the strategy of business expansion, along with revamping of product lines, with a view to grow the business volumes with adequate margins. As at December 31, 2015, the Deposits of the Bank touched the level of Rs. 374,961 million as against Rs. 342,291 million as of December 31, 2014, thereby registering a growth of 10%. Due to growth in CASA Deposits, the Bank was able to bring reduction in Cost of Deposits and achieving significant contribution towards Bank's Net Interest Margin (NIM).

As on date of Statement of Financial Position, the Gross Advances of the Bank touched the level of Rs. 250,342 million as against Rs. 197,122 million as on December 31, 2014. Owing to effective Credit Risk Management, the fresh disbursements during the year helped to boost Bank's Net interest Margin. The Investments grew to the level of Rs. 176,043 million as against Rs. 154,875 million, with major concentration in Government Securities.

The Bank's Treasury effectively managed the movements in interest rate scenario and money market opportunities, while earning an amount of Rs. 5,014 million on account of Capital Gains during year 2015. Resultantly, Non-Mark-up/Interest Income of the Bank remained at the level of Rs. 7,624 million. The Bank also kept close watch on measures to strengthen financial discipline with a view to keep effective control over operating expenses.

As at the close of the year 2015, net advances aggregating to Rs. 20,391 million requiring additional provision of Rs. 19,450 million have not been subjected to provisioning criteria as prescribed in SBP prudential regulations in view of the relaxation provided by SBP on the basis of two Letters of Comfort (LOCs) issued by the Government of the Punjab, as explained in Note 1.2 of the financial statements. The Management believes that the Bank would be able to achieve the projections based on the Business Plan currently in place. The Bank has also complied with 10% staggered provisioning requirement of SBP, against exposures covered under LOCs, during year 2015.

As on Balance Sheet date, total assets increased to Rs. 472,284 million as against Rs. 420,370 million as at close of the last year, thereby depicting a rise of 12%.

### Financial Highlights

	Rs. in Million
Profit after taxation	4,748.321
Accumulated losses b/f	(9,113.154)
Transfer from surplus on revaluation of fixed assets (net of tax)	57.738
Transfer from surplus on revaluation of fixed assets on disposal	7.133
Transfer to statutory reserve	(949.664)
Actuarial gains on re-measurement recognized	29.350
Accumulated losses c/f	(5,220.276)
Earnings per share-Rupees	3.05

### Capital Adequacy and Minimum Capital Requirements

As at December 31, 2015, paid-up capital, reserves (net of losses) and share deposit money, as allowed by SBP, of the Bank amounted to Rs. 19,397 million and the Capital Adequacy Ratio (CAR) stood at 10.49% under Basel III reporting framework against regulatory requirement of 10.25%.



During the year 2011, Government of the Punjab (GOPb), being majority shareholder, in order to support capital structure of the Bank, deposited Rs. 7,000 million as advance subscription money, in addition to Rs.10,000 million deposited in year 2009 against future issue of shares by the Bank. Accordingly, during the year 2013, in the first phase, the Bank issued Right Shares of Rs. 5,000 million (99.53%) at a discount of Rs. 0.5 per share. Subsequently, in the second phase, the Bank issued right issue of Rs. 5,000 million (47.39%) at par value during year 2014. During the year 2014, GOPb also extended a subordinated loan of Rs. 2.0 billion to support capital structure of the Bank for the purpose of regulatory capital requirement.

Nevertheless, the GOPb being majority shareholder and sponsor of the Bank, has also extended its commitment to support and assist the Bank in ensuring that it remains compliant with the regulatory requirements at all times.

### Human Resource Management

HR strategy is an integral constituent of overall business strategy of the Bank. In today's fast-paced era of high business competition, organizational success massively depends not only on competitive business strategy, but also on proper alignment of the HR strategy with the Business strategies.

Bank's Human Resource Management is based on a strategic and coherent approach for management of the Bank's most valued asset—its people. It has been ensured that recruitment process is transparent and programs to hire, motivate and retain the best employees are in place. Development of employee skills set has been assured through comprehensive training programs with a view to develop workforce which can support current and emerging business goals of the Bank. Thereby, the Bank

has been successful in creating an environment of employee engagement, empowerment and involvement where employees can perform their best.

### Risk Management Framework

Risk management is a structured and disciplined approach aligning strategy, processes, people, technology and knowledge for evaluating and managing uncertainties that an organization faces as it creates value. The Bank's risk management strategy is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring. The policies and procedures established for this purpose are continuously benchmarked with best practices & SBP guidelines.

The Board of Directors of the Bank is primarily responsible for laying down risk parameters and establishing an integrated risk management and control system. The Bank's Board approved Risk Management policies and has also set out exposure limits taking into account the risk appetite of the Bank and the skills available for managing the risks. The Board of Directors is supported by "Board Risk Management Committee" in this respect.

The Bank's Management has introduced a holistic approach towards implementation of effective risk management framework and has been engaged in extensive and detailed evaluation and assessment of risk management framework in all areas of banking operations in line with the strategic direction set by the Board of Directors.

The credit risk mechanism consists of policies and procedures that ensure credit risk is measured and monitored both at account and portfolio levels. The Bank has standardized and well-defined approval processes for





all credit proposals to minimize the credit risk associated with them. The Bank has also developed credit rating models and the entire credit portfolio of the bank is subject to internal credit rating. The Bank continuously monitors portfolio concentrations by borrower, groups, industry, geographic locations, etc. and constantly strives to improve credit quality and maintain a risk profile that is diverse in terms of borrowers, products, industry type and geographic location.

Market risk is managed through the Market Risk Management Committee (MRMC) that meets regularly and decides on the size, mix, tenor, pricing and composition of various assets and liabilities. The Committee is primarily involved in identification, measurement, monitoring and management of liquidity and interest rate risks using various tools such as Ratio analysis, Gap analysis, Interest Rate Sensitivity etc. for management of liquidity and interest rate risks.

Through Basel Steering Committee, the management keeps abreast with effective deployment of capital and monitor regulatory compliance of CAR in compliance with guidelines of SBP.

Comprehensive systems and procedures have been put in place for managing Operational Risk. All new products introduced by the Bank pass through an approval process to identify and address operational risk issues.

### Information Technology

The bank fully acknowledges the importance of information technology in developing more flexible structure that can respond quickly to the dynamics of a fast changing market scenario. With focus on sophisticated product development, better market infrastructure, implementation of reliable techniques for

control of risks and reach geographically distant and diversified markets, the Bank has always endeavoured to benefit from technological advancements. During year 2015, implementation of a state of the art core banking system "Flexcube Universal Banking System" has been initiated, which would not only bring efficiency in operations but also help in attaining service excellence. The Bank has a network of 406 online branches, including 1 sub-branch, along with 274 ATMs to help customers enjoy the convenience of 24/7 banking services. In order to provide seamless banking services to valued clients, branches have been equipped with back-up connectivity, while a comprehensive IT Security Policy has been put in place to ensure safety of customers' data and facilitate execution of banking transactions in a secured environment. In order to mitigate the risk involved in a disaster situation, Disaster Recovery protocols are in place to ensure smooth conduct of customer services. Besides, in order to assist the management in decision making, a robust Management Information System has been made available by the Bank's IT Division.

### Special Assets Management (SAM)

The Special Assets Management Group of the Bank has been entrusted with the task of recovery/regularization of Non-Performing Loans (NPLs) portfolio. In this regard, a comprehensive strategy has been implemented to recover and restructure the infected portfolio for early recovery and to convert its stagnant portfolio into generating assets.

With a view to make the recovery exercise of NPLs result oriented, the Management, apart from conventional recourse available for resolution in and outside the Court, has also initiated search and attachment of defaulters' hidden assets to pursue them to come to table of negotiations for amicable settlement. Apart from

placement of defaulters' names on ECL, the Bank has also initiated hard hitting legal actions against the defaulters under National Accountability Ordinance, 1999 and FIA Act, 1974. On the initiatives taken by the Bank's Management, NAB and FIA have commenced investigations against several defaulters and it is expected that their efforts would yield result in near future.

### Branch Network

With a view to penetrate into new markets and untapped areas through enhanced branch network, 42 new branches, including 1 sub-branch, were opened during year 2015. Now, with a nationwide network of 406 branches, including 1 sub-branch, the Bank is providing a wide range of products and services to its valued clients. During year 2016, the Bank intends to further expand its outreach and opening of 45 branches has been planned during the year.

### Islamic Banking

The Bank commenced its Islamic Banking Operations during the year 2013 under the brand name of "Taqwa Islamic Banking" by offering Shariah compliant products and services. The Bank has been able to post significant growth over the period and the network has now enhanced to 48 Branches. Besides offering a range of Deposits products, the Bank has also started serving financial needs of its customers under Murabaha, Istisna, Diminishing Musharaka and Ijarah to compete with the market players. Recognizing immense potential, the network shall be further stretched in the following years while the product lines would be substantially enhanced, including introduction of agriculture and consumer lending products.

### Payment Services

With an objective to meet the payment requirements of Bank's Corporate, Commercial and Retail Customers under one umbrella, following key functions have been clubbed as Payment Services:

- Transaction Banking
- Alternate Distribution Channels
- Branchless Banking

The Payment Services Group is offering full range of products and services specially tailored and designed to meet the requirements of each group of customers. The Bank is offering full range of products and services to enhance client's liquidity. These services broadly include making collections and disbursements for the companies, liquidity management, providing information (MIS) and controlling commercial electronic banking activities. The solutions being offered by the Bank are fully customizable and enhancing client's working capital efficiency.

The Bank has also taken initiatives under Alternate Delivery Channel (ADC) to provide different services to its

valuable clients. The Bank has successfully introduced following services:

- BOP Debit MasterCard
- BOP Phone Banking & Complaint Management Unit
- Enterprise wide Customer Relationship Management (CRM) solution
- CTI/Contact Centre Solution
- SMS Banking
- Utility Bills Payment System

In order to support Government of Punjab (GoPb) various initiatives for poverty alleviation and ensuring better governance in the province, The Bank of Punjab has paid specific attention in the areas of financial inclusion, documentation of economy, transparency and automation of disbursement system. The bank has undergone significant transformation in areas of technology specifically designed for execution of GoPb's mandated programs, with an extensive outreach covering remote and unbanked areas of the country.

The Bank of Punjab is making every possible effort to support GoPb in the areas of healthcare, direct subsidy disbursement, education and vocational training with an objective to uplift under privileged segments of the society. In order to ensure transparency through NADRA verification of beneficiaries, the Bank has also implemented biometric enabled POS Terminals along with a Prepaid Card Standalone system. Some of the key initiatives in this respect are as under:

- Khidmat Card Program for poor & marginalized communities.
- Khadim-e-Aala Flood Relief Program for flood affectees.
- Waziristan IDPs Aid Disbursement Program.
- Disbursement of Scholarships under Punjab Education Endowment Fund
- Payments under Prime Minister's Kissan Package

The following new initiatives/projects are in progress and are expected to be made operational during year 2016:

- Branchless Banking
- Prepaid Cards
- Internet and Mobile Banking
- Self Service Banking Kiosk

### Home Remittances

The Bank is following the strategy to enlarge its market share in Home Remittances by offering automated efficient processes to facilitate this service. In this regard, integration with a number of overseas Exchange Companies to facilitate Home Remittances in a secured and efficient manner has been accomplished, while payment through Inter Bank Transfer Facility (IBFT) & Prepaid Cards would also be introduced shortly. During the year 2015, the Bank handled over 1.0 million home remittance transactions aggregating to Rs. 45.1 billion.





### Wheat Procurement Program

During the year 2015, the Bank successfully managed syndicated financing arrangement for wheat procurement program of the Government of the Punjab as "Lead Arranger" to the tune of Rs. 132.8 billion as against Rs.96.1 billion during year 2014.

### Financing for Self Employment Scheme under "Apna Rozgar Scheme"

During the years 2011-12, the Bank financed 20,000 vehicles to educated unemployed youth of Punjab under Government of Punjab's Self Employment Scheme. Owing to noteworthy recovery rate of 99%, during year 2015, the Bank started financing of 50,000 vehicles for educated unemployed youth under "Apna Rozgar Scheme" in an efficient and transparent manner and now the Bank is managing the largest auto lease portfolio in the banking sector.

### Financing for Alternate Energy

In order to support the initiatives of the Government to develop alternate energy options, BOP became the pioneer Bank to offer financing to customers for purchase of solar power equipment on easy terms and discounted prices. Apart from above, the Bank has been actively involved in providing finance for Bagasse based co-generation power projects, while the Bank is also lead arranger for financing arrangements for the Quaid-e-Azam Solar Park Project of Government of the Punjab.

### Internal Controls

The Board of Directors of The Bank of Punjab has overall responsibility for ensuring existence of an adequate and effective system of internal control that is designed to manage the Bank's risks within an acceptable risk profile. The Board is pleased to endorse the Statement on Internal Controls made by the management, which is included in the annual report.

### Statement of compliance with Corporate and Financial Reporting Framework

The Directors are pleased to give the following statement in respect of Code of Corporate Governance:

- The financial statements, together with notes thereon have been prepared in conformity with the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984. These Statements present fair state of affairs, the result of its operations, cash flows and changes in equity and comprehensive income. Proper books of account of the Bank have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting and Financial Reporting Standards and Islamic Financial Accounting Standards, as applicable in Pakistan, have been



followed in preparation of financial statements and any departure there-from has been adequately disclosed in the Annual Accounts. The system of internal control is sound in design and has been effectively implemented and monitored.

- There is no significant doubt upon the Bank's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- All the statutory liabilities, if any, have been adequately disclosed in the financial statements.
- Dividend has not been declared for the year in order to strengthen the equity base and to comply with regulatory requirements.
- Value of investment of Staff Provident Fund and Gratuity Fund, based on latest audited accounts is Rs. 1,968,657 thousand & Rs. 358,518 thousand, respectively.
- Statement showing pattern of shareholding as on December 31, 2015 is disclosed at page No. 204 of the Annual Report.
- Statement showing key operating and financial data for the last six years is disclosed at page No.11 of the Annual Report.

- Statement of compliance with code of corporate governance is presented at page No.36 of the Annual Report.
- During the year, 9 meetings of Board of Directors were held with following attendance:

Name of Directors	No. of Meetings attended	Replaced/ Retired
Mr. Ghafoor Mirza	8	
Mr. Naeemuddin Khan	8	
Mr. Javaid Aslam	-	Retired
Mr. Mohammad Jehanzeb Khan	5	
Khawaja Farooq Saeed	9	
Mr. Saeed Anwar	9	
Dr. Umar Saif	1	
Syed Maratib Ali	6	
Mr. Omar Saeed	2	
Mr. Yusuf Khan (*)	2	
Mr. Mohammed Afzaal Bhatti	3	

(\*) Ex-officio Director being Secretary Finance; transferred to Federal Government.

- During the year, 4 meetings of Central Audit Committee (CAC) of Board of Directors were held with following attendance:

**Name of Directors**                      **No. of Meetings**

Khawaja Farooq Saeed	4
Mr. Saeed Anwar	4
Mr. Omar Saeed	2

- During the year, 4 meetings of Board Risk Management Committee (BRMC) of Board of Directors were held with following attendance:

**Name of Directors**                      **No. of Meetings**

Syed Maratib Ali	4
Mr. Saeed Anwar	4
Mr. Omar Saeed	1

- During the year, 2 meetings of Human Resource & Remuneration Committee (HR&RC) of Board of Directors were held with following attendance:

**Name of Directors**                      **No. of Meetings**

Mr. Mohammad Jehanzeb Khan	2
Khawaja Farooq Saeed	2
Dr. Umar Saif	1
Mr. Naeemuddin Khan	2

- During the year, 4 meetings of NPL Review Committee (NRC) of Board of Directors were held with following attendance:

**Name of Directors**                      **No. of Meetings**

Syed Maratib Ali	4
Mr. Saeed Anwar	3
Dr. Umar Saif	-
Khawaja Farooq Saeed	2

- During the year, 3 Directors completed Directors' Training Program conducted by Pakistan Institute of Corporate Governance.

**Credit Rating**

While acknowledging the improvement in financial health of the Bank, M/s Pakistan Credit Rating Agency (PACRA) has assigned "Positive Outlook" to long term and short term ratings of AA- and A1+, respectively.

As per standard rating scale and definition "AA" long term rating denotes a very low expectation of credit risk. It indicates a very strong capacity for timely payment of financial commitments not significantly vulnerable to



foreseeable events. Similarly, "A1+" short term rating denotes obligations supported by the highest capacity for timely repayment.

### Subsidiary

Punjab Modaraba Services (Pvt) Limited, Bank's wholly owned subsidiary, is managing First Punjab Modaraba. The net assets of the subsidiary stood at Rs. 26.883 million as at the year-end as against Rs. 29.947 million on December 31, 2014.

### Outlook for the year 2016

During the year 2016, the Bank would follow its ambitious and challenging vision to drive the Bank towards excellence and impact its bottom line of growth and profitability. Thereby, the Bank would focus on product diversification, network expansion, cost control, strengthening internal controls, improvement in assets' quality, technological advancements and strengthening the equity base. The Bank also recognizes the significance of China Pakistan Economic Corridor (CPEC) in economic development of the country and the ensuing opportunities available to the Bank. With improving economic conditions and future growth in power and infrastructure development sectors, the Bank would endeavour to dedicate all available resources to reap the resultant benefits and make its contribution towards national development.

### Auditors

The retiring auditors Deloitte Yousuf Adil, Chartered Accountants, a member firm of M/s Deloitte Touche Thomatsu Ltd., being eligible, have offered themselves for reappointment for the year ending December 31, 2016.

The Board of Directors, on the suggestions of Audit Committee, recommended reappointment of the above firm as statutory auditors of the Bank for year 2016.

### Acknowledgement

I would like to put on record my gratitude to the State Bank of Pakistan and Government of the Punjab for their continued support and guidance. I also wish to thank our shareholders and valued clients for their continued patronage. And finally, I express deep sense of appreciation to all employees of the Bank for their strong work ethic, excellent performance, professionalism, teamwork, commitment and initiative, which has led the Bank towards commendable progress in today's challenging environment.

**Ghafoor Mirza**  
Chairman



# **Life**

Current Account

## A Current Account for Life

**Free  
ATM/Debit  
MasterCard  
Issuance &  
Subsequent  
Renewals**

**Free  
Pay Orders  
& Demand  
Drafts**

**Free  
Online  
Banking**  
within city/inter city

**Free  
Life  
Insurance**  
with Natural,  
Accidental Death  
and Total Permanent  
Disability Covers

All the benefits of a current account with the added protection of **FREE LIFE INSURANCE** up to Rs. 2 Million. All free features are available on maintaining average balance of Rs. 5,000 and above.

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the Regulation No. 5.19 of the Rule Book of Pakistan Stock Exchange (PSX) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Bank encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes three independent and five non-executive directors.

Category	No.	Names
Independent Directors	3	1. Khawaja Farooq Saeed 2. Mr. Saeed Anwar 3. Mr. Omar Saeed
Executive Directors	1	1. Mr. Naeemuddin Khan
Non-Executive Directors	5	1. Mr. Ghafoor Mirza 2. Mohammad Jehanzeb Khan 3. Mr. Mohammed Afzaal Bhatti 4. Dr. Umar Saif 5. Syed Maratib Ali

The independent directors meet the criteria of independence under clause 5.19.1.(b) of PSX Rule Book.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Bank, excluding the listed subsidiaries of listed holding companies where applicable.
3. All the directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange.
4. The vacancies occurring on the Board due to retirement of three directors were filled through election of directors in the Extra Ordinary General Meeting of the bank held on 15.06.2015.
5. Bank has prepared a Code of Conduct and appropriate steps have been taken to disseminate it throughout the Bank along with its placement on Bank's website.
6. The Board has developed a vision /mission statement and overall corporate strategy. The Board has also developed significant policies of the Bank and a complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions have been taken by the board. However the President / CEO has been appointed and remuneration and terms and conditions of his service have been determined by the Government of the Punjab (Government) under section 11(1) of The Bank of Punjab Act 1989.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings along with agenda and working papers were circulated at-least seven days before the meetings, except in circumstances where emergent meetings are called or where time frame does not allow to serve notice/agenda to meet seven days requirement. The minutes of the meeting were appropriately recorded and circulated.



9. The Board has appropriate arrangements in place for orientation of its directors to apprise them of their duties and responsibilities. Three directors including Chairman of the Board attended the training program during the period under review.
10. The officers having positions of CFO and Company Secretary were appointed prior to the implementation of Code of Corporate Governance. The appointment of Acting Head of Audit was approved by the Board on 27.08.2015 as per requirement of Code of Corporate Governance.
11. The directors' report for this year has been prepared in compliance with the requirements of the code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
14. The Bank has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises of three members, Chairman and members of the Committee are all independent directors.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Bank and as required by the CCG. The Charter of the Audit Committee has already been formed and approved by the Board.
17. The board has formed a Human Resource & Remuneration Committee. It comprises of four members, of whom one is Independent director and the Chairman & one other member of the Committee are non-executive Directors. President/CEO in his Ex-Officio capacity is an Executive Director/Member.
18. The board has set up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Bank and are involved in internal audit function on full time basis.
19. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Rule Book of Pakistan Stock Exchange (PSX) and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Bank's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with except for the following, where the corresponding provision(s) of The Bank of Punjab Act, 1989 have been complied.



## Reference Clauses from Code of Corporate Governance

- (iii) Any casual vacancy on the Board of Directors of a listed company shall be filled up by the Directors at the earliest but not later than 90 days thereof.

- (vi) The Chairman shall be elected from among the non-executive directors of the listed company.

## Corresponding Provisions of The Bank of Punjab Act - 1989

### **Section 14**

A Director appointed by the Government, other than President, shall hold office during the pleasure of Government.

### **Section 15(1)**

Any vacancy occurring on the Board by the death, resignation, removal or disqualification of any Director shall be filled by the remaining Directors, who shall co-opt a duly qualified person to fill the vacancy:

Provided that where a vacancy occurs in the office of a Director appointed by the Government, the vacancy shall be filled only by appointment by the Government.

### **Section 10(2)**

The Chairman of the Board shall be nominated by the Government from amongst official Directors.

Further, in terms of Section 10(3), the Chairman shall preside over the meetings of the Board and shall have a casting vote, but he shall not exercise any executive authority or powers.

For and on behalf of the Board

**Naeemuddin Khan**  
President/CEO

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

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of The Bank of Punjab (the Bank) to comply with the Regulation G - 1 of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan and Regulations of the Karachi, Lahore and Islamabad Stock Exchanges Limited (now merged as Pakistan Stock Exchange), where the Bank is listed.

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

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

Further, the code requires the Bank to place before the Board of Directors for their consideration and approval of related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken 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 does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended December 31, 2015.

Chartered Accountants

Engagement Partner:  
Nadeem Yousuf Adil

Dated: May 06, 2016  
Karachi

**WE DID THE**

**IMPOSSIBLE**



RECORD PROJECT  
**50,000**  
VEHICLES DELIVERED  
AS PROMISED IN 12 MONTHS



- **99.9% Recovery Rate • 100% Transparency**
- **350,000 Employment Opportunities Created in Punjab**
  - **50,000 Vehicles Delivered**

## REPORT OF SHARIAH BOARD (FOR THE FINANCIAL YEAR-2015)

In the name of Allah, The Most Beneficent, The Most Merciful

1. While the Board of Directors and Executive Management are solely responsible to ensure that the operations of Taqwa Islamic Banking BOP (Islamic Banking Division of The Bank of Punjab) are conducted in a manner that comply with Shariah principles at all times, we are required to submit a report on the overall Shariah compliance environment of TIB BOP.

### Introduction:

In line with IBD Circular No. 1 of 2015 dated April 7th, 2015 issued by State Bank of Pakistan, the Shariah Governance Framework has come into force with effect from July 1st, 2015. TIB BOP has complied and accordingly Shariah Board became effective from October 2015. TIB BOP's Shariah Board constitutes of following Shariah Scholars:

Mufti Muhammad Zahid – Chairman Shariah Board  
Dr. Ejaz Ahmed Samadani – Member Shariah Board  
Dr. Muhammad Mushtaq Ahmed – Resident Shariah Board Member

One Shariah Board meeting has been held till end of fiscal year 2015 on Friday 09 October 2015, wherein all three members participated. Minutes of meeting have been subsequently submitted in Islamic Banking Department of State Bank of Pakistan.

2. To form our opinion as expressed in this report, the Shariah Compliance Department of the Bank carried out reviews, on test check basis, of each class of transactions, the relevant documentation and process flows. Further, we have also reviewed reports from internal Shariah audit and SBP inspection teams. Based on above, we are of the view that:

### Shariah Opinion:

Category of TIB BOP operations is overall satisfactory as per details given below:

- i. TIB BOP has overall complied with Shariah rules and principles in the light of fatawa, rulings and guidelines issued by RSBM / Shariah Board.

In some cases, approved process flow has not been followed properly which although not reached to violate the transactions. Yet, it is advised to avoid these violations.

Following are new products, services and policies developed by the bank in 2015. The same were reviewed and approved by RSBM / Shariah Board.

- o Taqwa Foreign Currency Saving Account
- o Istisna Facility Product

- ii. TIB BOP's overall compliance with directives, regulations, instructions and guidelines related to Shariah compliance issued by SBP in accordance with the rulings of SBP's Shariah Board is overall satisfactory.

- iii. TIB BOP has a satisfactory mechanism in place to ensure Shariah compliance in their overall operations.

- o Shariah Compliance Department was constituted of one Shariah Compliance Officer. Upon recommendation of Shariah Board the bank has appointed head of Shariah Compliance Department. It has been discussed with management that the management will hire more staff for this department upon need, as Shariah Compliance is the Backbone of any Islamic Banking Institution.

- o Shariah Audit Department Internal Shariah Auditor has already been hired and Internal Shariah Audits of the Branches are being carried out under the umbrella of Audit & RAR Group. Internal Shariah Audit Unit shall be established. Further, staff shall be hired in due course of time as per requirements.

- o Product Development Department: IBD operations department is looking after Product Development, no proper Product Development Department is there yet. It is recommended that TIB BOP should have a dedicated trained Product Development staff to develop products and documents of TIB BOP which are all in conformity with Shariah principles.

- iv. TIB BOP has a proper system in place to ensure that any earnings realized from sources or by means prohibited by Shariah have been credited to charity account and are being properly utilized.

During the year charity of PKR 3,259,653.22 was received due to delay in payments.

- v. TIB BOP has overall acceptable system of profit and loss distribution. Profit is being properly distributed to all saving account holders on Mudarabah principles.
- vi. The level of awareness, capacity and sensitization of the staff is at acceptable; however, this area shall be more emphasized, and the level of management in appreciating the importance of Shariah compliance in the products and processes of the bank is satisfactory.

Training of Staff - During the year, 06 training sessions were conducted and more than 175 staff members were trained. Further, on SB's advice the management has ensured to further enhance training and skills of staff and awareness of customers.

- vii. The Shariah Board has been provided adequate resources enabling it to discharge its duties effectively.

- 3. Further, there are following significant Shariah related issues which need to be addressed and remained outstanding.

- A. Staff Financing: The IBD yet not has Islamic modes based financing facilities for its employees. Resultantly, the employees of Islamic Banking Division are also entertaining the same facilities of the conventional banking.

It is recommended that for IBD staff facilities based upon Islamic modes should be developed.

- B. IT system: Presently the pool management system is being operated manually on excel base system. BOP-IBD's IT system should be strengthened to accommodate pool management system.

### Conclusion:

The Shariah Board of TIB BOP is satisfied with overall performance and operations of Taqwa Islamic Banking of The Bank of Punjab and hope that the management will keep following Shariah Board and SBP's instructions, will take concrete measures to improve and strengthen Shariah compliance and play pivotal role in sound and transparent growth of Islamic Banking countrywide.

**Mufti Muhammad Zahid**  
Chairman Shariah Board

**Dr. Mufti Ejaz Ahmed Samadani**  
Member Shariah Board

**Dr. Muhammad Mushtaq Ahmed**  
Resident Shariah Board Member

Date: February 1st, 2016

## STATEMENT OF INTERNAL CONTROLS

The Management of The Bank of Punjab (the "Bank") acknowledges its responsibility for establishing and maintaining an adequate and effective system of internal control to provide reasonable assurance to achieve the following:

- Efficiency and effectiveness of the operations;
- Reliability of financial reporting;
- Compliance with applicable laws and regulations.

The internal control system encompasses policies and procedures relating to all processes, products and activities of the bank's operations. All significant policies and procedural manuals are in place, which are reviewed, revised, and improved to keep them current with latest activities and challenges.

Compliance & Internal Control Division (C&ICD) has been entrusted with remediation of internal control deficiencies and maintaining the system on an ongoing basis. C&ICD also ensures implementation of control design improvements recommended by Audit & RAR Group (A & RAR), SBP and External Auditors. The A & RAR, independent from Management, is entrusted with the supervisory function with respect to the review of internal controls. A & RAR evaluates, validates, monitors and contributes to ongoing effectiveness of control systems as part of its scope. It also periodically reports, significant findings, directly to the Central Audit Committee (CAC) of the Board.

Implementing State Bank of Pakistan (the "SBP") Guidelines on Internal Controls, to place an effective internal control system has been the Bank's top priority. During the year 2015, walkthroughs of processes and activities were conducted to update related processes, risks and control documentation. The A & RAR is also entrusted with the

function to review and assess adequacy and effectiveness of the control activities as well as implementation of and compliance with all the prescribed policies and procedures. The management expeditiously takes up the findings and observations of Audit Group, SBP and Bank's External Auditors to ensure implementation of control design improvements.

The Bank has put in place all stages of SBP roadmap on Internal Control over Financial Reporting (ICFR). External Auditors of the Bank have also evaluated the effectiveness of ICFR as on December 31, 2015 through a special review, and a Long Form Report (LFR) has been submitted to SBP as per regulatory requirements. During the year under review, we have endeavored to follow the guidelines issued by SBP on ICFR for evaluation and management of significant risks and shall continue further improvements in Internal Controls System.

Internal Controls System evolves continuously and hence its evaluation is an ongoing process. This statement of internal controls is based on the management's assessment towards various aspects of the Internal Controls System of the Bank. The Internal Control Systems of the Bank are designed to minimize and manage risks rather than eliminate the risk of failure to achieve the desired objectives; hence it can only provide reasonable assurance against material misstatement or loss. The system of internal control followed by the Bank is considered to be adequate in design and is being implemented and continuously monitored.

**Naeemuddin Khan**  
President/CEO



## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 25th Annual General Meeting of the members of The Bank of Punjab will be held at Sapphire Banquet Hall, New Garden Town, Lahore on Monday, 30th May, 2016 at 9:30 a.m. to transact the following business:

3. To appoint Auditors for the year ending December 31, 2016 and to fix their remuneration.
4. Any other item of business with the permission of the Chair.

### Ordinary Business:

1. To confirm the minutes of Extra Ordinary General Meeting held on June 15, 2015.
2. To receive, consider and adopt the Annual Audited Financial Statements of The Bank of Punjab for the year ended December 31, 2015 together with the Directors' and the Auditors' reports thereon.

By order of the Board

**Raza Saeed**  
Secretary to the Board  
Lahore: May 09, 2016

### NOTES:

01. The Register of Members and the Share Transfer Books of the Bank shall remain closed for transfer from 24-05-2016 to 30-05-2016 (both days inclusive).
02. All members are entitled to attend the meeting; however, the right of vote is restricted to those who are registered as such for a period of not less than three months prior to the date of the meeting as per section 17(1) of The Bank of Punjab Act, 1989.
03. Proxies in order to be effective must be deposited at the Corporate Affairs Department of the Bank, BOP Tower, 10-B, Block-E-II, Main Boulevard, Gulberg-III, Lahore not less than 48 hours before the meeting. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
04. A member is entitled to appoint another member as proxy to attend the meeting.
05. The members should quote their Folio number in all correspondence with the Bank and at the time of attending the Meeting.

06. Members are requested to promptly notify any change in their addresses to our Registrar M/s. CORPLINK (Pvt.) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore before book closure so that entitlement, if any, be dispatched at the correct addresses.
07. CDC Account holders will further have to follow the under mentioned guidelines as laid down in Circular 01 dated January 26, 2000 issued by the Securities & Exchange Commission of Pakistan:

#### A. FOR ATTENDING THE MEETING

- i) In case of individual, the account holder or sub-account holder shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting.
- ii) In case of corporate entity, the Board of Directors; resolution/power of attorney with specimen signature of the nominee shall have to be produced (unless it has been provided earlier) at the time of the meeting.

#### B. FOR APPOINTING PROXIES

- i) In case of individual, the account holder or sub-account holder shall submit the proxy form as per the above requirement.
  - ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
  - iii) Attested copies of CNIC or the Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
  - iv) The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.
  - v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall have to be submitted (unless it has been provided earlier) along with proxy form to the Company.
08. Entry of the member or his/her duly authorized person will be on strict identification as per specimen signature on the Bank's record.
09. SECP vide SRO # 787 (I)/2014 dated 8th September, 2014 has allowed companies to circulate Annual Audited Financial Statements along with notice of Annual General Meeting to its members through e.mail. Shareholders who desire to receive the Bank's Annual Audited Financial Statements and notice of Annual General Meeting through e.mail, in future, are requested to fill the requisite form available on Bank's Website i.e. [www.bop.com.pk](http://www.bop.com.pk).

In case any member who has provided consent to receive Annual Audited Financial Statements and notice of Annual General Meeting through e.mail subsequently requests for a hard copy, the same shall be provided free of cost within 7 days of the receipt of such request.

10. Pursuant to SECP Circular No.10 of 2014 dated May 21, 2014, if Bank receives consent form from the members holding aggregate 10% or more shareholding residing at geographical location to participate in the meeting through video conference at least 10 days prior to the date of meeting, the Bank will arrange video conference facility in that city subject to availability of such facility in that city. To avail this facility please provide following information and submit to the Corporate Affairs Department, Lahore.

I/We \_\_\_\_\_ of \_\_\_\_\_ being a member of The Bank of Punjab, holding \_\_\_\_\_ ordinary shares as per registered Folio/CDC Account No. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_.

Signature of Member(s)

The Bank will intimate members regarding venue of conference facility at least 5 days before the date of general meeting along with complete information necessary to enable them to access such facility.

**Note:** The Annual Report-2015 has been placed on Bank's website [www.bop.com.pk](http://www.bop.com.pk). Further, Bank's Financial Statements for the year ended December 31, 2015 have also been published in the daily "Business Recorder" dated May 09, 2016.



# UNCONSOLIDATED FINANCIAL STATEMENTS for the year ended December 31, 2015



## Auditors' Report to the Members

We have audited the annexed unconsolidated statement of financial position of The Bank of Punjab (the Bank) as at December 31, 2015 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (here-in after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 17 branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control and prepare and present the financial statements in conformity with approved accounting standards and the requirements of The Bank of Punjab Act 1989, the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

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

- a) in our opinion, proper books of account have been kept by the Bank as required by The Bank of Punjab Act, 1989, the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:-
  - i. the unconsolidated statement of financial position and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

- ii. the expenditure incurred during the year was for the purpose of the Bank's business; and
  - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2015 and its true balance of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

We draw attention to Note 1.2 to the financial statements in which the matters related to equity injection by the Government of Punjab (GoPb), regulatory compliance and relaxations granted by the State Bank of Pakistan (SBP) from provisioning against certain advances based on the undertaking by GoPb in respect of the capital injection and enduring support of GoPb have been fully discussed, and also to note 13.1 wherein basis for recognizing deferred tax asset have been explained. The preparation of projections involves certain key assumptions by the management and any significant change therein may have an effect on the realisability of deferred tax asset. Our opinion is not qualified in respect of these matters.

Chartered Accountants

**Engagement Partner:**  
Nadeem Yousuf Adil

Dated: May 06, 2016  
Karachi

Member of  
**Deloitte Touche Tohmatsu Limited**

## Unconsolidated Statement of Financial Position as at December 31, 2015

	Note	2015 Rupees in '000'	2014
<b>ASSETS</b>			
Cash and balances with treasury banks	7	26,190,481	23,622,411
Balances with other banks	8	4,512,033	2,239,170
Lendings to financial institutions	9	6,113,262	32,748,623
Investments - net	10	176,043,046	154,874,757
Advances - net	11	219,398,631	170,312,593
Operating fixed assets	12	6,484,312	5,490,121
Deferred tax assets - net	13	7,905,981	9,845,426
Other assets - net	14	25,635,908	21,237,087
		472,283,654	420,370,188
<b>LIABILITIES</b>			
Bills payable	16	1,887,432	1,727,731
Borrowings	17	55,236,429	44,742,624
Deposits and other accounts	18	374,961,096	342,290,763
Sub-ordinated loan	19	2,000,000	2,000,000
Liabilities against assets subject to finance lease	20	-	1,128
Deferred tax liabilities - net		-	-
Other liabilities	21	15,520,357	10,281,235
		449,605,314	401,043,481
<b>NET ASSETS</b>		<b>22,678,340</b>	<b>19,326,707</b>
<b>REPRESENTED BY</b>			
Share capital	22	15,551,132	15,551,132
Discount on issue of shares		(263,158)	(263,158)
Reserves	23	2,329,001	2,081,243
Share deposit money	24	7,000,000	7,000,000
Accumulated losses		(5,220,276)	(9,113,154)
		19,396,699	15,256,063
Surplus on revaluation of assets - net of tax	25	3,281,641	4,070,644
		22,678,340	19,326,707
<b>CONTINGENCIES AND COMMITMENTS</b>	26		

The annexed notes from 1 to 46 and Annexures-I to IV form an integral part of these unconsolidated financial statements.

Chairman

President

Director

Director

## Unconsolidated Profit and Loss Account for the year ended December 31, 2015

	Note	2015 Rupees in '000'	2014
Mark-up/return/interest earned	27	31,266,427	29,521,719
Mark-up/return/interest expensed	28	20,198,798	20,525,783
Net mark-up / interest income		11,067,629	8,995,936
Provision against non-performing loans and advances - net	11.5.5	3,431,451	1,118,605
Provision for diminution in the value of investments - net	10.3	64,815	110,881
Bad debts written off directly	11.6	-	-
		3,496,266	1,229,486
Net mark-up / interest income after provisions		7,571,363	7,766,450
<b>NON MARK-UP/INTEREST INCOME</b>			
Fee, commission and brokerage income		824,126	906,494
Dividend income		50,843	33,258
Income from dealing in foreign currencies		109,280	183,830
Gain on sale and redemption of securities - net	29	5,013,546	667,322
Unrealized loss on revaluation of investments classified as held for trading	10.8	(8,522)	(654)
Other income	30	1,635,068	1,000,180
Total non-markup/interest income		7,624,341	2,790,430
		15,195,704	10,556,880
<b>NON MARK-UP/INTEREST EXPENSES</b>			
Administrative expenses	31	7,389,591	6,215,031
Charge / (Reversal) of provision against other assets	14.3	224,382	(2,416)
Provision against off balance sheet obligations	21.1	32,274	17,875
Other charges	32	19,958	19,727
Total non-markup/interest expenses		7,666,205	6,250,217
		7,529,499	4,306,663
Extra ordinary/unusual items		-	-
		7,529,499	4,306,663
<b>PROFIT BEFORE TAXATION</b>			
Taxation - Current year		388,908	323,121
- Prior years		143,953	-
- Deferred		2,248,317	1,196,093
	33	2,781,178	1,519,214
		4,748,321	2,787,449
<b>PROFIT AFTER TAXATION</b>			
Accumulated losses brought forward		(9,113,154)	(11,250,885)
Transfer from surplus on revaluation of fixed assets - net of tax		57,738	9,858
Transfer from surplus on revaluation of fixed assets on disposal		7,133	(980)
Transfer to statutory reserve		(949,664)	(557,490)
Actuarial gains on remeasurement recognized		29,350	2,514
Right shares issue cost		-	(103,620)
		(9,968,597)	(11,900,603)
Accumulated losses carried forward		(5,220,276)	(9,113,154)
Basic earnings per share - Rupees	34	3.05	1.94
Diluted earnings per share - Rupees	35	3.05	1.94

The annexed notes from 1 to 46 and Annexures - I to IV form an integral part of these unconsolidated financial statements.

Chairman

President

Director

Director

## Unconsolidated Statement of Comprehensive Income for the year ended December 31, 2015

Note	2015 Rupees in '000'	2014
Profit after taxation for the year	4,748,321	2,787,449
Other comprehensive income not to be reclassified to profit and loss account in subsequent periods:		
Actuarial gains on remeasurement recognized during the year	29,350	2,514
Comprehensive income transferred to equity	4,777,671	2,789,963
Components of comprehensive income not reflected in equity:		
Items to be reclassified to profit and loss in subsequent periods: (deficit) / Surplus on revaluation of investments - net of tax	(726,628)	1,940,269
Items not to be reclassified to profit and loss in subsequent periods: Surplus on revaluation of fixed assets - net of tax	2,496	1,234,703
<b>Total comprehensive income for the year</b>	<b>4,053,539</b>	<b>5,964,935</b>

The annexed notes from 1 to 46 and Annexures - I to IV form an integral part of these unconsolidated financial statements.

Chairman

President

Director

Director

## Unconsolidated Cash Flow Statement for the year ended December 31, 2015

	Note	2015 Rupees in '000'	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		7,529,499	4,306,663
Less: Dividend income		(50,843)	(33,258)
		7,478,656	4,273,405
Adjustments for:			
Depreciation on property and equipment	12.2	548,043	369,642
Depreciation on jjarah assets under IFAS - 2	31	56,670	28,219
Amortization on intangible assets	12.3	13,335	4,561
Amortization of premium / (discount) on Government securities		430,311	(176,076)
Unrealized loss on revaluation of investments classified as held for trading	10.8	8,522	654
Provision against non-performing loans and advances - net	11.5.5	3,431,451	1,118,605
Provision for diminution in the value of investments - net	10.3	64,815	110,881
Provision for employees compensated absences	38.1.3	9,338	14,105
Provision for gratuity	38.1.1	77,367	78,904
Charge / (Reversal) of provision against other assets	14.3	224,382	(2,416)
Provision against off balance sheet obligations	21.1	32,274	17,875
Net profit on sale of property and equipment	30	(21,124)	(21,459)
Net profit on sale of non-banking assets acquired in satisfaction of claims	30	(240,489)	(82,652)
Gain on sale and redemption of securities - net	29	(5,013,546)	(667,322)
Finance charges on leased assets	31	16	152
		(378,635)	793,673
		7,100,021	5,067,078
(Increase) / Decrease in operating assets:			
Lendings to financial institutions		26,035,361	(21,541,175)
Net investments in held for trading securities		(77,280)	9,801,418
Advances - net		(53,276,065)	(14,189,725)
Others assets - net		(6,332,571)	(6,201,144)
		(33,650,555)	(32,130,626)
Increase / (Decrease) in operating liabilities:			
Bills Payable		159,701	221,396
Borrowings		10,512,527	21,878,241
Deposits and other accounts		32,670,333	35,729,996
Other liabilities		5,149,493	1,827,988
		48,492,054	59,657,621
		21,941,520	32,594,073
Financial charges paid on leased assets		(16)	(152)
Income tax paid		(378,273)	(236,478)
<b>Net cash flow from operating activities</b>		<b>21,563,231</b>	<b>32,357,443</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investments in available for sale securities		(17,614,115)	(23,329,954)
Net investments in held to maturity securities		-	(13,651,866)
Dividends received		49,609	32,883
Investments in operating fixed assets		(1,493,092)	(568,653)
Sale proceeds of property and equipment disposed-off		33,438	58,994
Sale proceeds of non-banking assets disposed-off		1,721,712	719,551
<b>Net cash used in investing activities</b>		<b>(17,302,448)</b>	<b>(36,739,045)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of lease obligations		(1,128)	(1,258)
Sub-ordinated loan received from GoPb		-	2,000,000
Right shares issue cost		-	(103,620)
<b>Net cash (used in) / flow from financing activities</b>		<b>(1,128)</b>	<b>1,895,122</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>4,259,655</b>	<b>(2,486,480)</b>
Cash and cash equivalents at beginning of the year		26,368,200	28,854,680
Cash and cash equivalents at end of the year	36	30,627,855	26,368,200

The annexed notes from 1 to 46 and Annexures - I to IV form an integral part of these unconsolidated financial statements.

Chairman

President

Director

Director

## Unconsolidated Statement of Changes in Equity for the year ended December 31, 2015

	Share capital	Discount on issue of shares	Statutory reserve	Capital reserves		Revenue reserve		Total
				Share premium	Restructuring reserve	Share deposit money	Accumulated losses	
	R u p e e s i n '000'							
<b>Balance as at January 01, 2014</b>	10,551,132	(263,158)	783,965	37,882	717,812	12,000,000	(11,250,885)	12,576,748
Transfer from surplus on revaluation of fixed assets to accumulated losses - net of tax	-	-	-	-	-	-	9,858	9,858
Transfer from surplus on revaluation of fixed assets to accumulated losses on disposal	-	-	-	-	-	-	(980)	(980)
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-	-	2,789,963	2,789,963
Transfer from restructuring reserve against NPLs	-	-	-	-	(15,906)	-	-	(15,906)
Transfer to statutory reserve	-	-	557,490	-	-	-	(557,490)	-
<b>Transaction with owners, recorded directly in equity</b>								
Issue of right shares during the year	5,000,000	-	-	-	-	(5,000,000)	-	-
Right shares issue cost	-	-	-	-	-	-	(103,620)	(103,620)
	<u>5,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,000,000)</u>	<u>(103,620)</u>	<u>(103,620)</u>
<b>Balance as at December 31, 2014</b>	15,551,132	(263,158)	1,341,455	37,882	701,906	7,000,000	(9,113,154)	15,256,063
Transfer from surplus on revaluation of fixed assets to accumulated losses - net of tax	-	-	-	-	-	-	57,738	57,738
Transfer from surplus on revaluation of fixed assets to accumulated losses on disposal	-	-	-	-	-	-	7,133	7,133
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	-	-	4,777,671	4,777,671
Transfer from restructuring reserve against NPLs	-	-	-	-	(701,906)	-	-	(701,906)
Transfer to statutory reserve	-	-	949,664	-	-	-	(949,664)	-
<b>Balance as at December 31, 2015</b>	<u>15,551,132</u>	<u>(263,158)</u>	<u>2,291,119</u>	<u>37,882</u>	<u>-</u>	<u>7,000,000</u>	<u>(5,220,276)</u>	<u>19,396,699</u>

The annexed notes from 1 to 46 and Annexures - I to IV form an integral part of these unconsolidated financial statements.

Chairman

President

Director

Director



## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2015

### 1. STATUS AND NATURE OF BUSINESS

- 1.1** The Bank of Punjab (the Bank) was constituted pursuant to The Bank of Punjab Act, 1989. It was given the status of a scheduled bank by the State Bank of Pakistan (SBP) on September 19, 1994. It is principally engaged in commercial banking and related services with its registered office at BOP Tower, 10-B, Block E-2, Main Boulevard, Gulberg III, Lahore. The Bank has 406 branches including 01 sub branch and 48 islamic banking branches (2014: 364 branches including 37 islamic banking branches) in Pakistan and Azad Jammu and Kashmir at the year end. The Bank is listed on Pakistan Stock Exchange. The majority shares of the Bank are held by Government of the Punjab (GoPb).
- 1.2** As on December 31, 2015, paid-up capital, reserves (net of losses) including share deposit money, as allowed by SBP, of the Bank amounts to Rs. 19,396,699 thousand. The Capital Adequacy Ratio (CAR) remained above the required level. As at the close of the year, net advances aggregating to Rs. 20,391,075 thousand (December 31, 2014: Rs. 21,681,471 thousand) requiring additional provision of Rs. 19,450,421 thousand (December 31, 2014: Rs. 20,689,119 thousand) there against have not been subjected to provisioning criteria as prescribed in SBP prudential regulations in view of the relaxation provided by SBP vide letter No.OSED/Div-01/SEU-03/010(01)-2016/4001 dated February 16, 2016, on the basis of two Letters of Comfort (LOCs) issued by the GoPb as explained in below paragraph.

The GoPb being the majority shareholder, in order to support the Bank, deposited Rs.10,000,000 thousand and Rs. 7,000,000 thousand as share deposit money in the year 2009 and 2011 respectively against future issue of shares by the Bank. Further, the GoPb vide two LOCs has also undertaken to inject necessary funds to make good the capital shortfall to the satisfaction of SBP up to a maximum amount of Rs. 3,580,000 thousand (net of tax @ 35%) and Rs. 10,570,000 thousand (net of tax @ 35%) within a period of 90 days after close of the year ending December 31, 2018 if the Bank fails to make provision of Rs. 21,770,000 thousand or if there is a shortfall in meeting the prevailing regulatory capital requirements as a result of the said provisioning. In addition, in terms of aforesaid LOCs, the GoPb being majority shareholder and sponsor of the Bank, has also extended its commitment to support and assist the Bank in ensuring that it remains compliant with the regulatory requirements at all times.

During the year 2015, the Bank was required to record provisioning in staggered manner against exposure covered under LOCs aggregating to 15% by December 31, 2015. However, SBP vide letter no. OSED/DIV/01/SEU-04/010(01)-2016/10738 dated April 29, 2016 has allowed 10% staggering for the year 2015, which has duly complied with by the Bank. Further, during the year 2016, the Bank will be required to record further provisioning in staggered manner against exposure cover under LOCs. i.e. 7% by June 30, 2016 and additional 8% by December 31, 2016 so as to ensure that total staggering by end of year 2016 would not be less than 15%. As communicated by SBP, going forward, further extension in these relaxations would be considered upon satisfactory compliance of the conditions / requirements of SBP as well as the Bank's future performance based on the Bank's business plan.

On the basis of enduring support of GoPb, the arrangements as outlined above and the business plan prepared by the management which has been approved by the Board of Directors, the Board is of the view that the Bank would have adequate resources to continue its business on a sustainable basis in the foreseeable future.

### 2. BASIS OF PREPARATION

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

- 2.2 These unconsolidated financial statements are separate financial statements of the Bank in which the investment in subsidiary is stated at cost less impairment losses (if any) and has not been accounted for on the basis of reported results and net assets of the investee.
- 2.3 The financial results of Islamic Banking business have been consolidated in these unconsolidated financial statements for reporting purposes, after eliminating inter-branch transactions / balances. Key financial figures of the Islamic Banking business are disclosed in Annexure-I to these unconsolidated financial statements.

### 3. STATEMENT OF COMPLIANCE

These unconsolidated financial statements have been prepared in accordance with the directives issued by the SBP, requirements of The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board and Islamic Financial Accounting standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the directives issued by the SBP and Securities and Exchange Commission of Pakistan (SECP), the Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 differ with the requirements of these standards, the requirements of the said directives, the Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 take precedence.

SBP as per BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standard (IAS) 40, "Investment Property" for banking companies till further instructions. Further, according to the notification of SECP dated April 28, 2008, the IFRS – 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these Standards have not been considered in the preparation of these unconsolidated financial statements.

IFRS 8, 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorization in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these unconsolidated financial statements is based on the requirements laid down by the SBP.

SECP has notified Islamic Financial Accounting Standard (IFAS) – 3; "Profit and Loss Sharing on Deposits" issued by the Institute of Chartered Accountants of Pakistan. The standard is effective from January 1, 2014 and deals with the accounting for transactions relating to "Profit and Loss Sharing on Deposits" as defined by the standard. The standard may result in the addition of certain new disclosures. However, the SBP vide its BPRD Circular No. 4 dated February 25, 2015 has deferred the disclosure requirements of IFAS - 3 which will be notified in due course.

### 4. BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention, except for revaluation of free hold land and buildings on free hold land, valuation of certain investments and commitments in respect of forward exchange contracts at fair value and certain staff retirement benefits at present value.

These unconsolidated financial statements are presented in Pak Rupees, which is the Bank's functional and presentation currency.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates and judgments are continually evaluated and are based on historical experiences, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Bank's unconsolidated financial statements or where judgment was exercised in the application of accounting policies are as follows:

### 5.1 Classification of investments

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

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

### 5.2 Provision against non-performing advances

Apart from the provision determined on the basis of time-based criteria given in Prudential Regulations issued by the SBP, the management also applies the subjective criteria of classification and, accordingly, the classification of advances is downgraded on the basis of credit worthiness of the borrower, its cash flows, operations in account and adequacy of security in order to ensure accurate measurement of the provision.

### 5.3 Impairment of available for sale investments

The Bank considers that available for sale equity investments and mutual funds are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance. As of the statement of financial position date, the management has determined an impairment loss on available for sale securities and held to maturity securities as disclosed in note 10.3.1.

### 5.4 Depreciation, amortization and revaluation of operating fixed assets

Estimates of useful life of operating fixed assets are based on management's best estimate. In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the change in pattern. Further, the Bank estimates the revalued amount of free hold land and buildings on free hold land on a regular basis. The estimates are based on valuations carried out by an independent valuation expert under the market conditions.

### 5.5 Income taxes

In making estimates for income taxes currently payable by the Bank, the management considers the current

income tax laws and the decisions of appellate authorities on certain issues in the past. There are various matters where the Bank's view differs with the view taken by the income tax authorities and such amounts are shown as a contingent liability.

#### 5.6 Staff retirement benefits

The amount of provision for gratuity and compensated absences is determined using actuarial valuation. The valuation involves making use of assumptions about discount rates, mortality, expected rate of salary increases, retirement rates, and average leave utilization per year. Due to the degree of subjectivity involved and long-term nature of these plans, such estimates are subject to significant uncertainty.

### 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 6.1 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks, balances with other banks and call money lendings less over drawn nostro accounts and other overdrawn bank accounts.

#### 6.2 Revenue recognition

Revenue is recognized to the extent that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following recognition criteria must be met before revenue is recognized:

##### 6.2.1 Mark-up/return/interest income

Mark-up/return/interest on advances and return on investments are recognized in profit and loss account on an accrual basis, except mark-up on non-performing advances which is recognized when received.

##### 6.2.2 Dividend income

Dividend income is recognized when the Bank's right to receive the dividend is established.

##### 6.2.3 Lease finance income

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease periods so as to produce a constant periodic rate of return on the outstanding net investment in lease. Unrealized lease income is suspended, where necessary, in accordance with the requirements of the SBP. Gain/loss on termination of lease contracts, documentation charges and other lease income are recognized as income when these are realized.

##### 6.2.4 Fees and commission income

Commission income is recognized on time proportion basis.

#### 6.3 Advances including net investment in finance lease

Advances and net investments in finance lease are stated net of provision for doubtful debts. Provision for doubtful debts is made in accordance with the Prudential Regulations prescribed by the SBP and charged to profit and loss account.

Leases where risks and rewards incidental to ownership are substantially transferred to lessee are classified as

finance lease. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value.

The rentals received / receivable on Ijarahs are recorded as income / revenue. Depreciation on Ijarah assets is charged to profit and loss account by applying the straight line method whereby the depreciable value of Ijarah assets is written off over the Ijarah period. The Bank charges depreciation from the date of the delivery of respective assets to Mustajir upto the date of maturity / termination of Ijarah agreement.

#### 6.4 Investments

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

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

Investment in subsidiary is stated at cost less provision for impairment (if any). Other investments are classified as follows:

- Held for trading – These are securities which are acquired with the intention to trade by taking advantage of short-term market/interest rate movements. These are carried at market value, with the related surplus / (deficit) on revaluation being taken to profit and loss account.
- Held to maturity – These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortized cost.
- Available for sale – These are investments, other than those in subsidiaries and associates, which do not fall under the held for trading or held to maturity categories. These are carried at market value with the surplus/ (deficit) on revaluation taken to 'Surplus/(deficit) on revaluation of assets' shown below equity, except available for sale investments in unquoted shares, debentures, bonds, participation term certificates, term finance certificates, federal, provincial and foreign government securities (except for Treasury Bills and Pakistan Investment Bonds) which are stated at cost less provision for diminution in value of investments, if any.

Provision for diminution in the value of investments is made after considering impairment, if any, in their value and charged to profit and loss account. Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to break-up value. Provision for diminution in value of investments for unquoted debt securities is calculated with reference to the time-based criteria as per the SBP's Prudential Regulations.

Premium or discount on debt securities classified as available for sale and held to maturity securities are amortized using the effective yield method.

On de-recognition or impairment in quoted available for sale securities the cumulative gain or loss previously reported as "Surplus/(Deficit) on revaluation of assets" below equity is included in the profit and loss account for the period.

Gain and loss on disposal of investments are dealt with through the profit and loss account in the year in which they arise.

#### 6.5 Lending to/borrowing from financial institutions

The Bank enters into transactions of repo and reverse repo at contracted rates for a specified period of time. These

are recorded as under:

### 6.5.1 Sale under repurchase obligations

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings from financial institutions. The differential in sale and repurchase price is accrued using effective yield method and recorded as interest expense over the term of the related repo agreement.

### 6.5.2 Purchase under resale obligations

Securities purchased under agreement to resell (reverse repo) are not recognized in the financial statements as investments and the amount extended to the counter party is included in lendings to financial institutions. The differential between the contracted price and resale price is amortized over the period of the contract and recorded as interest income.

## 6.6 Operating fixed assets and depreciation

### 6.6.1 Owned

Property and equipment, other than free hold land which is not depreciated, are stated at cost or revalued amounts less accumulated depreciation and accumulated impairment losses (if any). Free hold land is carried at revalued amount.

Depreciation on property and equipment is charged to income using the diminishing balance method so as to write off the historical cost / revalued amount of the asset over its estimated useful life, except motor vehicles and computer equipment on which depreciation is charged using the straight line basis. The rates at which the depreciation is charged are given in note 12.2 to these unconsolidated financial statements. Impairment loss or its reversal, if any, is charged to income. When an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount over its estimated useful life.

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed.

Surplus / Deficit arising on revaluation of free hold land and buildings on free hold land is credited to the "Surplus/ (Deficit) on Revaluation of Assets" shown below equity. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of buildings (net of deferred taxation) is transferred directly to un-appropriated profit / accumulated loss.

Gains and losses on sale of operating fixed assets are included in income currently.

Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Normal repairs and maintenance are charged to the profit and loss account as and when incurred.

### 6.6.2 Leased

Property and equipment subject to finance lease are accounted for by recording the assets and the related liabilities. These are stated at fair value or present value of minimum lease payments whichever is lower at the inception of the lease less accumulated depreciation. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability. The property and

equipment acquired under finance leasing contracts is depreciated over the useful life of the assets as per rates given in note 12.2 to these unconsolidated financial statements.

### 6.6.3 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses (if any). The cost of intangible assets is amortized over their useful lives, using the straight line method as per the rates given in note 12.3 to these unconsolidated financial statements. Amortization on additions is charged from the month the assets are available for use while no amortization is charged in the month in which the assets are disposed.

### 6.6.4 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses (if any). These are transferred to specific assets as and when assets are available for use.

## 6.7 Taxation

### 6.7.1 Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

### 6.7.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that the taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is charged or credited in income statement, except in the case of items credited or charged to equity in which case it is included in equity.

The Bank also recognizes deferred tax asset/liability on deficit/surplus on revaluation of operating fixed assets and available for sale securities which is adjusted against the related deficit/surplus in accordance with the requirements of International Accounting Standard (IAS) 12, 'Income Taxes'.

## 6.8 Assets acquired in satisfaction of claims

The Bank acquires assets in settlement of claims. These are acquired at average value obtained from three independent approved valuers at the time of acquisition.

## 6.9 Employee retirement and other benefits

### 6.9.1 Defined contribution plan – Provident Fund

The Bank operates an approved Provident Fund Scheme, covering all permanent employees. Contributions are

made monthly by the Bank and the employees at the rate of 8.33% of basic salary. Contributions by the Bank are charged to income.

### 6.9.2 Gratuity scheme

The Bank operates an approved funded gratuity scheme for all its employees. Contributions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to income. Actuarial gains and losses are charged or credited to other comprehensive income in the year in which they occur.

### 6.9.3 Employees' compensated absences

The Bank makes annual provision in the financial statements for its liabilities towards vested compensated absences accumulated by its employees on the basis of actuarial valuation. Actuarial gains and losses are charged to income in the year in which they occur.

### 6.10 Foreign currencies

Transactions in foreign currency are translated to Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities and commitments for letters of credit and acceptances in foreign currencies are translated at the exchange rates prevailing at the statement of financial position date except assets and liabilities for which there are forward contracts which are translated at the contracted rates. Forward exchange contracts and foreign bills purchased are valued at forward rates applicable to their respective maturities.

All exchange differences are charged to profit and loss account.

### 6.11 Provisions

Provisions are recorded when the Bank has a present obligation as a result of a past event when it is probable that it will result in an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

### 6.12 Provision for off balance sheet obligations

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

### 6.13 Dividend distribution and appropriations

Dividend distributions and appropriation to reserves are recognized as a liability in the financial statements in the period in which these are approved. Transfer to statutory reserve and any of the mandatory appropriations as may be required by law are recognized in the period to which they relate.

### 6.14 Impairment

The carrying amounts of assets (other than deferred tax assets) are reviewed for impairment at each statement of financial position date whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.



## 6.15 Earnings per share

The Bank presents earnings per share (EPS) for its ordinary shares which is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares (if any).

## 6.16 Share Capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

## 6.17 Financial instruments

### 6.17.1 Financial assets and liabilities

Financial instruments carried on the statement of financial position include cash and bank balances, lending to financial institutions, investments, advances, certain receivables, borrowing from financial institutions, deposits and other payables. The particular recognition criteria adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

### 6.17.2 Offsetting

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

## 6.18 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing product or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

### 6.18.1 Business segments

#### Trading and sales

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

#### Retail banking

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

#### Commercial banking

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

### Payment and settlement

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

### Agency service

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

### 6.18.2 Geographical segments

The Bank operates only in Pakistan.

### 6.19 New accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2015

IFRS 10 – Consolidated Financial Statements	Effective from accounting period beginning on or after January 1, 2015
IFRS 11 – Joint Arrangements	Effective from accounting IFRS period beginning on or after January 1, 2015
IFRS 12 – Disclosure of Interests in Other Entities	Effective from accounting IFRS period beginning on or after January 1, 2015
IFRS 13 – Fair Value Measurement	Effective from accounting IFRS period beginning on or after January 1, 2015
IAS 27 (Revised 2011) – Separate Financial Statements	Effective from accounting IFRS period beginning on or after January 1, 2015
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	Effective from accounting IFRS period beginning on or after January 1, 2015

### 6.20 New accounting standards and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. The Bank considers that the following standards and interpretations are either not relevant or will not have any material impact on its financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosures in the financial statements provided that such changes do not conflict with the format of financial statements prescribed by the SBP for banks.

Standard or Interpretations		Effective date (accounting periods beginning on or after)
IFRS 9	Financial Instruments – classification and Measurement	January 01, 2018
IFRS 11	Joint arrangements – amendments in accounting for acquisitions of interests in joint operations	January 01, 2016
IAS 1	Presentation of financial statement - amendments in disclosure initiatives	January 01, 2016
IAS 16 & 38	Property, Plant and Equipment and Intangible Assets – Amendments in classification of acceptable method of depreciation and amortization	January 01, 2016
IAS 16 & 41	Property, Plant and Equipment and Agriculture – Bearer plants	January 01, 2016
IAS 27	Separate Financial Statements – Amendments in equity method in separate financial statements	January 01, 2016
IFRS 10 & IAS 28	Consolidated financial statements and Investments in associate – Amendments in sale or contribution of assets between an investor and its associate or joint venture	January 01, 2016
IFRS 10, IFRS 12, IAS 28	Consolidated financial statements, Disclosure on interest in other entities and Investments in associate – Amendments in Investment Entities: Applying the consolidation exception	January 01, 2016

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customer

Note	2015	2014
	Rupees in '000'	
<b>7. CASH AND BALANCES WITH TREASURY BANKS</b>		
In hand:		
- Local currency	5,670,290	4,325,393
- Foreign currencies	687,435	640,574
	6,357,725	4,965,967
With State Bank of Pakistan (SBP) in:		
- Local currency current account	10,876,445	10,362,611
- Foreign currency deposit account:		
- Non remunerative	443,367	356,826
- Remunerative	998,601	1,057,484
	12,318,413	11,776,921
With National Bank of Pakistan in:		
- Local currency current account	7,514,343	6,879,523
- Local currency deposit account	-	-
	7,514,343	6,879,523
	<u>26,190,481</u>	<u>23,622,411</u>

7.1 This includes National Prize Bonds of Rs. 38,526 thousand (2014: Rs. 38,305 thousand)

7.2 This represents current account maintained with the SBP under the requirements of section 22 "Cash Reserve Requirement" of the Banking Companies Ordinance, 1962.

7.3 These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.

7.4 This carries mark-up as announced by the SBP on monthly basis.

Note	2015	2014
	Rupees in '000'	
<b>8. BALANCES WITH OTHER BANKS</b>		
In Pakistan:		
- On current accounts	3,335,280	1,884,942
- On deposit accounts	86,935	82,586
	3,422,215	1,967,528
Outside Pakistan:		
- On current accounts	377,956	106,226
- On deposit accounts	711,862	165,416
	1,089,818	271,642
	<u>4,512,033</u>	<u>2,239,170</u>

8.1 These carry mark-up at rates ranging from 4.50% to 6.00% per annum (2014: 6.50% to 7.50% per annum).

8.2 These carry mark-up at the rates ranging from 0.05% to 0.11% per annum (2014: 0.05% per annum).

## 9. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings		-	600,000
Reverse repurchase agreement lendings	9.2	4,513,262	27,719,623
Certificate of investments		1,000,000	300,000
Placements	9.3	600,000	4,129,000
		<u>6,113,262</u>	<u>32,748,623</u>
<b>9.1 Particulars of lendings</b>			
In local currency		6,113,262	32,748,623
In foreign currency		-	-
		<u>6,113,262</u>	<u>32,748,623</u>

9.2 Securities held as collateral against lendings to financial institutions

	2015			2014		
	Rupees in '000			Rupees in '000		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
Market treasury bills	2,263,262	-	2,263,262	62,787	-	62,787
Pakistan investment bonds	2,250,000	-	2,250,000	27,656,836	-	27,656,836
	<u>4,513,262</u>	<u>-</u>	<u>4,513,262</u>	<u>27,719,623</u>	<u>-</u>	<u>27,719,623</u>

Market value of securities held as collateral as at December 31, 2015 amounted to Rs. 4,745,547 thousand (2014: Rs. 29,291,585 thousand). These carry mark-up at rate ranging from 6.40% to 7.50% per annum (2014: 9.70% to 11.50% per annum).

9.3 These carry profit at rate ranging from 5.85% to 6.50% per annum (2014: 7.50% to 9.70% per annum) with maturities upto February 26, 2016.

## 10. INVESTMENTS - NET

### 10.1 Investments by types

#### Held for trading securities:

Ordinary shares of listed companies

#### Available for sale securities:

Market treasury bills

Pakistan investment bonds

Ordinary shares / certificates of listed companies and modarabas

Preference shares of listed companies

Ordinary shares of unlisted company

Mutual funds units

Government of Pakistan ijara sukuk bonds

Sale of sukuk to GOP on Bai-Muajjal basis

Listed term finance certificates

Unlisted term finance certificates

#### Held to maturity securities:

Pakistan investment bonds

WAPDA bonds

#### Subsidiary:

Punjab modaraba services (private) limited

#### Total investments at cost

Provision for diminution in the value of investments - net

#### Investments - net of provisions

Surplus on revaluation of available for sale securities

Deficit on revaluation of held for trading securities

#### Total investments at market value

### 10.2 Investments by segments:

#### Federal government securities:

Market treasury bills

Pakistan investment bonds

Government of Pakistan ijara sukuk bonds

Sale of sukuk to GOP on Bai-Muajjal basis

#### Ordinary shares/certificates:

Listed companies and modarabas

Unlisted company

Unlisted subsidiary company

#### Mutual funds units

#### Preference shares - listed companies

#### Term finance certificates and bonds:

Listed term finance certificates

Unlisted term finance certificates

WAPDA bonds

#### Total investments at cost

Provision for diminution in the value of investments - net

#### Investments - net of provisions

Surplus on revaluation of available for sale securities

Deficit on revaluation of held for trading securities

#### Total investments at market value

Note	2015			2014		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	Rupees			in '000'		
Annex II - 1	98,411	-	98,411	45,932	-	45,932
10.4 & Annex II - 8	38,330,074	35,314,270	73,644,344	52,979,483	33,804,515	86,783,998
10.4 & Annex II - 8	69,936,695	6,401,929	76,338,624	44,708,426	-	44,708,426
Annex II - 1	1,510,314	-	1,510,314	1,293,905	-	1,293,905
Annex II - 2	415,451	-	415,451	495,451	-	495,451
Annex II - 3	25,000	-	25,000	25,000	-	25,000
Annex II - 4	-	-	-	373,802	-	373,802
Annex II - 8	200,004	-	200,004	1,706,588	-	1,706,588
10.9	5,503,881	-	5,503,881	-	-	-
Annex II - 5	664,623	-	664,623	736,008	-	736,008
10.5 & Annex II - 6	3,455,200	-	3,455,200	3,644,013	-	3,644,013
	120,041,242	41,716,199	161,757,441	105,962,676	33,804,515	139,767,191
10.6	15,191,724	-	15,191,724	15,090,774	-	15,090,774
	400	-	400	400	-	400
	15,192,124	-	15,192,124	15,091,174	-	15,091,174
Annex II - 7	164,945	-	164,945	164,945	-	164,945
	135,496,722	41,716,199	177,212,921	121,264,727	33,804,515	155,069,242
10.3	(3,048,940)	-	(3,048,940)	(3,114,422)	-	(3,114,422)
	132,447,782	41,716,199	174,163,981	118,150,305	33,804,515	151,954,820
25.2	1,887,587	-	1,887,587	2,920,591	-	2,920,591
10.8	(8,522)	-	(8,522)	(654)	-	(654)
	134,326,847	41,716,199	176,043,046	121,070,242	33,804,515	154,874,757
	38,330,074	35,314,270	73,644,344	52,979,483	33,804,515	86,783,998
10.4	85,128,419	6,401,929	91,530,348	59,799,200	-	59,799,200
	200,004	-	200,004	1,706,588	-	1,706,588
10.9	5,503,881	-	5,503,881	-	-	-
Annex II - 1	1,608,725	-	1,608,725	1,339,837	-	1,339,837
Annex II - 3	25,000	-	25,000	25,000	-	25,000
Annex II - 7	164,945	-	164,945	164,945	-	164,945
Annex II - 4	-	-	-	373,802	-	373,802
Annex II - 2	415,451	-	415,451	495,451	-	495,451
Annex II - 5	664,623	-	664,623	736,008	-	736,008
Annex II - 6	3,455,200	-	3,455,200	3,644,013	-	3,644,013
	400	-	400	400	-	400
	135,496,722	41,716,199	177,212,921	121,264,727	33,804,515	155,069,242
10.3	(3,048,940)	-	(3,048,940)	(3,114,422)	-	(3,114,422)
	132,447,782	41,716,199	174,163,981	118,150,305	33,804,515	151,954,820
25.2	1,887,587	-	1,887,587	2,920,591	-	2,920,591
10.8	(8,522)	-	(8,522)	(654)	-	(654)
	134,326,847	41,716,199	176,043,046	121,070,242	33,804,515	154,874,757

	Note	2015	2014
		Rupees in '000'	
<b>10.3 Provision for diminution in the value of investments - net</b>			
Opening balance		3,114,422	3,166,697
Charge for the year		93,152	227,134
Reversal during the year		(28,337)	(116,253)
		64,815	110,881
		3,179,237	3,277,578
Reversal on disposal		(130,297)	(163,156)
Closing balance	10.3.1	3,048,940	3,114,422

#### 10.3.1 Particulars of provision in respect of type and segment

Available for sale securities:			
Ordinary shares of listed companies		414,567	422,503
Preference shares		295,302	270,302
Ordinary shares of unlisted company		11,949	11,949
Mutual funds units		-	74,388
Term finance certificates		2,189,236	2,169,935
		2,911,054	2,949,077
<b>Held to maturity securities:</b>			
WAPDA bonds		400	400
<b>Subsidiary company</b>			
		137,486	164,945
		3,048,940	3,114,422

**10.4** Market treasury bills and Pakistan investment bonds are eligible for re-discounting with SBP.

**10.5** This includes investment in privately placed term finance certificates of Pakistan International Airlines amounting to Rs. 74,310 thousand (2014: Rs. 74,310 thousand) for which SBP has allowed relaxation from R-8 of Prudential Regulations for Corporate / Commercial Banking upto December 31, 2015 being Government of Pakistan guaranteed exposure.

**10.6** Market value of held to maturity investments amounted to Rs. 15,647,265 thousand (2014: Rs. 15,612,502 thousand).

**10.7** Certain approved/ Government securities are kept with the SBP to meet statutory liquidity requirements calculated on the basis of domestic demand and time liabilities.

#### 10.8 Unrealized loss on revaluation of investments classified as held for trading

	2015	2014
	Rupees in '000'	
Ordinary shares of listed companies	(8,522)	(654)
	(8,522)	(654)

**10.9** This represents outright purchase of GOP Ijara Sukuk (GIS) on deferred payment basis (Bai-Muajjal) at returns ranging from 6.34% to 8.92 % per annum (2014: Nil).

## 11. ADVANCES - NET

	Note	2015	2014
		Rupees in '000'	
Loans, cash credits, running finances etc.			
- In Pakistan		200,787,493	173,992,109
- Outside Pakistan		-	-
		200,787,493	173,992,109
Net book value of assets in ijarah under IFAS 2 - In Pakistan	11.2	230,780	217,559
Islamic financing and related assets		4,316,782	1,381,515
Net investment in finance lease			
- In Pakistan	11.3	41,290,683	17,372,840
- Outside Pakistan		-	-
		41,290,683	17,372,840
Bills discounted and purchased (excluding market treasury bills)			
- Payable in Pakistan		2,186,757	2,187,991
- Payable outside Pakistan		1,529,217	1,970,349
		3,715,974	4,158,340
Advances - (gross)	11.1	250,341,712	197,122,363
Less: Provision for non-performing loans and advances			
- Specific	11.4 & 11.5	(30,596,588)	(26,702,645)
- General	11.5	(346,493)	(107,125)
		(30,943,081)	(26,809,770)
Advances - net of provision		219,398,631	170,312,593
<b>11.1 Particulars of advances (gross)</b>			
<b>11.1.1 In local currency</b>		249,557,103	196,315,309
<b>In foreign currencies</b>		784,609	807,054
		250,341,712	197,122,363
<b>11.1.2 Short-term advances upto one year</b>		114,924,999	101,013,414
<b>Long-term advances for over one year</b>		135,416,713	96,108,949
		250,341,712	197,122,363

### 11.2 Net book value of assets in ijarah under IFAS 2 - In Pakistan

	2015				2014			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in '000'				Rupees in '000'			
Assets acquired under ijarah	-	315,594	-	315,594	-	245,778	-	245,778
Accumulated depreciation on ijarah	-	84,814	-	84,814	-	28,219	-	28,219
Net investment in ijarah	-	230,780	-	230,780	-	217,559	-	217,559
<b>11.3 Net investment in finance lease</b>								
Lease rentals receivable	4,115,724	29,717,519	-	33,833,243	2,865,370	13,097,404	-	15,962,774
Add: Guaranteed residual value	221,367	9,457,133	-	9,678,500	49,460	3,877,037	-	3,926,497
Minimum lease payments	4,337,091	39,174,652	-	43,511,743	2,914,830	16,974,441	-	19,889,271
Less: Finance charge for future periods	789,342	1,431,718	-	2,221,060	776,232	1,740,199	-	2,516,431
Present value of minimum lease payments	3,547,749	37,742,934	-	41,290,683	2,138,598	15,234,242	-	17,372,840

11.4 Advances include Rs. 57,069,295 thousand (2014: Rs. 55,650,453 thousand) which have been placed under non-performing status as detailed below :-

Category of classification	2015								
	Rupees in '000'								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Other Assets Especially Mentioned	101,466	-	101,466	857	-	857	857	-	857
Substandard	4,281,121	-	4,281,121	869,489	-	869,489	869,489	-	869,489
Doubtful	4,474,983	-	4,474,983	2,175,523	-	2,175,523	2,175,523	-	2,175,523
Loss	48,211,725	-	48,211,725	27,372,220	-	27,372,220	27,550,719	-	27,550,719
	57,069,295	-	57,069,295	30,418,089	-	30,418,089	30,596,588	-	30,596,588

The provision held includes Rs. 178,499 thousand (2014: Nil) held against exposure adjusted through debt property swap prior to December 31, 2015, wherein the property is in process of transfer in the name of the Bank.

Category of classification	2014								
	Rupees in '000'								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Other Assets Especially Mentioned	68,097	-	68,097	415	-	415	415	-	415
Substandard	8,429,852	-	8,429,852	2,070,332	-	2,070,332	2,070,332	-	2,070,332
Doubtful	743,240	-	743,240	284,398	-	284,398	284,398	-	284,398
Loss	46,409,264	-	46,409,264	24,347,500	-	24,347,500	24,347,500	-	24,347,500
	55,650,453	-	55,650,453	26,702,645	-	26,702,645	26,702,645	-	26,702,645

11.4.1 Provision against certain net advances amounting to Rs. 20,391,075 thousand (2014: Rs.21,681,471 thousand) requiring additional provision of Rs. 19,450,421 thousand (2014: Rs. 20,689,119 thousand) has not been considered necessary in these unconsolidated financial statements on the basis of undertaking given by GoPb as stated in Note 1.2. However, provision covered under LOCs enhanced by Rs. 171,399 thousand (2014: Nil) on account of benefit of provision reversed against exposure adjusted through debt property swap prior to year end, wherein the property is in process of transfer in name of the Bank. Further, during the year, in order to meet the staggering requirement of 10% an additional provision net off recoveries amounting to Rs. 1,568,575 thousand (2014: Rs. 1,609,841 thousand) has been recognized.

#### 11.5 Particulars of provisions against non-performing loans and advances

Note	2015			2014		
	Specific	General	Total	Specific	General	Total
	Rupees in '000'					
11.5.1 Opening balance	26,702,645	107,125	26,809,770	25,633,504	41,755	25,675,259
Charge for the year	5,781,689	239,368	6,021,057	3,548,257	65,370	3,613,627
Reversals for the year	(1,887,700)	-	(1,887,700)	(2,479,116)	-	(2,479,116)
	3,893,989	239,368	4,133,357	1,069,141	65,370	1,134,511
Amounts written off	(46)	-	(46)	-	-	-
Closing balance	30,596,588	346,493	30,943,081	26,702,645	107,125	26,809,770
11.5.2 In local currency	30,596,588	346,493	30,943,081	26,702,645	107,125	26,809,770
In foreign currencies	-	-	-	-	-	-
	30,596,588	346,493	30,943,081	26,702,645	107,125	26,809,770

11.5.3 General provision represents provision against consumer financing portfolio as required by Prudential Regulations issued by the SBP.

11.5.4 The SBP amended the prudential regulations vide BSD Circular No.1 of 2011 dated October 21, 2011 in relation to provision for loans and advances; there by allowing benefit of Forced Sale Value (FSV) of pledged stocks, mortgaged residential, commercial and industrial properties (land and buildings only) and plant and machinery under charge held as collateral against non-performing advances. The FSV benefit availed in last years has been reduced by Rs. Nil (net of FSV benefit availed during the period) (2014: 1,865,014 thousand) which has resulted in increased charge for specific provision for the year by the same amount. The FSV benefit is not available for cash or stock dividend. Had the FSV benefit not been recognized, before and after tax profits for the year would have been higher by Rs. Nil (2014: higher by Rs. 1,865,014 thousand) and Rs. Nil (2014: higher by Rs. 1,034,941 thousand) respectively.

#### 11.5.5 Provision against non-performing loans and advances - charge to profit and loss account

Note	2015		2014	
	Rupees in '000'			
Provision against non-performing loans and advances-net	11.5.1	4,133,357	1,134,511	
Transfer from restructuring reserve	23.2	(701,906)	(15,906)	
		3,431,451	1,118,605	

#### 11.6 Particulars of write offs:

11.6.1 Against provisions	11.5.1	46	-
Directly charged to profit and loss account		-	-
		46	-
11.6.2 Write Offs of Rs. 500,000 and above	11.7	-	-
Write Offs of below Rs. 500,000		46	-
		46	-

#### 11.7 Details of loan write off of Rs. 500,000/- and above

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



### 11.8 Particulars of loans and advances to executives, subsidiary & associated companies, etc.

	Note	2015	2014
Debts due by executives or officers of the Bank or any of them either severally or jointly with any other persons :			
Balance at beginning of year		1,945,778	1,899,915
Loans granted during the year		630,888	482,328
Repayments received during the year		(585,514)	(436,465)
Balance at end of year	11.8.1	1,991,152	1,945,778
Debts due by subsidiary company and managed modaraba :			
Balance at beginning of year		760,121	1,091,975
Loans granted during the year		744,280	649,808
Repayments received during the year		(648,956)	(981,662)
Balance at end of year		855,445	760,121
		<u>2,846,597</u>	<u>2,705,899</u>

11.8.1 These represent staff loans given to executives and officers in accordance with their terms of employment and advances given under consumer finance schemes of the Bank.

	Note	2015	2014
Rupees in '000'			
<b>12. OPERATING FIXED ASSETS</b>			
Capital work in progress	12.1	782,338	114,993
Property and equipment	12.2	5,651,041	5,367,132
Intangible assets	12.3	50,933	7,996
		<u>6,484,312</u>	<u>5,490,121</u>
<b>12.1 Capital work in progress</b>			
Civil works		156,968	35,684
Hardware - Core Banking System		351,315	-
Hardware - Others		30,943	-
Softwares - Core Banking System		235,046	-
Softwares - Others		8,066	79,309
		<u>782,338</u>	<u>114,993</u>

12.2 Property and equipment

	2015						Rate of depreciation %					
	COST / REVALUED AMOUNT			DEPRECIATION								
	Opening balance as at January 01, 2015	Additions	(Deletions) / Transfer / (Adjustment) Rupees in '000'	Revaluation adjustment	Closing balance as at December 31, 2015	Opening balance as at January 01, 2015	Change for the year	(Deletions) / Transfer / (Adjustment) Rupees in '000'	Revaluation Adjustment	Closing balance as at December 31, 2015	Book value as at December 31, 2015 Rupees in '000'	
<b>Owned assets:</b>												
Free hold land	1,354,338	760	-	-	1,355,098	-	-	-	-	-	1,355,098	-
Buildings on free hold land	2,897,278	77,311	(8,265) 7,587	-	2,973,911	-	147,744	(681)	-	147,063	2,826,848	5
Furniture, fixture and office equipment	2,842,703	604,702	(44,064) (7,587)	-	3,395,754	1,770,093	358,056	(40,458)	-	2,087,691	1,308,063	10-33.33
Vehicles	155,570	161,493	(40,101) 4,670	-	281,632	112,664	42,243	(38,977) 4,670	-	120,600	161,032	33.33
<b>Assets held under finance lease:</b>												
Vehicles	4,793	-	(123) (4,670)	-	-	4,793	-	(123) (4,670)	-	-	-	33.33
	<b>7,254,682</b>	<b>844,266</b>	<b>(92,553)</b>	<b>-</b>	<b>8,006,395</b>	<b>1,887,550</b>	<b>548,043</b>	<b>(80,239)</b>	<b>-</b>	<b>2,355,354</b>	<b>5,651,041</b>	
	2014						Rate of depreciation %					
	COST / REVALUED AMOUNT			DEPRECIATION								
	Opening balance as at January 01, 2014	Additions	(Deletions) / Transfer / (Adjustment) Rupees in '000'	Revaluation adjustment	Closing balance as at December 31, 2014	Opening balance as at January 01, 2014	Change for the year	(Deletions) / Transfer / (Adjustment) Rupees in '000'	Revaluation Adjustment	Closing balance as at December 31, 2014	Book value as at December 31, 2014 Rupees in '000'	
<b>Owned assets:</b>												
Free hold land	1,114,521	856	(22,500)	261,461	1,354,338	-	-	-	-	-	1,354,338	-
Buildings on free hold land	1,553,189	82,215	(12,243)	1,274,117	2,897,278	150,035	70,925	(2,082)	(218,878)	-	2,897,278	5
Furniture, fixture and office equipment	2,369,260	521,356	(12,955) (34,958)	-	2,842,703	1,555,078	260,269	(10,296) (34,958)	-	1,770,093	1,072,610	10-33.33
Vehicles	135,451	38,421	(18,302)	-	155,570	91,798	37,040	(16,174)	-	112,664	42,906	33.33
<b>Assets held under finance lease:</b>												
Vehicles	5,284	-	(491)	-	4,793	3,789	1,408	(404)	-	4,793	-	33.33
	<b>5,177,705</b>	<b>642,848</b>	<b>(101,449)</b>	<b>1,535,578</b>	<b>7,254,682</b>	<b>1,800,700</b>	<b>369,642</b>	<b>(63,914)</b>	<b>(218,878)</b>	<b>1,887,550</b>	<b>5,367,132</b>	



	Note	2015	2014
Rupees in '000'			
<b>13 DEFERRED TAX ASSETS - NET</b>			
<b>Taxable temporary differences:</b>			
-Surplus on revaluation of operating fixed assets	25.1	(588,418)	(622,003)
-Surplus on available for sale securities	25.2	(660,655)	(967,031)
-Accelerated tax depreciation		(212,391)	(225,573)
<b>Deductible temporary differences:</b>			
-Loan loss provision		8,597,319	8,026,320
-Business loss	13.1	770,126	3,633,713
		<u>7,905,981</u>	<u>9,845,426</u>

13.1 The management has prepared a business plan on the basis of the arrangements as disclosed in Note 1.2. The business plan includes certain key assumptions such as deposit composition, growth of deposits and advances, investment returns, potential provision against assets, branch expansion plan etc. Any significant change in the key assumptions may have an impact on the projections, however, the management believes that it is probable that the Bank will be able to achieve the projections as per the business plan and future taxable income would be sufficient to allow the benefit of the deductible temporary differences.

### 13.2 Reconciliation of deferred tax

Balance as at January 01, 2014	Recognized in profit and loss account	Recognized in equity	Balance as at December 31, 2014	Recognized in profit and loss account	Recognized in equity	Balance as at December 31 2015
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Rupees in '000'

#### Taxable temporary differences:

-Surplus on revaluation of operating fixed assets	(107,558)	5,308	(519,753)	(622,003)	31,089	2,496	(588,418)
-Surplus on available for sale securities	-	-	(967,031)	(967,031)	-	306,376	(660,655)
-Accelerated tax depreciation	(216,786)	(8,787)	-	(225,573)	13,182	-	(212,391)

#### Deductible temporary differences:

-Deficit on available for sale securities	99,049	-	(99,049)	-	-	-	-
-Loan loss provision	8,026,320	-	-	8,026,320	570,999	-	8,597,319
-Business loss	4,826,327	(1,192,614)	-	3,633,713	(2,863,587)	-	770,126
	<u>12,627,352</u>	<u>(1,196,093)</u>	<u>(1,585,833)</u>	<u>9,845,426</u>	<u>(2,248,317)</u>	<u>308,872</u>	<u>7,905,981</u>

### 14 OTHER ASSETS - NET

	Note	2015	2014
Rupees in '000'			
Income/mark-up accrued in local currency		9,263,940	8,363,368
Profit paid in advance on pehlay munafa scheme		37,968	67,100
Advances, deposits, advance rent and other prepayments		4,410,797	268,302
Advance taxation (payments less provisions)		2,034,773	2,189,361
Non-banking assets acquired in satisfaction of claims	14.1	9,074,157	9,903,230
Branch adjustment account		399,269	328,017
Stock of stationery		41,556	43,703
Suspense account		14,247	1,897
Zakat recoverable from NITL	14.2	36,790	36,790
Unrealized gain on revaluation of foreign contracts		30,007	-
Fraud and forgeries		23,283	36,062
Others		539,501	242,434
		<u>25,906,288</u>	<u>21,480,264</u>
<b>Less provision against:</b>			
Non-banking assets acquired in satisfaction of claims		(212,152)	(196,909)
Zakat recoverable from NITL		(36,790)	(36,790)
Fraud and forgeries		(21,438)	(9,478)
	14.3	<u>(270,380)</u>	<u>(243,177)</u>
Other assets - net of provision		<u>25,635,908</u>	<u>21,237,087</u>

14.1 This includes properties of Rs. 363,499 thousand acquired through adjustment of advances, wherein the properties are in the process of transfer in the name of the Bank.

14.2 This represents zakat deducted on dividends by NIT. The Bank has filed suit against NIT for recovery of the amount. The case was decided in favour of the Bank in 1993 and intra court appeal was filed by the Zakat and Ushr Department against the decision which is still pending. As a matter of prudence, though without prejudice to the Bank's claim against NIT at the court of law, the claim amount has been fully provided for.

	Note	2015	2014
		Rupees in '000	
<b>14.3 Provision against other assets</b>			
Opening balance		243,177	267,103
Charge for the year		224,382	1,174
Reversal during the year		-	(3,590)
		224,382	(2,416)
Amount written off		(197,179)	(21,510)
Closing balance		270,380	243,177
<b>15. CONTINGENT ASSETS</b>			
Contingent assets		Nil	Nil
<b>16. BILLS PAYABLE</b>			
In Pakistan		1,887,432	1,727,731
Outside Pakistan		-	-
		1,887,432	1,727,731
<b>17. BORROWINGS</b>			
In Pakistan		53,860,238	44,649,243
Outside Pakistan		1,376,191	93,381
	17.1	55,236,429	44,742,624
<b>17.1 Particulars of borrowings with respect to currencies</b>			
In local currency		53,860,238	44,649,243
In foreign currencies		1,376,191	93,381
		55,236,429	44,742,624
<b>17.2 Details of borrowings</b>			
<b>Secured</b>			
Borrowings from SBP:			
-Export refinance (ERF)	17.2.1	10,788,841	9,581,230
-Long term financing - export oriented projects (LTF-EOP)	17.2.2	4,331	54,872
-Long term financing facility (LTFF)	17.2.2	1,358,063	1,404,893
Repurchase agreement borrowings	17.2.3	41,709,003	33,608,248
		53,860,238	44,649,243
<b>Unsecured</b>			
Foreign Placement		1,301,532	-
Overdrawn nostro accounts		74,659	93,381
		55,236,429	44,742,624

**17.2.1** These are secured against the Bank's cash and security balances held with the SBP. Mark-up on these borrowings is payable quarterly at rates ranging from 1.50% to 3.50% per annum. (2014: 5.50% to 6.50% per annum). Maturity of the borrowing is upto June 30, 2016.

**17.2.2** This amount is due to the SBP and has been obtained for providing long term finance to customers. As per the agreements with the SBP, the Bank has granted the SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with the SBP. Mark-up on these borrowings is payable quarterly at 2.00% to 10.10% per annum (2014: 5.00% to 10.10% per annum) with maturity upto May 27, 2022.

**17.2.3** These are secured against market treasury bills and Pakistan investment bonds and carry mark-up at rates ranging from 6.25% to 6.50% per annum (2014: 9.40% to 10.00% per annum) maturing on various dates latest by January 08, 2016. The carrying value of securities given as collateral against these securities is given in note 10.1.

## 18. DEPOSITS AND OTHER ACCOUNTS

	2015	2014
	Rupees in '000'	
Customers		
Fixed deposits	126,553,494	120,193,692
Savings deposits	147,719,737	132,651,725
Current accounts - non-remunerative	88,424,644	77,060,744
Sundry deposits, margin accounts, etc.	8,268,024	8,223,503
	<u>370,965,899</u>	<u>338,129,664</u>
Financial institutions		
Remunerative deposits	2,668,511	2,845,709
Non-remunerative deposits	1,326,686	1,315,390
	<u>3,995,197</u>	<u>4,161,099</u>
	<u>374,961,096</u>	<u>342,290,763</u>

### 18.1 Particulars of deposits

In local currency	368,143,873	335,644,581
In foreign currencies	6,817,223	6,646,182
	<u>374,961,096</u>	<u>342,290,763</u>

## 19 SUB-ORDINATED LOAN

Loan from the GoPb	2,000,000	2,000,000
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The GoPb has extended loan of Rs. 2,000,000 thousand (2014: Rs.2,000,000 thousand) to support capital structure of the Bank for the purpose of the regulatory capital requirement. The loan is unsecured and sub-ordinated to all other indebtedness including deposits. The salient features of the loan are as follows:

<b>Tenor:</b>	07 Years.
<b>Profit payment &amp; frequency:</b>	Profit payable on half yearly basis in arrears on the outstanding principal amount.
<b>Profit rate:</b>	Average SBP discount rate. (Average shall be calculated on daily basis)
<b>Conversion option:</b>	May be converted, subject to consent of the parties and necessary regulatory approvals, after a period of five years into ordinary shares at the rate of Rs. 15 per share.
<b>Repayment:</b>	Bullet repayment after lapse of 07 years.
<b>Call / Put option:</b>	Callable after a period of 05 years. However no put option is available to GoPb.

## 20 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2015			2014		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	Rupees in '000'			Rupees in '000'		
Not later than one year	-	-	-	1,149	21	1,128
Later than one year and not later than five years	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,149</u>	<u>21</u>	<u>1,128</u>

20.1 Financial charges, included in the lease rentals, are determined on the basis of discount factors applied at Nil (2014: 11.88% to 12.43% per annum).

20.2 The amount of future payments of the lease and the period in which these payments will become due are as follows:

	2015	2014
	Rupees in '000'	
<b>Years:</b>		
2015	-	1,149
	-	1,149
Less: Financial charges for future periods	-	21
	<u>-</u>	<u>1,128</u>

	Note	2015	2014
Rupees in '000'			
<b>21. OTHER LIABILITIES</b>			
Mark-up/ return/ interest payable in local currency		3,903,677	4,850,510
Mark-up/ return/ interest payable in foreign currencies		48,389	55,911
Compensation payable on share deposit money		9,219	9,219
Mark-up payable on sub-ordinated loan from GoPb		-	1,562
Sundry creditors and accrued expenses		480,381	402,829
Unclaimed dividends		2,654	2,655
Payable to gratuity fund	38.1.1	48,017	76,390
Provision for employees compensated absences	38.1.3	228,742	223,672
Provision against off-balance sheet obligations	21.1	547,851	515,577
Deficit on revaluation of deposits and foreign bills purchased		-	26,204
Unrealized loss on revaluation of foreign contracts		28,334	37,290
Lease key money		9,678,500	3,926,497
Others		544,593	152,919
		<u>15,520,357</u>	<u>10,281,235</u>

#### 21.1 Provision against off balance sheet obligations

Opening balance	515,577	497,702
Charge for the year	32,274	17,875
Reversal during the year	-	-
	<u>32,274</u>	<u>17,875</u>
Closing balance	<u>547,851</u>	<u>515,577</u>

The above provision has been made against letters of guarantee issued by the Bank.

## 22. SHARE CAPITAL

### 22.1 Authorized Capital

2015	2014		2015	2014
Number	Number			
<u>5,000,000,000</u>	<u>5,000,000,000</u>	Ordinary / Preference shares of Rs. 10 each	<u>50,000,000</u>	<u>50,000,000</u>

The authorized capital of the Bank is fifty thousand million rupees divided into five thousand million ordinary or preference shares of ten rupees each.

### 22.2 Issued, subscribed and paid up share capital

2015	2014	Ordinary shares	2015	2014
Number	Number		Rupees in '000'	
<b>Opening balance</b>				
519,333,340	19,333,340	Ordinary shares of Rs. 10 each paid in cash	5,193,333	193,333
526,315,789	526,315,789	Ordinary shares of Rs. 10 each issued at discount	5,263,158	5,263,158
509,464,036	509,464,036	Issued as bonus shares	5,094,641	5,094,641
<u>1,555,113,165</u>	<u>1,055,113,165</u>		<u>15,551,132</u>	<u>10,551,132</u>
-	500,000,000	Issuance of right shares at par value	-	5,000,000
<b>Closing balance</b>				
519,333,340	519,333,340	Ordinary shares of Rs. 10 each paid in cash	5,193,333	5,193,333
526,315,789	526,315,789	Ordinary shares of Rs. 10 issued at discount	5,263,158	5,263,158
509,464,036	509,464,036	Issued as bonus shares	5,094,641	5,094,641
<u>1,555,113,165</u>	<u>1,555,113,165</u>		<u>15,551,132</u>	<u>15,551,132</u>

22.3 GoPb held 57.47% shares in the Bank as at December 31, 2015 (2014: 57.47 %).

## 23. RESERVES

	Note	2015	2014
Rupees in '000'			
Statutory reserve	23.1	2,291,119	1,341,455
Share premium reserve		37,882	37,882
Restructuring reserve	23.2	-	701,906
		<u>2,329,001</u>	<u>2,081,243</u>

23.1 In accordance with the Banking Companies Ordinance, 1962, the Bank is required to transfer twenty percent of its profits each year to statutory reserve fund until the amount in such fund equals to the paid up share capital of the Bank.

23.2 This represents the effect of the up-gradation of category of classification by one category upon rescheduling / restructuring of classified loans and advances in accordance with the BSD Circular No. 10 dated 20 October 2009.

	Note	2015	2014
Rupees in '000'			
Opening balance		701,906	717,812
Transfer to profit and loss account	11.5.5	(701,906)	(15,906)
Closing balance		<u>-</u>	<u>701,906</u>
<b>24. SHARE DEPOSIT MONEY</b>			
Share deposit money - II	24.1	<u>7,000,000</u>	<u>7,000,000</u>
<b>24.1 Reconciliation of share deposit money</b>			
Opening balance		7,000,000	12,000,000
Right shares issued during the year		-	(5,000,000)
Closing balance		<u>7,000,000</u>	<u>7,000,000</u>

## 25. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Surplus on revaluation of :			
Operating fixed assets - net of tax	25.1	2,054,709	2,117,084
Available for sale securities - net of tax	25.2	1,226,932	1,953,560
		<u>3,281,641</u>	<u>4,070,644</u>

### 25.1 Surplus on revaluation of operating fixed assets - net of tax

As on January 01		2,852,918	1,097,482
-(Surplus) / Deficit on revaluation realized during the year		(7,133)	980
-Surplus on revaluation during the year		-	1,754,456
		<u>2,845,785</u>	<u>2,852,918</u>
Incremental depreciation:			
-Opening balance		(113,831)	(98,665)
-Transferred to accumulated losses in respect of incremental depreciation charge during the year - net of tax		(57,738)	(9,858)
-Related deferred tax liability		(31,089)	(5,308)
Accumulated incremental depreciation		<u>(202,658)</u>	<u>(113,831)</u>
As on December 31		2,643,127	2,739,087
Less: Related deferred tax liability:			
-Opening balance		(622,003)	(107,558)
-Deferred tax on revaluation during the year		-	(522,548)
-Deferred tax on surplus realized during the year		2,496	2,795
-Deferred tax recorded during the year		31,089	5,308
-Closing balance	13	<u>(588,418)</u>	<u>(622,003)</u>
		<u>2,054,709</u>	<u>2,117,084</u>

### 25.2 Surplus / (Deficit) on revaluation of available for sale securities - net of tax

Federal government securities		1,872,465	2,672,965
Quoted securities		16,835	177,234
Mutual funds units		-	76,261
Term finance certificates		(1,713)	(5,869)
		<u>1,887,587</u>	<u>2,920,591</u>
Less: Related deferred tax liability	13	<u>(660,655)</u>	<u>(967,031)</u>
		<u>1,226,932</u>	<u>1,953,560</u>



## 26. CONTINGENCIES AND COMMITMENTS

### 26.1 Direct credit substitutes

These include general guarantees of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favour of:

- Government
- Financial institutions
- Others

2015	2014
Rupees in '000'	
-	-
-	-
1,656,157	996,208
<u>1,656,157</u>	<u>996,208</u>

### 26.2 Transaction-related contingent liabilities

These include performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credit related to particular transactions issued in favour of:

- Government
- Financial institutions
- Others

2015	2014
Rupees in '000'	
562,760	435,164
6,028	14,469
18,922,622	15,897,268
<u>19,491,410</u>	<u>16,346,901</u>

### 26.3 Trade-related contingent liabilities

These include letters of credit issued in favour of:

- Government
- Financial institutions
- Others

4,385,804	10,408,600
-	-
11,822,290	10,332,243
<u>16,208,094</u>	<u>20,740,843</u>

### 26.4 Income tax related contingency

For the tax years 2010, 2011 & 2012 Income Tax Department has amended the assessment orders on the issues of separate taxation of dividend income and turnover tax against which the Bank had filed appeals before Commissioner Inland Revenue Appeals (CIR(A)). CIR(A) provided relief on issue of separate taxation of dividend income. Now, both Bank and the tax department have filed appeals against the respective un-favorable decisions of CIR(A) with the Appellate Tribunal Inland Revenue(ATIR). The expected tax liability in respect of aforesaid tax years amounts to Rs. 162,772 thousand and minimum tax under section 113 amounts to Rs. 257,967 thousand. The management of the Bank, as per the opinion of its tax consultant, is confident that the appeals filed for the aforementioned tax years will be decided in Bank's favour.

### 26.5 Other contingencies

Claims against the Bank not acknowledged as debts

2015	2014
Rupees in '000'	
<u>31,077,751</u>	<u>35,192,352</u>

The amount involved in the claims filed against the Bank are yet to be adjudicated by the concerned Courts as the same have been filed as outburst to our recovery suits. Uptill now, in no case, any claim has been adjudicated, determined or decreed by the Courts against the Bank. Moreover, there is no likelihood of decreeing the suits against the Bank because, the claims are frivolous.

### 26.6 Commitments to extend credit

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

### 26.7 Commitments in respect of forward exchange contracts

- Purchase
- Sale

2015	2014
Rupees in '000'	
12,160,726	5,314,736
9,624,791	3,658,932
<u>21,785,517</u>	<u>8,973,668</u>

## 27. MARK-UP/RETURN/INTEREST EARNED

Note	2015	2014
	Rupees in '000'	
a) On loans and advances to:		
i) Customers	15,563,365	14,765,975
ii) Financial institutions	5,063	36,523
b) On investments in:		
i) Available for sale securities	12,805,782	12,105,586
ii) Held for trading securities	425,483	393,062
iii) Held to maturity securities	1,810,639	1,365,808
c) On deposits with financial institutions	18,504	10,941
d) On securities purchased under resale agreements	505,952	715,080
e) On certificates of investment	29,200	38,236
f) On letters of placement	102,439	90,508
	<u>31,266,427</u>	<u>29,521,719</u>

## 28. MARK-UP/RETURN/INTEREST EXPENSED

Deposits		21,150,452
Securities sold under repurchase agreements		1,434,759
Return on share deposit money	28.1	(2,061,626)
Mark-up on subordinated loan from GoPb		1,562
Call borrowings		636
	<u>20,198,798</u>	<u>20,525,783</u>

28.1 This includes refund of Rs. Nil (2014: Rs. 2,128,772 thousand) received from GoPb on account of markup on share deposit money charged during the period 2009-2012

## 29. GAIN ON SALE AND REDEMPTION OF SECURITIES - NET

Note	2015	2014
	Rupees in '000'	
Federal government securities :		
Market treasury bills	810,529	124,036
Pakistan investment bonds	3,948,571	328,759
Shares - listed	169,450	135,530
Term finance certificates	41	12,310
Mutual funds	84,955	66,687
	<u>5,013,546</u>	<u>667,322</u>

## 30. OTHER INCOME

Rent on lockers and bank property	33,865	30,587
Net profit on sale of property and equipment	21,124	21,459
Net profit on sale of non banking assets acquired in satisfaction of claims	240,489	82,652
Service charges	260,184	233,991
Loan processing and arrangement charges	722,132	369,104
Online transaction charges	12,846	12,510
ATM transactions	185,598	145,457
SMS Banking	26,180	7,023
Cheque return charges	17,479	15,676
Miscellaneous earnings	115,171	81,721
	<u>1,635,068</u>	<u>1,000,180</u>

## 31. ADMINISTRATIVE EXPENSES

Salaries, allowances, etc.		3,212,184
Contribution to defined contribution plans		93,347
Provision for gratuity	38.1.1	78,904
Provision for compensated absences	38.1.3	14,105
Non-executive directors' fees	39	2,625
Taxes, insurance, electricity, etc.		319,546
Legal and professional charges		42,149
Communications		116,689
Repairs and maintenance		133,901
Rent for bank premises	31.1	406,003
Finance charge on leased assets		152
Stationery and printing		160,361
Advertisement and publicity		136,571
Auditors' remuneration	31.2	8,050
Depreciation	12.2	369,642
Depreciation on jjarah assets under IFAS - 2		28,219
Amortization on intangible assets	12.3	4,561
Traveling		68,485
Fuel expenses		274,737
Cash remittance charges		85,243
Entertainment expenses		56,746
Bank charges		81,720
Online connectivity charges		105,662
Fuel for generator		125,777
Commission and brokerage		82,747
Branch License fee		10,031
ATM charges		44,815
CNIC verification/ ecib charges		20,048
Miscellaneous expenses		132,011
	<u>7,389,591</u>	<u>6,215,031</u>

### 31.1 Operating lease

Operating lease rentals are charged in profit and loss account on a time proportion basis over the term of lease agreements.

### 31.2 Auditors' remuneration

	2015	2014
	Rupees in '000'	
Audit fee	2,250	2,000
Special certifications, half yearly review and others	5,876	5,275
Out-of-pocket expenses	875	775
	<u>9,001</u>	<u>8,050</u>
<b>32. OTHER CHARGES</b>		
Penalties imposed by SBP	<u>19,958</u>	<u>19,727</u>
<b>33. TAXATION</b>		
<b>For the year</b>		
Current	388,908	323,121
Deferred	2,248,317	1,196,093
	<u>2,637,225</u>	<u>1,519,214</u>
<b>Prior years</b>		
Current	143,953	-
Deferred	-	-
	<u>143,953</u>	<u>-</u>
	<u>2,781,178</u>	<u>1,519,214</u>

33.1 Due to carry forward business losses, numerical reconciliation between tax expense and accounting profit has not been presented. However, current liability for taxation represents minimum tax under section 113 of the Income Tax Ordinance, 2001.

	2015	2014
	Rupees in '000'	
<b>34. BASIC EARNINGS PER SHARE</b>		
Profit for the year - Rupees in thousand	4,748,321	2,787,449
Weighted average ordinary shares - Number	<u>1,555,113,165</u>	<u>1,439,655,027</u>
Basic earnings per share - after tax - Rupees	<u>3.05</u>	<u>1.94</u>

### 35. DILUTED EARNINGS PER SHARE

There is no dilution effect on basic earnings per share.

### 36. CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks  
Balance with other banks  
Call money lendings  
Overdrawn nostro accounts

Note	2015	2014
	Rupees in '000'	
	26,190,481	23,622,411
	4,512,033	2,239,170
	-	600,000
	(74,659)	(93,381)
	<u>30,627,855</u>	<u>26,368,200</u>

### 37. STAFF STRENGTH

Permanent  
Temporary/on contractual basis  
Daily wagers  
Bank's own staff strength at the end of the year  
Outsourced  
Total Staff Strength

	2015	2014
	Number	
	3,504	3,566
	1,770	1,513
	425	389
	<u>5,699</u>	<u>5,468</u>
	1,040	712
	<u>6,739</u>	<u>6,180</u>

### 38. EMPLOYEE BENEFITS

#### 38.1 Defined benefit plans

##### 38.1.1 Gratuity

The Bank operates a funded gratuity scheme for all its permanent employees. The benefits under the scheme are payable on retirement which is equal to one month's last drawn basic salary for each year of eligible service or part thereof, with effect from January 01, 2008, subject to minimum of five years of service. The Bank makes annual provision in these unconsolidated financial statements for its liabilities on the basis of actuarial valuation.

#### Principal actuarial assumptions

The most recent valuation was carried out at December 31, 2015 using the "Projected Unit Credit Method". The principal assumptions used in the valuation at December 31, 2015 were as follows:

	2015	2014
Discount rate	9.00%	11.00%
Expected rate of eligible salary increase in future years	8.00%	10.00%
Interest income for the year 2015	9.00%	11.00%
Average expected remaining working life (years)	7	7

	2015	2014
	Rupees in '000'	
<b>Reconciliation of payable to defined benefit plan</b>		
Present value of defined benefit obligation	457,730	420,106
Fair value of plan assets	(426,280)	(358,518)
Benefit payments payable	16,567	14,802
	<u>48,017</u>	<u>76,390</u>
<b>Movement in payable to defined benefit plan</b>		
Opening balance	76,390	71,470
Charge for the year	77,367	78,904
Remeasurement chargeable in other comprehensive income	(29,350)	(2,514)
Contributions made by the Bank during the year	(76,390)	(71,470)
Closing balance	<u>48,017</u>	<u>76,390</u>
<b>Changes in present value of defined benefit obligations</b>		
Opening balance	420,106	343,541
Current service cost	74,891	75,454
Interest cost	44,202	43,119
Benefits due but not paid during the year	(9,342)	(7,525)
Benefit paid	(27,200)	(23,717)
Actuarial gain	(44,927)	(10,766)
	<u>457,730</u>	<u>420,106</u>

The effect of increase of one percent and the effect of decrease of one percent in the discount rate on the present value of defined benefit obligation at December 31, 2015 would be Rs. 421,058 thousand (2014: Rs. 386,905 thousand) and Rs. 499,868 thousand (2014: Rs. 449,269 thousand) respectively.

	2015	2014
	Rupees in '000'	
<b>Changes in fair value of plan assets</b>		
Opening balance	358,518	283,186
Interest income for the year	41,726	39,669
Contributions made	76,390	71,470
Benefits paid	(34,777)	(27,554)
Actuarial gain / (loss)	(15,577)	(8,253)
	<u>426,280</u>	<u>358,518</u>
<b>Charge for defined benefit plan</b>		
Current service cost	74,891	75,454
Interest cost	44,202	43,119
Interest income for the year	(41,726)	(39,669)
	<u>77,367</u>	<u>78,904</u>
<b>Actual return on plan assets</b>	<u>26,149</u>	<u>31,416</u>
<b>Composition of fair value of plan assets</b>		
First Punjab Modaraba	404,475	-
Cash at bank	21,805	358,518
	<u>426,280</u>	<u>358,518</u>

### 38.1.2 Reconciliation of net liability recognized for gratuity for the five years are as follows:

	2015	2014	2013	2012	2011
	Rupees in '000'				
Present value of defined benefit obligation	457,730	420,106	343,541	268,612	181,818
Fair value of plan assets	(426,280)	(358,518)	(283,186)	(190,322)	(39,580)
Benefit payments payable	16,567	14,802	11,115	9,041	6,963
	<u>48,017</u>	<u>76,390</u>	<u>71,470</u>	<u>87,331</u>	<u>149,201</u>
Actuarial gains / (losses) on obligation	44,927	10,766	7,969	(17,849)	14,777
Actuarial gains / (losses) on assets	(15,577)	(8,253)	422	8,017	(583)

### 38.1.3 Compensated absences

The Bank makes annual provision in the financial statements for its liabilities towards vested compensated absences accumulated by its employees on the basis of actuarial valuation. The actuary has used "Projected Unit Credit Method" for calculations. The employees of the Bank are entitled to take the leave as Leave Preparatory to Retirement (LPR) immediately before retirement. These leaves are subject to retirees' un-utilized privilege leave balance with an upper limit of 180 days. Alternatively, the retiree may receive a lump-sum cash amount equal to 180 days gross salary at the time of retirement in lieu of LPR of 180 days. Privilege leave accrues at the rate of 30 days per year. Moreover, any unutilized privilege leaves over 180 days are ignored.

#### Principal actuarial assumptions

The most recent valuation was carried out at December 31, 2015 using the "Projected Unit Credit Method". The principal assumptions used in the valuation at December 31, 2015 were as follows:

	2015	2014
Discount rate	9.00%	11.00%
Expected rate of eligible salary increase in future years	8.00%	10.00%
Average number of leaves accumulated per annum by the employees (days)	13	10

	2015	2014
	Rupees in '000'	
Present value of defined benefit obligation	<u>228,742</u>	<u>223,672</u>

#### Movement in payable to defined benefit plan

	2015	2014
Opening balance	223,672	209,961
Charge for the year	9,338	14,105
Benefit paid	(4,268)	(394)
Closing balance	<u>228,742</u>	<u>223,672</u>

The effect of increase of one percent and the effect of decrease of one percent in the discount rate on the present value of defined benefit obligation at December 31, 2015 would be Rs. 206,694 thousand (2014: Rs. 201,373 thousand) and Rs. 254,574 thousand (2014: Rs. 249,761 thousand) respectively.

	2015	2014
	Rupees in '000'	
Current service cost	13,972	19,874
Interest cost	24,369	27,269
Actuarial gains recognized	(29,003)	(33,037)
	<u>9,338</u>	<u>14,106</u>

### 38.1.4 Reconciliation of net liability recognized for compensated absences for the five years are as follows:

	2015	2014	2013	2012	2011
	Rupees in '000'				
Opening net liability	223,672	209,961	193,464	186,799	184,041
Net charge for the year	5,070	13,711	16,497	6,665	2,758
	<u>228,742</u>	<u>223,672</u>	<u>209,961</u>	<u>193,464</u>	<u>186,799</u>
Actuarial gains on obligation	29,003	33,037	23,689	33,894	37,036

### 39. COMPENSATION OF DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for remuneration, including benefits to the Chairman, President/Chief Executive Officer, Directors and Executives of the Bank was as follows:

	Chairman		President / Chief Executive		Directors		Executives	
	2015	2014	2015	2014	2015	2014	2015	2014
	Rupees in '000							
Fees	400 *	275 *	-	-	2,750 *	2,350 *	-	-
Managerial remuneration	-	-	39,110	29,688	-	-	418,390	376,534
Bonus	1,000	-	21,648	11,402	-	-	134,401	120,553
Rent and house maintenance	-	-	3,017	2,290	-	-	158,265	142,877
Utilities	132	125	2,718	2,063	-	-	40,732	36,712
Medical	247	314	-	-	-	-	38,984	35,224
Other allowances	3,226	1,668	7,243	2,348	-	-	252,911	168,556
	5,005	2,382	73,736	47,791	2,750	2,350	1,043,683	880,456
Number of persons	1	1	1	1	7	7	445	420

\* This represents fee paid to non-executive directors for attending the Board and its committees meetings.

Chairman, President/Chief Executive Officer and Executives are provided with free use of the Bank's maintained cars.

In addition to the above, contribution to defined contribution and benefit plans have been made in accordance with the Bank's policy. Further, executives are entitled to certain additional benefits in accordance with the Bank's policy.

Executive means officers, other than the chief executive and directors, whose basic salary exceeds five hundred thousand rupees in the financial year.

### 40. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in subsidiary, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

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

#### 40.1 The Bank measures fair value 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 measurement 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 input for the asset or liability that are not based on observable market data (i.e. unobservable inputs)."

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

Carrying value	2015			Total
	Fair value			
	Level 1	Level 2	Level 3	
Rupees in '000'				
<b>On balance sheet financial instruments</b>				
<b>Financial assets measured at fair value :</b>				
Government securities	150,182,972	152,055,437	-	152,055,437
Ordinary shares / certificates of listed companies and modarabas	1,608,725	1,202,471	-	1,202,471
Ordinary shares of unlisted company	25,000	13,051	-	13,051
Preference shares of listed companies	415,451	120,149	-	120,149
Listed term finance certificates	664,623	645,562	-	645,562
Subsidiary company	164,945	27,459	-	27,459
Operating fixed assets (land & building)	4,181,946	4,181,946	-	4,181,946
<b>Financial instruments not measured at fair value:</b>				
Cash and balances with treasury banks	26,190,481	-	-	-
Balances with other banks	4,512,033	-	-	-
Lendings to financial institutions	6,113,262	-	-	-
Investments:				
Government securities	15,192,124	-	-	-
Unlisted term finance certificates	3,455,200	-	-	-
Sale of sukuk to GOP on Bai-Muajjal basis	5,503,881	-	-	-
Advances - net	219,398,631	-	-	-
Operating fixed assets	2,302,366	-	-	-
Other assets	10,022,410	-	-	-
	449,934,050	1,202,471	157,043,604	158,246,075





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

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

	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
Rupees in '000						
<b>2015</b>						
Total income	20,895,675	3,456,503	13,983,106	467,436	88,048	38,890,768
Total expenses	2,425,587	4,031,554	24,904,128	-	-	31,361,269
Inter segment (cost) / revenue transfer	(10,493,546)	1,592,969	8,900,577	-	-	-
Income taxes	-	-	-	-	-	2,781,178
Net income / (loss)	<u>7,976,542</u>	<u>1,017,918</u>	<u>(2,020,445)</u>	<u>467,436</u>	<u>88,048</u>	<u>4,748,321</u>
Segment assets (gross)	<u>215,336,059</u>	<u>45,257,923</u>	<u>234,132,254</u>	<u>-</u>	<u>-</u>	<u>494,726,236</u>
Segment non performing loans / investments	<u>3,095,443</u>	<u>1,982,426</u>	<u>55,086,869</u>	<u>-</u>	<u>-</u>	<u>60,164,738</u>
Segment provision required	<u>3,048,940</u>	<u>2,003,212</u>	<u>28,939,869</u>	<u>-</u>	<u>-</u>	<u>33,992,021</u>
Segment liabilities	<u>45,150,348</u>	<u>59,445,098</u>	<u>345,009,868</u>	<u>-</u>	<u>-</u>	<u>449,605,314</u>
Segment return on net assets (ROA) (%)	<u>12.21%</u>	<u>9.94%</u>	<u>11.77%</u>			
Segment cost of funds (%)	<u>7.13%</u>	<u>7.19%</u>	<u>7.33%</u>			
<b>2014</b>						
Total income	15,671,975	2,836,518	13,292,084	428,915	82,657	32,312,149
Total expenses	1,668,312	4,201,905	22,135,269	-	-	28,005,486
Inter segment (cost) / revenue transfer	(11,583,730)	1,737,639	9,846,091	-	-	-
Income taxes	-	-	-	-	-	1,519,214
Net income / (loss)	<u>2,419,933</u>	<u>372,252</u>	<u>1,002,906</u>	<u>428,915</u>	<u>82,657</u>	<u>2,787,449</u>
Segment assets (gross)	<u>215,679,904</u>	<u>22,209,794</u>	<u>197,693,135</u>	<u>-</u>	<u>-</u>	<u>435,582,833</u>
Segment non performing loans / investments	<u>3,255,415</u>	<u>2,132,875</u>	<u>53,517,578</u>	<u>-</u>	<u>-</u>	<u>58,905,868</u>
Segment provision required	<u>3,114,422</u>	<u>1,836,563</u>	<u>24,973,207</u>	<u>-</u>	<u>-</u>	<u>29,924,192</u>
Segment liabilities	<u>35,854,983</u>	<u>54,958,655</u>	<u>310,229,843</u>	<u>-</u>	<u>-</u>	<u>401,043,481</u>
Segment return on net assets (ROA) (%)	<u>11.26%</u>	<u>16.33%</u>	<u>13.04%</u>			
Segment cost of funds (%)	<u>9.25%</u>	<u>8.83%</u>	<u>8.00%</u>			

#### 42. RELATED PARTY TRANSACTIONS

Related parties comprise subsidiary, key management personnel and entities in which key management personnel are office holders / members. The Bank in the normal course of business carries out transactions with various related parties on arm's length basis. Amounts due from and due to related parties are shown under receivables and payables. Amounts due from key management personnel are shown under receivables and remuneration of key management personnel is disclosed in Note 11.8 and Note 39 respectively. In addition key management personnel are paid terminal and short-term terminal benefits.

	2015				2014			
	Key management personnel	Subsidiary company and managed modaraba	Employee funds	Others	Key management personnel	Subsidiary company and managed modaraba	Employee funds	Others
	Rupees in '000'				Rupees in '000'			
<b>Advances</b>								
Opening balance	121,056	760,121	-	61,874	86,027	1,091,975	-	52,591
Loans granted during the year	69,064	744,280	-	-	70,710	649,808	-	267,235
Repayments received during the year	(72,664)	(648,956)	-	(61,874)	(35,681)	(981,662)	-	(257,952)
Closing balance	117,456	855,445	-	-	121,056	760,121	-	61,874
<b>Deposits</b>								
Opening balance	15,177	20,407	2,076,040	46,545	25,092	26,195	805,346	29,657
Placements made during the year	299,492	762,852	7,536,662	552,485	279,029	790,050	6,566,043	70,317
Withdrawals during the year	(296,125)	(730,608)	(7,294,760)	(586,753)	(288,944)	(795,838)	(5,295,349)	(53,429)
Closing balance	18,544	52,651	2,317,942	12,277	15,177	20,407	2,076,040	46,545
<b>Placements</b>	-	100,000	-	-	-	100,000	-	-
<b>Lease liability</b>	-	-	-	-	-	1,129	-	-
<b>Transactions during the year :</b>								
Mark-up/return earned	9,004	60,072	-	1,702	10,196	78,927	-	7,082
Mark-up/interest expensed	375	-	156,065	2,012	443	-	183,257	2,663
Contribution to employees funds	-	-	77,658	-	-	-	69,900	-

42.1 Balances pertaining to parties that were related at the beginning of the year but ceased to be so related during any part of the current year are not reflected as part of the closing balance. The same are accounted for through movement presented above.

42.2 The GoPb holds controlling interest (57.47% shareholding) in the Bank and therefore entities which are owned and / or controlled by the GoPb, or where the GoPb may exercise significant influence, are related parties of the Bank.

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

As at Statement of Financial Position date the loans and advances, deposits and contingencies relating to GoPb and its related entities and loans disbursed against GoPb guarantees amounted to Rs. 35,710,375 thousand (2014: Rs. 23,818,185 thousand), Rs.170,215,660 thousand (2014: Rs. 146,442,712 thousand), Rs. 4,051,764 thousand (2014: Rs. 10,277,131 thousand) and Rs. 4,140,871 thousand (2014: Rs. Nil) respectively. Further, during the year, the Bank has incurred markup expense amounted to Rs. 148,521 thousand (2014: Rs. 1,562 thousand) on subordinated loan of Rs. 2,000,000 thousand received from GoPb in year 2014.

#### 43. CAPITAL ADEQUACY

##### 43.1 Scope of application

The Bank is the only entity in the Group to which Basel framework is applicable. The Bank has only one subsidiary, Punjab Modaraba Services (Private) Limited, whose financial statements are included in the consolidated financial statements.

##### 43.2 Capital adequacy

The Basel Framework for a capital adequacy is applicable to the Bank both at the consolidated level (including the subsidiary) and on a stand alone basis. The Bank's policy is to maintain strong capital base so as to maintain, investor, creditor and market confidence and to sustain future business developments. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the SBP. The ratio compares the amount of eligible capital with the total of risk-weighted assets. The Bank monitors and reports its capital ratios under SBP rules, which ultimately determine the regulatory capital required to be maintained by Banks and DFIs.

In addition, the SBP requires that the paid up capital of locally incorporated banks should be raised to Rs. 10 billion by December 31, 2013 in a phased manner. The Bank plans to increase its paid up share capital, through right issue, to comply with the aforesaid requirement. The paid-up capital requirement (net of losses) as at December 31, 2015 is Rs.10.0 billion. The paid-up capital, reserves (net of losses) and share deposit money of the Bank amounts to Rs. 19,396,699 thousand.

The SBP requires that banks doing business in Pakistan should maintain regulatory capital for credit, market, and operational risks, the amount of which should at least be equal to 10% of their risk weighted assets. The Bank's capital adequacy ratio as at December 31, 2015 under Basel III is 10.49%.

The capital adequacy ratio of the Bank was subject to Basel III capital adequacy guidelines stipulated by the SBP through its circular BPRD Circular No. 06 of 2013 dated August 15, 2013. These instructions are effective from December 31, 2013 in a phased manner with full implementation intended by December 31, 2019. Under Basel III guidelines banks are required to maintain the following ratios on an ongoing basis.

Phase-in arrangement and full implementation of the minimum capital requirements:

No.	Ratio	Year end						As of
		2013	2014	2015	2016	2017	2018	December 2019
1	CET1	5.00%	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%
2	ADT-I	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
3	Tier-I	6.50%	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%
4	Total capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
5	CCB (consisting of CET1 only)	0.00%	0.00%	0.25%	0.65%	1.275%	1.90%	2.50%
6	Total capital plus CCB	10.00%	10.00%	10.25%	11.25%	11.875%	12.50%	12.50%

The SBP's regulatory capital as managed by the Bank is analyzed into following tiers:

- Tier I capital (CET1), which comprises of highest quality capital element and include fully paid up capital, share premium, reserve for bonus shares, general reserves and accumulated losses.
- Additional Tier I capital (ADT-I), which includes perpetual non-cumulative preference shares and its premium after all regulatory adjustments applicable on ADT-I.
- Tier II capital, which includes subordinated debt / instruments and its premium, general reserve for loan losses (up to a maximum of 1.25% of CRWA), net of tax revaluation reserves up to a maximum of 45% of the balance, exchange translation reserves after all regulatory adjustments applicable on Tier-2.
- Tier III capital, which includes short term sub-ordinated debts. This capital is solely for the purpose of meeting a proportion of the capital requirements for market risk.

Various limits are applied to elements of the capital base. Qualifying Tier II and Tier III capital cannot exceed the Tier I capital. Revaluation reserves are eligible upto 45 % for treatment as Tier II capital. There is also restriction on the amount of general reserve for loan losses upto 1.25 % of total risk weighted assets. Sub-ordinated debts cannot exceed 50 % of Tier I capital. Further tier III capital cannot exceed 250 % of Tier I capital.

The Bank calculates capital requirement as per regulatory framework, using the following approaches:

Credit risk	Standardized Approach
Market risk	Standardized Approach
Operational risk	Basic Indicator Approach

Base-III Framework enables a more risk-sensitive regulatory capital calculation to promote long term viability of the Bank.

### 43.3 Capital adequacy return

	Note	2015	2014
Rupees in '000			
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>			
1		15,551,132	15,551,132
2		7,037,882	7,037,882
3		-	-
4		(263,158)	(263,158)
5		2,291,119	2,043,361
6		-	-
7		(5,220,276)	(9,113,154)
8		-	-
9		19,396,699	15,256,063
10	43.3.1	1,845,973	1,841,555
11		17,550,726	13,414,508
<b>Additional Tier 1 (AT 1) Capital</b>			
12		-	-
13		-	-
14		-	-
15		-	-
16		-	-
17		-	-
18	43.3.2	-	59,635
19		-	-
20		-	59,635
21		17,550,726	13,354,873
<b>Tier 2 Capital</b>			
22		2,000,000	2,000,000
23		-	-
24		-	-
25		-	-
26		346,493	107,125
27		1,927,965	2,279,561
28		1,207,142	1,185,567
29		720,823	1,093,994
30		-	-
31		-	-
32		4,274,458	4,386,686
33	43.3.3	10,297	-
34		-	-
35		-	-
36		-	-
37		4,264,161	4,386,686
38		21,814,887	17,741,559
39	43.6	207,868,242	173,985,098
<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>			
40		8.44%	7.71%
41		8.44%	7.68%
42		10.49%	10.20%
43			
44			
45			
46			
47			
<b>National minimum capital requirements prescribed by SBP</b>			
48		6.00%	5.50%
49		7.50%	7.00%
50		10.25%	10.00%

### Regulatory Adjustments and Additional Information

	2015		2014
	Amount	Amounts subject to Pre-BaseI III treatment	
	Rupees in '000		
<b>43.3.1 Common Equity Tier 1 capital: Regulatory adjustments</b>			
1 Goodwill (net of related deferred tax liability)	243,112	-	79,309
2 All other intangibles (net of any associated deferred tax liability)	50,934	-	7,996
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)	192,531	965,298	726,743
5 Defined-benefit pension fund net assets	-	-	-
6 Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	22,876	-	13,244
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)	-	-	-
14 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	1,326,223	5,084,381	1,011,907
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	-	-	2,356
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	10,297	-	-
22 Total regulatory adjustments applied to CET1 (sum of 1 to 21)	<u>1,845,973</u>		<u>1,841,555</u>
<b>43.3.2 Additional Tier-1 &amp; Tier-1 Capital: regulatory adjustments</b>			
23 Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-	-	59,635
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-BaseI III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	-	-	-
29 Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-
30 Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	<u>-</u>		<u>59,635</u>
<b>43.3.3 Tier 2 Capital: regulatory adjustments</b>			
31 Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-BaseI III treatment which, during transitional period, remain subject to deduction from tier-2 capital	10,297	-	-
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)	<u>10,297</u>		<u>-</u>
<b>43.3.4 Additional Information</b>			
37 Risk weighted assets subject to pre-BaseI III treatment			
(i) Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-BaseI III Treatment)			
(ii) of which: deferred tax assets	577,594	965,298	2,906,970
(iii) of which: Defined-benefit pension fund net assets	-	-	-
(iv) 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	-	-	-
of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-	-
Amounts below the thresholds for deduction (before risk weighting)	-	-	-
38 Non-significant investments in the capital of other financial entities	-	-	-
39 Significant investments in the common stock of financial entities	-	-	-
40 Deferred tax assets arising from temporary differences (net of related tax liability)	5,809,633	6,962,051	5,197,450
41 Applicable caps on the inclusion of provisions in Tier 2	-	-	-
42 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	-	-
43 Cap on inclusion of provisions in Tier 2 under standardized approach	-	-	-
44 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-	-
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-	-

#### 43.4 Capital structure reconciliation

##### 43.4.1 Step 1

	Balance sheet of the published financial statements	Under regulatory scope of consolidation
	2015	2015
	Rupees in '000	
Cash and balances with treasury banks	26,190,481	26,190,481
Balances with other banks	4,512,033	4,512,033
Lendings to financial institutions	6,113,262	6,113,262
Investments - net	176,043,046	176,043,046
Advances - net	219,398,631	219,398,631
Operating fixed assets	6,484,312	6,484,312
Deferred tax assets - net	7,905,981	7,905,981
Other assets - net	25,635,908	25,635,908
<b>Total assets</b>	<b>472,283,654</b>	<b>472,283,654</b>
<b>Liabilities &amp; Equity</b>		
Bills payable	1,887,432	1,887,432
Borrowings	55,236,429	55,236,429
Deposits and other accounts	374,961,096	374,961,096
Sub-ordinated loan	2,000,000	2,000,000
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities - net	-	-
Other liabilities	15,520,357	15,520,357
<b>Total liabilities</b>	<b>449,605,314</b>	<b>449,605,314</b>
Share capital	22,325,856	22,325,856
Reserves	2,291,119	2,291,119
Accumulated losses	(5,220,276)	(5,220,276)
Minority Interest	-	-
Surplus on revaluation of assets - net of tax	3,281,641	3,281,641
<b>Total equity</b>	<b>22,678,340</b>	<b>22,678,340</b>
<b>Total liabilities &amp; equity</b>	<b>472,283,654</b>	<b>472,283,654</b>

#### 43.4.2 Step 2

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	2015	2015	
	Rupees in '000		
<b>Assets</b>			
Cash and balances with treasury banks	26,190,481	26,190,481	
Balances with other banks	4,512,033	4,512,033	
Lending to financial institutions	6,113,262	6,113,262	
Investments	176,043,046	176,043,046	
of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	-	-	a
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	-	-	b
of which: Mutual Funds exceeding regulatory threshold	-	-	c
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	22,876	22,876	d
of which: others (mention details)			e
Advances	219,398,631	219,398,631	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB			f
general provisions reflected in Tier 2 capital	346,493	346,493	g
Fixed Assets	6,484,312	6,484,312	
Deferred Tax Assets	7,905,981	7,905,981	
of which: DTAs that rely on future profitability excluding those arising from temporary differences	770,126	770,126	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	7,135,855	7,135,855	i
Other assets	25,635,908	25,635,908	
of which: Goodwill	243,112	243,112	j
of which: Intangibles	50,933	50,933	k
of which: Defined-benefit pension fund net assets	-	-	l
<b>Total assets</b>	<b>472,283,654</b>	<b>472,283,654</b>	
<b>Liabilities &amp; Equity</b>			
Bills payable	1,887,432	1,887,432	
Borrowings	55,236,429	55,236,429	
Deposits and other accounts	374,961,096	374,961,096	
Sub-ordinated loans	2,000,000	2,000,000	
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier 2	2,000,000	2,000,000	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	-	
of which: DTLs related to goodwill	-	-	o
of which: DTLs related to intangible assets	-	-	p
of which: DTLs related to defined pension fund net assets	-	-	q
of which: other deferred tax liabilities	-	-	r
Other liabilities	15,520,357	15,520,357	
<b>Total liabilities</b>	<b>449,605,314</b>	<b>449,605,314</b>	

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	2015	2015	
	Rupees in '000		
Share capital	22,325,856	22,325,856	
of which: amount eligible for CET1	22,325,856	22,325,856	s
of which: amount eligible for AT1	-	-	t
Reserves	2,291,119	2,291,119	
of which: portion eligible for inclusion in CET1 (provide breakup)	2,291,119	2,291,119	u
of which: portion eligible for inclusion in Tier 2			v
Unappropriated profit/ (losses)	(5,220,276)	(5,220,276)	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	3,281,641	3,281,641	
of which: Revaluation reserves on Fixed Assets	2,054,709	2,054,709	aa
of which: Unrealized Gains/Losses on AFS	1,226,932	1,226,932	
In case of Deficit on revaluation (deduction from CET1)			ab
<b>Total liabilities &amp; Equity</b>	<b>472,283,654</b>	<b>472,283,654</b>	

#### 43.4.3 Step 3

##### Common Equity Tier 1 capital (CET1): Instruments and reserves

1 Fully paid-up capital/ capital deposited with SBP	15,551,132	
2 Balance in share premium account, share deposit money and discount on issue of shares	6,774,724	(s)
3 Reserve for issue of bonus shares		
4 General/ Statutory reserves	2,291,119	(u)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge		
6 Accumulated losses	(5,220,276)	(w)
7 Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)

##### 8 CET 1 before Regulatory Adjustments

##### Common Equity Tier 1 capital: Regulatory adjustments

9 Goodwill (net of related deferred tax liability)	243,112	(j) - (o)
10 All other intangibles (net of any associated deferred tax liability)	50,933	(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)	192,531	{(h) - (r)} * x%
13 Defined-benefit pension fund net assets		{(l) - (q)} * x%
14 Reciprocal cross holdings in CET1 capital instruments	22,876	(d)
15 Cash flow hedge reserve	-	
16 Investment in own shares/ CET1 instruments	-	
17 Securitization gain on sale	-	
18 Capital shortfall of regulated subsidiaries	-	
19 Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	(ab)



	Component of regulatory capital reported by bank 2015	Source based on reference number from step 2 2015
	Rupees in '000	
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)	-	(b) - (ad) - (af)
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	1,326,224	(i)
23 Amount exceeding 15% threshold	-	
24 of which: significant investments in the common stocks of financial entities	-	
25 of which: deferred tax assets arising from temporary differences	-	
26 National specific regulatory adjustments applied to CET1 capital	-	
27 of which: Investment in TFCs of other banks exceeding the prescribed limit	-	
28 of which: Any other deduction specified by SBP (mention details)	-	
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	10,297	
30 Total regulatory adjustments applied to CET1 (sum of 9 to 29)	-	
<b>31 Common Equity Tier 1</b>	<b>17,550,726</b>	
<b>Additional Tier 1 (AT 1) Capital</b>		
32 Qualifying Additional Tier-1 instruments plus any related share premium	-	
33 of which: Classified as equity	-	(t)
34 of which: Classified as liabilities	-	(m)
35 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
36 of which: instrument issued by subsidiaries subject to phase out	-	
<b>37 AT1 before regulatory adjustments</b>		
<b>Additional Tier 1 Capital: regulatory adjustments</b>		
38 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
39 Investment in own AT1 capital instruments	-	
40 Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
41 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
42 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
43 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	

	Component of regulatory capital reported by bank	Source based on reference number from step 2
	2015	2015
	Rupees in '000	
44 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
45 Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 44)	-	
46 Additional Tier 1 capital	-	
<b>47 Additional Tier 1 capital recognized for capital adequacy</b>	-	
<b>48 Tier 1 Capital (CET1 + admissible AT1) (31+47)</b>	17,550,726	
<b>Tier 2 Capital</b>		
49 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	2,000,000	
50 Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	(n)
51 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(z)
52 of which: instruments issued by subsidiaries subject to phase out	-	
53 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	346,493	(g)
54 Revaluation Reserves	1,927,965	
55 of which: Revaluation reserves on fixed assets	1,207,142	
56 of which: Unrealized Gains/Losses on AFS	720,822	portion of (aa)
57 Foreign Exchange Translation Reserves	-	(v)
58 Undisclosed/Other Reserves (if any)	-	
<b>59 T2 before regulatory adjustments</b>	4,264,161	
<b>Tier 2 Capital: regulatory adjustments</b>		
60 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	10,297	
61 Reciprocal cross holdings in Tier 2 instruments	-	
62 Investment in own Tier 2 capital instrument	-	
63 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
64 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
65 Amount of Regulatory Adjustment applied to T2 capital (sum of 60 to 64)	-	
66 Tier 2 capital (T2)	-	
67 Tier 2 capital recognized for capital adequacy	-	
68 Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
69 Total Tier 2 capital admissible for capital adequacy	4,264,161	
<b>70 TOTAL CAPITAL (T1 + admissible T2) (48+69)</b>	21,814,887	

#### 43.5 Main features template of regulatory capital instruments

Sr. No.	Main Features	Common Shares	Sub-ordinated Loan
1	Issuer	The Bank of Punjab	The Bank of Punjab
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	BOP	BOP
3	Governing law(s) of the instrument	Capital Market Law	Relevant rules and regulations
<b>Regulatory treatment</b>			
4	Transitional Basel III rules	Common equity Tier 1	Tier 2 Capital Instruments
5	Post-transitional Basel III rules	Common equity Tier 1	Tier 2 Capital Instruments
6	Eligible at solo/ group/ group & solo	Standalone and group	Standalone and group
7	Instrument type	Common shares	Debt
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	22,551,132	2,000,000
9	Par value of instrument	PKR 10	Not applicable
10	Accounting classification	Shareholder equity	Sub-ordinated Loan
11	Original date of issuance	1990	2014
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	No maturity	07 years from date of disbursement
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates and redemption amount	Not applicable	After 5 years
16	Subsequent call dates, if applicable	Not applicable	Not applicable
<b>Coupons / dividends</b>			
17	Fixed or floating dividend/ coupon	Not applicable	Floating
18	Coupon rate and any related index/ benchmark	Not applicable	Average SBP discount rate
19	Existence of a dividend / coupon stopper	No	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Not applicable	No
23	Convertible or non-convertible	Non-convertible	May be converted subject to consent of parties and necessary regulatory approvals.
24	If convertible, conversion trigger (s)	Not applicable	At the option of issuer after 05
25	If convertible, fully or partially	Not applicable	Fully
26	If convertible, conversion rate	Not applicable	Rs. 15 per share
27	If convertible, mandatory or optional conversion	Not applicable	Optional
28	If convertible, specify instrument type convertible into	Not applicable	Ordinary shares
29	If convertible, specify issuer of instrument it converts into	Not applicable	BOP common shares
30	Write-down feature	Not applicable	Yes
31	If write-down, write-down trigger(s)	Not applicable	Not applicable
32	If write-down, full or partial	Not applicable	Not applicable
33	If write-down, permanent or temporary	Not applicable	Permanent
34	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable	Ranked inferior to all other debts of the Bank including deposits
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	Not applicable	Not applicable

#### 43.6 Risk Weighted Assets

The capital requirements for the banking group as per the major risk categories should be indicated in the manner given below:-

	Capital Requirements		Risk Weighted Assets	
	2015	2014	2015	2014
	Rupees in '000			
<b>Credit Risk</b>				
<u>On-Balance sheet</u>				
<u>Portfolios subject to standardized approach (Comprehensive)</u>				
Cash & cash equivalents	-	-	-	-
Sovereign	12,609	-	126,085	-
Public Sector entities	610,307	276,893	6,103,073	2,768,925
Banks	254,537	276,213	2,545,368	2,762,133
Corporate	8,922,732	8,614,564	89,227,317	86,145,644
Retail	2,743,282	1,247,499	27,432,817	12,474,993
Residential Mortgages	63,263	62,734	632,631	627,342
Past Due loans	807,379	907,930	8,073,793	9,079,296
Deferred Tax Assets	913,368	287,456	9,133,675	2,874,560
Operating Fixed Assets	619,027	540,282	6,190,267	5,402,816
Significant Inv (250%) Punjab Mod	1,716	-	17,162	-
Other assets	2,563,591	2,819,168	25,635,908	28,191,684
	17,511,811	15,032,739	175,118,096	150,327,393
<u>Off-Balance sheet</u>				
<u>Non-market related</u>				
Financial guarantees, acceptances, performance related	1,003,365	738,873	10,033,650	7,388,725
<u>Market related</u>				
Foreign Exchange contracts/ derivatives etc.	6,653	4,364	66,529	43,641
	1,010,018	743,237	10,100,179	7,432,366
<u>Equity Exposure Risk in the Banking Book</u>				
<u>Under simple risk weight method</u>				
Listed, Unlisted	70,414	75,023	704,139	750,226
<u>Under Internal models approach</u>				
	70,414	75,023	704,139	750,226
<b>Market Risk</b>				
<u>Capital Requirement for portfolios subject to Standardized Approach</u>				
Interest rate risk	1,591	2,667	19,888	33,343
Equity position risk	188,736	172,907	2,359,200	2,161,338
Foreign Exchange risk	10,780	3,625	134,750	45,313
	201,107	179,199	2,513,838	2,239,994
<u>Capital Requirement for portfolios subject to Basic Indicator Approach</u>				
<u>Operational Risk</u>				
<u>Capital Requirement for operational risks</u>				
	1,554,559	1,058,810	19,431,990	13,235,119
<b>Total</b>	<b>20,347,909</b>	<b>17,089,008</b>	<b>207,868,242</b>	<b>173,985,098</b>
<b>Capital Adequacy Ratios</b>				
	<b>2015</b>	<b>2015</b>	2014	2014
	<b>Required</b>	<b>Actual</b>	Required	Actual
CET1 to total RWA	6.00%	8.44%	5.50%	7.71%
Tier-1 capital to total RWA	7.50%	8.44%	7.00%	7.68%
Total capital to total RWA	10.25%	10.49%	10.00%	10.20%

#### 44. RISK MANAGEMENT

The principal risks associated with the Banking business are credit risk, market risk, liquidity risk and operational risk.

##### 44.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligations and cause the other party to incur a financial loss. The Bank manages its exposure to credit risk by pursuing credit policy approved by the Board of Directors and undertaking all lending activities in accordance with standard practices and procedures as laid down in the Credit Policy Manual. The Bank's credit process currently entails assessment of credit worthiness of potential customers, pre-sanction evaluation of credit proposal, adequacy and quality checks over collateral and examination of charge documents before disbursements. The Bank will also continue to keep its focus on expansion through diversified exposure. Further, to strengthen the portfolio and as a matter of prudence, adequate provisions against non-performing advances are accounted for in accordance with the requirements of the Prudential Regulations issued by the SBP.

##### 44.1.1 Segments by class of business

	Advances (gross)				Deposits				Contingencies and commitments			
	2015		2014		2015		2014		2015		2014	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agribusiness	7,694,514	3.07	7,992,425	4.05	13,925,870	3.71	13,658,453	3.99	-	-	-	-
Textile and spinning	53,598,444	21.41	52,827,475	26.80	2,058,506	0.55	1,979,204	0.58	4,333,441	11.60	3,230,090	8.48
Cement	4,120,492	1.65	4,279,741	2.17	645,401	0.17	537,488	0.16	2,670,574	7.15	473,570	1.24
Sugar	9,126,626	3.65	9,971,494	5.06	405,468	0.11	429,192	0.13	99,186	0.27	208,221	0.55
Financial	1,645,931	0.66	2,919,346	1.48	3,995,197	1.07	4,161,099	1.22	6,028	0.02	14,469	0.04
Construction and real estate	11,103,629	4.44	6,625,675	3.36	12,464,104	3.32	9,435,697	2.76	9,327,563	24.97	6,314,441	16.58
Oil and gas	2,262,693	0.90	2,541,999	1.29	451,328	0.12	5,882,581	1.72	859,488	2.30	1,772,103	4.65
Auto and allied	2,122,953	0.85	2,104,633	1.07	3,643,981	0.97	1,31,683	0.04	109,420	0.29	130,336	0.34
Food and allied	7,996,996	3.19	10,600,946	5.38	1,693,523	0.45	1,998,027	0.58	542,423	1.45	1,213,137	3.19
Chemical and pharmaceuticals	5,128,090	2.05	4,980,148	2.53	1,201,872	0.32	1,798,205	0.53	1,831,477	4.90	1,264,307	3.32
Fertilizers	3,983,440	1.59	3,788,684	1.92	238,427	0.06	2,090,896	0.61	565,865	1.51	1,442,956	3.79
Cable, electrical and engineering	9,316,399	3.72	8,046,126	4.08	1,442,538	0.38	2,393,791	0.70	3,539,720	9.48	2,854,202	7.49
Production and transmission of energy	5,529,316	2.21	8,081,013	4.10	254,641	0.07	425,525	0.12	1,090,632	2.92	519,351	1.36
Transport, storage and communication	6,036,160	2.41	4,910,662	2.49	1,001,325	0.27	1,159,002	0.34	215,014	0.58	1,554,007	4.08
Government:												
- Public sector enterprises	18,304,286	7.31	2,453,883	1.24	10,196,775	2.72	23,202,628	6.78	2,154,353	5.77	2,570,751	6.75
- Federal and Provincial Governments	31,028,296	12.39	21,754,560	11.04	189,226,581	50.47	160,031,502	46.75	4,948,564	13.25	10,843,764	28.47
Individuals	40,166,614	16.04	14,579,794	7.40	105,549,191	28.15	91,514,685	26.74	-	-	-	-
Trading and commerce	14,410,934	5.76	13,128,467	6.66	4,701,812	1.25	5,114,127	1.49	1,684,859	4.51	1,271,162	3.34
Services	6,394,515	2.55	4,968,705	2.52	11,151,743	2.97	6,865,577	2.01	175,698	0.47	199,801	0.52
Others	10,371,384	4.15	10,566,587	5.36	10,712,813	2.87	9,481,401	2.75	3,201,356	8.56	2,207,284	5.81
	250,341,712	100.00	197,122,363	100.00	374,961,096	100.00	342,290,763	100.00	37,355,661	100.00	38,083,952	100.00

#### 44.1.2 Segment by sector

	2015					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public Sector / Government	49,332,582	19.71	199,423,356	53.19	7,102,917	19.01
Private	201,009,130	80.29	175,537,740	46.81	30,252,744	80.99
	<u>250,341,712</u>	<u>100.00</u>	<u>374,961,096</u>	<u>100.00</u>	<u>37,355,661</u>	<u>100.00</u>

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

	2015		2014	
	Rupees in '000			
	Classified advances	Specific provision held	Classified advances	Specific provision held
Agribusiness	1,287,340	1,111,180	1,385,722	1,166,724
Textile and ginning	25,520,551	11,489,399	24,559,164	9,071,646
Cement	1,639,610	1,029,556	1,240,580	1,133,649
Sugar	1,916,552	1,402,295	936,665	344,557
Financial	1,170,090	38,675	1,074,738	9,669
Construction and real estate	2,425,746	1,939,369	2,943,015	2,270,212
Oil and gas	105,191	85,016	163,511	80,738
Auto and allied	1,997,044	1,537,993	2,004,784	1,546,715
Food and allied	3,129,497	1,716,723	2,700,709	1,402,038
Chemical and pharmaceuticals	578,307	517,672	586,838	532,985
Fertilizers	61,010	61,010	60,978	35,245
Cable, electrical and engineering	2,092,300	203,359	2,143,757	203,003
Production and transmission of energy	1,542,741	505,217	1,541,637	505,094
Transport, storage and communication	612,238	284,736	283,801	238,303
Government:				
- Public sector enterprises	-	-	-	-
- Federal and Provincial Governments	-	-	-	-
Individuals	523,695	399,898	565,632	420,865
Trading and commerce	7,643,387	4,833,138	7,858,931	4,484,273
Services	2,082,373	1,642,855	2,751,803	1,635,075
Others	2,741,623	1,798,497	2,848,188	1,621,854
	<u>57,069,295</u>	<u>30,596,588</u>	<u>55,650,453</u>	<u>26,702,645</u>
44.1.4 Details of non-performing advances and specific provisions by sector				
Public Sector / Government	-	-	-	-
Private	57,069,295	30,596,588	55,650,453	26,702,645
	<u>57,069,295</u>	<u>30,596,588</u>	<u>55,650,453</u>	<u>26,702,645</u>

#### 44.1.5 Geographical segment analysis

A geographical segment analysis has not been presented since the Bank's operations are restricted to Pakistan only.

#### 44.1.6 Credit risk - general disclosures

The Bank follows the standardized approach for its credit risk exposures, which sets out fixed risk weights corresponding to external credit rating or type of exposure, whichever is applicable.

Under standardized approach, the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. Bank utilizes, wherever available, the credit ratings assigned by the SBP recognized ECAIs, viz. PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company- Vital Information Systems), Fitch Moody's and Standard & Poors. Credit rating data for advances is obtained from recognized ECAIs and then mapped to SBP's rating grades.

##### Type of exposures & ECAIs used

Exposures	JCR-VIS	PACRA	S&P	Moody's	Fitch
Corporate	√	√			
Banks	√	√	√	√	√
Sovereigns		√			
PSEs	√	√			
SMEs	√	√			

##### Mapping to SBP rating grades

For all credit exposures, the selected ratings are translated to the standard rating grades given by the SBP. The mapping tables used for converting ECAI ratings to SBP rating grades are given below:

##### Long term ratings grades mapping

SBP rating grade	Fitch	Moody's	S & P	PACRA	JCR-VIS	ECA Scores
1	AAA	Aaa	AAA	AAA	AAA	0
	AA+	Aa1	AA+	AA+	AA+	1
	AA	Aa2	AA	AA	AA	
	AA-	Aa3	AA-	AA-	AA-	
2	A+	A1	A+	A+	A+	2
	A	A2	A	A	A	
	A-	A3	A-	A-	A-	
3	BBB+	Baa1	BBB+	BBB+	BBB+	3
	BBB	Baa2	BBB	BBB	BBB	
	BBB-	Baa3	BBB-	BBB-	BBB-	
4	BB+	Ba1	BB+	BB+	BB+	4
	BB	Ba2	BB	BB	BB	
	BB-	Ba3	BB-	BB-	BB-	
5	B+	B1	B+	B+	B+	5
	B	B2	B	B	B	6
	B-	B3	B-	B-	B-	
6	CCC+ and below	Caa1 and below	CCC+ and below	CCC+ and below	CCC+ and below	7

##### Short term rating grades mapping

SBP rating grade	Fitch	Moody's	S & P	PACRA	JCR-VIS
S1	F1	P-1	A-1+	A-1+	A-1+
S1	F1	P-1	A-1	A-1	A-1
S2	F2	P-2	A-2	A-2	A-2
S3	F3	P-3	A-3	A-3	A-3
S4	Others	Others	Others	Others	Others

#### Credit exposures subject to standardized approach

Exposures	Rating	2015			2014		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
Rupees in '000							
Corporate	1	8,718,622	(3,875,518)	4,843,104	6,672,192	(1,888,668)	4,783,524
	2	12,448,646	(15,087)	12,433,559	9,394,717	(30,186)	9,364,531
	3,4	1,049,876	(11,236)	1,038,639	1,714,246	(9,738)	1,704,508
	5,6	120,149	-	120,149	-	-	-
	Unrated-1	25,625,650	-	25,625,650	54,510,365	(2,218,603)	52,291,762
	Unrated-2	60,091,186	(11,300,195)	48,790,991	23,052,526	-	23,052,526
Bank	1	12,979,840	(587,107)	12,392,733	39,577,506	(25,830,690)	13,746,816
	2,3	133,644	-	133,644	25,539	-	25,539
	4,5	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
	Public sector enterprises in Pakistan	1	-	-	-	-	-
	2,3	-	-	-	-	-	-
	4,5	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	18,656,044	(6,449,899)	12,206,145	7,615,744	(2,077,895)	5,537,849
Sovereigns and on Government of Pakistan or Provisional Government or SBP or Cash	0	216,831,658	(21,630,213)	195,201,445	188,966,331	-	188,966,331
	1	-	-	-	-	-	-
	2	-	-	-	-	-	-
	3	-	-	-	-	-	-
	4,5	126,085	-	126,085	-	-	-
	6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
Listed equity investments	100%	684,560	-	684,560	730,649	-	730,649
Un-listed equity Investments	150%	13,051	-	13,051	13,051	-	13,051
Non performing loans	150%	17,725,460	(15,403,059)	2,322,401	18,093,570	(15,888,566)	2,205,004
	100%	6,870,226	(2,631,036)	4,239,190	8,899,968	(3,410,075)	5,489,893
	50%	1,877,022	(1,175,018)	702,004	1,954,272	(1,390,478)	563,794
Mortgage	35%	1,807,518	-	1,807,518	1,792,406	-	1,792,406
Retail	75%	45,614,780	(9,037,691)	36,577,089	19,738,047	(3,104,723)	16,633,324
Fixed assets	100%	6,190,267	-	6,190,267	5,402,816	-	5,402,816
Deferred tax assets	100%	4,556,262	-	4,556,262	6,954,595	-	6,954,595
Deferred tax assets	250%	1,830,965	-	1,830,965	1,149,824	-	1,149,824
Significant assets	250%	6,865	-	6,865	-	-	-
Others	100%	25,635,908	-	25,635,908	21,237,089	-	21,237,089
<b>Total</b>		<b>469,594,284</b>	<b>(72,116,059)</b>	<b>397,478,224</b>	<b>417,495,453</b>	<b>(55,849,622)</b>	<b>361,645,831</b>

#### 44.1.7 Credit risk: Disclosures with respect to credit risk mitigation for standardized approach

The Bank has adopted comprehensive approach of credit risk mitigation for banking book. Under this approach cash, lien on deposits, government securities, and eligible securities etc. are consolidated as eligible collateral. Where the Bank's exposure to an obligor is secured by eligible collaterals, the Bank reduces its exposure for the calculation of the capital requirement by the realizable amount of the collateral, adjusted for any applicable haircuts.

#### 44.1.7.1 Credit risk: Disclosures for portfolio subject to the standardized approach

No credit risk mitigation benefit is taken in the trading book. For each asset class, the risk weights as specified by the SBP or corresponding to the SBP rating grades are applied to the net amount for the calculation of risk weighted assets.

#### 44.1.7.2 Equity position risk in the banking book

The Bank takes proprietary equity positions for both short term and long term trading purposes. As of December 31, 2015 the composition of equity investments, is as follows:



	Held for trading	Available for sale	Total
	Rs. In '000'		
Ordinary shares (listed) - net of impairment held	89,889	1,140,039	1,229,928
Ordinary shares (un-listed) - net of impairment held	-	13,051	13,051
Preference shares - net of impairment held	-	120,149	120,149
Total	89,889	1,273,239	1,363,128

The Bank classify its equity investment portfolio in accordance with the directives of the SBP as follows:

- Investments - Held for trading
- Investments - Available for Sale
- Investments in subsidiaries

#### 44.1.8 Leverage Ratio

The State Bank of Pakistan (SBP) through its BPRD Circular No. 06 of 2013 has issued instructions regarding implementation of parallel run of leverage ratio reporting and its components from December 31, 2013 to December 31, 2017. During this period the final calibration, and any further adjustments to the definition, will be completed, with a view to set the leverage ratio as a separate capital standard on December 31, 2018. Banks are required to disclose the leverage ratio from December 31, 2015.

The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as a percentage:

$$\text{Leverage Ratio} = \text{Tier I capital (after related deductions)} / \text{Total Exposure}$$

As at December 31, 2015 the Bank's Leverage ratio stood at 3.26% which is well above the minimum requirement of 3.0%.

	2015	2014
	Rupees in '000'	
Cash and balances with treasury banks	26,190,481	23,622,411
Balances with other banks	4,512,033	2,239,170
Lendings to financial institutions	6,113,262	32,748,623
Investments - net	176,043,045	154,874,757
Advances - net	219,398,631	170,312,593
Operating fixed assets	6,484,313	5,490,121
Deferred tax assets - net	7,905,981	9,845,426
Financial Derivatives (A.1)	19,354,579	7,840,087
Other assets - net	25,635,908	21,237,087
	<b>491,638,233</b>	<b>428,210,275</b>
<b>A.1 Derivatives (On Balance sheet)</b>		
Interest Rate	-	-
Equity	-	-
Foreign Exchange and Gold	19,354,579	7,840,087
Precious Metal (except gold)	-	-
Commodities	-	-
Credit Derivatives (protection bought & sold)	-	-
Any other derivatives	-	-
<b>B. Off-Balance Sheet Items excluding derivatives</b>		
Direct Credit Substitutes	3,886,685	1,150,882
Performance-related Contingent Liabilities (i.e. Guarantees)	17,260,882	16,346,899
Trade-related Contingent Liabilities (i.e. Letter of Credits)	16,208,094	20,740,842
Lending of securities or posting of securities as collaterals	-	-
Undrawn committed facilities (which are not cancellable)	6,335,573	552,636
Unconditionally cancellable commitments	3,355,250	2,040,332
Commitments in respect of operating leases	-	-
Commitments for the acquisition of operating fixed assets	111,537	-
	<b>47,158,021</b>	<b>40,831,591</b>
<b>C. Commitments in respect of Derivatives - Off Balance Sheet Items</b> (Derivatives having negative fair value are also included)		
Interest Rate	-	-
Equity	-	-
Foreign Exchange & gold	46,734	49,642
Precious Metals (except gold)	-	-
Commodities	-	-
Credit Derivatives (protection sold and bought)	-	-
Other derivatives	-	-
	<b>46,734</b>	<b>49,642</b>
Tier-I Capital	17,550,726	13,354,873
Total Exposures (sum of A,B and C)	538,842,988	469,091,508
<b>Leverage Ratio</b>	<b>3.26%</b>	<b>2.85%</b>

#### 44.2 Market risk

Market risk is the risk that the value of 'on' or 'off' balance sheet positions will be adversely affected by movements in equity and interest rate markets, currency exchange rates and commodity prices.

The Bank is exposed to market risk primarily through its trading activities, which are centered in the Treasury and Equity Capital Markets. Market risk exposure also arises from market making, facilitation of client business and proprietary positions in equities, fixed income and interest rate products and foreign exchange, which exposes bank to interest rate risk, foreign exchange risk and equity price risk.

The Bank's market risk management structure consists of Board Risk Management Committee, ALCO, Market Risk Management Committee and independent Enterprise Risk Management Unit (ERM). Market risk is an independent risk management function that works in close partnership with the business segments to identify and monitor market risks throughout the Bank and to define market risk policies and procedures. ERM unit seeks to facilitate efficient risk/return decisions, reduce volatility in operating performance and provide transparency in reporting the Bank's market risk profile to the senior management, the Board of Directors and the SIB.

#### 44.2.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Bank is exposed to yield/interest rate risk for its investing and/or financing activities where any major fluctuation in the market interest rate/yield can affect both the value of the financial instrument as well as the profitability of the Bank. To minimize this risk the Bank's Assets and Liabilities Committee (ALCO) keeps a constant watch on the interest rate scenario in the country and on regular intervals reviews pricing mechanism for assets and liabilities of the Bank.

#### 44.2.1.1 Mismatch of interest rate sensitive assets and liabilities

	Effective yield / interest rate	2015										Non-interest bearing financial instruments
		Total	Exposed to yield/ interest risk	Rupees in '000								
		Upto 1 month	Over 1 and upto 3 months	Over 3 and upto 6 months	Over 6 months and upto 1 year	Over 1 and upto 2 years	Over 2 and upto 3 years	Over 3 and upto 5 years	Over 5 and upto 10 years	Above 10 years		
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks		1,104,702	-	-	-	-	-	-	-	-	-	25,085,779
Balances with other banks	4.27%	1,800,036	-	-	-	-	-	-	-	-	-	2,711,997
Lending to financial institutions	8.03%	3,037,107	3,076,155	-	-	-	-	-	-	-	-	-
Investments - net	9.05%	1,762,668	13,920,066	20,573,011	78,827,993	1,600,427	10,359,542	41,757,382	-	-	-	1,242,979
Advances - net	7.08%	64,598,860	154,791,951	-	-	-	-	-	-	-	-	7,820
Other assets		10,022,410	-	-	-	-	-	-	-	-	-	10,022,410
		442,279,863	171,788,172	20,573,011	78,827,993	1,600,427	10,359,542	41,757,382	-	-	-	39,070,985
<b>Liabilities</b>												
Bills payable		-	-	-	-	-	-	-	-	-	-	1,887,432
Borrowings	6.94%	42,992,735	7,843,010	3,212,970	83,923	245,000	462,026	322,106	-	-	-	74,659
Deposits and other accounts	5.09%	20,963,703	184,728,083	28,087,171	38,876,330	436,919	2,104,471	-	-	-	-	98,019,344
Sub-ordinated loan	7.43%	2,000,000	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	0.00%	-	-	-	-	-	-	-	-	-	-	-
Other liabilities		14,972,506	-	-	-	-	-	-	-	-	-	14,972,506
		449,057,463	192,571,093	31,300,141	38,960,253	681,919	1,745,075	2,566,497	322,106	-	-	114,953,941
<b>On-balance sheet gap</b>		<b>(6,777,600)</b>	<b>(20,782,921)</b>	<b>(10,727,130)</b>	<b>39,867,740)</b>	<b>918,508)</b>	<b>4,253,903)</b>	<b>7,793,045)</b>	<b>41,435,276)</b>	<b>-)</b>	<b>-)</b>	<b>(75,882,956)</b>
<b>Off-balance sheet financial instruments</b>												
Forward foreign exchange contracts		-	-	-	-	-	-	-	-	-	-	-
- purchase		12,160,726	8,168,173	1,026,756	37,207	-	-	-	-	-	-	-
- sale		9,624,791	6,763,796	434,279	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>		<b>2,535,935)</b>	<b>1,404,377)</b>	<b>592,477)</b>	<b>37,207)</b>	<b>-)</b>	<b>-)</b>	<b>-)</b>	<b>-)</b>	<b>-)</b>	<b>-)</b>	<b>-)</b>
<b>Total yield/interest risk sensitivity gap</b>		<b>7,751,312)</b>	<b>(20,281,047)</b>	<b>(10,134,653)</b>	<b>39,904,947)</b>	<b>918,508)</b>	<b>4,253,903)</b>	<b>7,793,045)</b>	<b>41,435,276)</b>	<b>-)</b>	<b>-)</b>	<b>(75,882,956)</b>
<b>Cumulative yield/interest risk sensitivity gap</b>		<b>7,751,312)</b>	<b>(12,529,735)</b>	<b>(22,664,388)</b>	<b>17,240,559)</b>	<b>18,159,067)</b>	<b>22,412,970)</b>	<b>30,206,015)</b>	<b>71,641,291)</b>	<b>71,641,291)</b>	<b>-)</b>	<b>(4,241,665)</b>

#### 44.2.2 Foreign exchange risk management

The Bank's foreign exchange exposure comprises of forward contracts, purchases of foreign bills, foreign currency cash in hand, balances with banks abroad, foreign currency placements with foreign commercial banks and foreign currency deposits. The Bank manages its foreign exchange exposure by matching foreign currency assets and liabilities. The net open position and nostro balances are managed within the statutory limits, as fixed by the SBP. Counter parties limits are also fixed to limit risk concentration.

	2015			Net foreign currency exposure
	Assets	Liabilities	Off-balance sheet items	
	Rupees in '000			
Pakistan Rupee	468,279,824	441,411,900	(2,535,935)	24,331,989
United States Dollar	3,349,544	5,720,741	845,754	(1,525,443)
Great Britain Pound	310,719	1,365,392	1,061,700	7,027
Japanese Yen	1,149	-	-	1,149
Euro	326,233	1,051,963	628,481	(97,249)
Others	16,185	55,318	-	(39,133)
	<u>472,283,654</u>	<u>449,605,314</u>	<u>-</u>	<u>22,678,340</u>

#### 44.2.3 Equity position risk

Equity position risk arises from exposure to securities that represent an ownership interest in a company in the form of ordinary shares or other equity-linked instruments. The instruments held by the Bank that would lead to this exposure include, but are not limited to, the following:

- Shares of listed and unlisted companies
- Preference shares falling on equity criteria
- Equity-based mutual funds

These investments are carried at fair market value with regular revaluations. The Bank prefers to hold long-term exposures for securities held in 'available for sale' category to avoid seasonal or cyclical downturns in the prices of such securities.

#### 44.3 Liquidity risk

44.3.1 Liquidity risk is the potential for loss to an institution arising from either its inability to meet its obligations or to fund increase in assets as they fall due without incurring unacceptable cost or losses. The Bank's ALCO is primarily responsible to ensure adequate maintenance and monitoring of liquidity and minimization of liquidity risk. The Bank manages its liquidity risk by continuous monitoring of the maturity profiles of its assets and liabilities, strengthening of its credit recovery procedures by focusing on retail and medium-sized customers and managing open positions through effective treasury operations. Allocation of funds towards various business propositions and pricing of assets and liabilities of the Bank are given significant importance.

#### 44.3.2 Maturities of assets and liabilities - based on expected maturities

	2015									
	Total	Upto 1 month	Over 1 and upto 3 months	Over 3 and upto 6 months	Over 6 months and upto 1 year	Over 1 and upto 2 years	Over 2 and upto 3 years	Over 3 and upto 5 years	Over 5 and upto 10 years	Over 10 years
Rupees in '000'										
<b>Assets</b>										
Cash and balances with treasury banks	26,190,481	26,190,481	-	-	-	-	-	-	-	-
Balances with other banks	4,512,033	4,512,033	-	-	-	-	-	-	-	-
Lendings to financial institutions	6,113,262	3,037,107	3,076,155	-	-	-	-	-	-	-
Investments - net	176,043,046	1,578,145	12,880,465	20,221,278	78,978,609	1,926,939	6,325,229	11,712,013	42,420,368	-
Advances - net	219,398,631	64,598,860	32,873,986	9,214,332	8,089,533	7,919,268	10,454,220	51,513,958	26,450,300	8,284,174
Operating fixed assets	6,484,312	29,404	58,808	88,212	176,424	352,848	352,848	705,696	1,764,240	2,955,832
Deferred tax assets - net	7,905,981	162,000	324,000	485,000	970,000	1,911,000	2,755,000	1,298,981	-	-
Other assets	25,635,908	13,936,790	124,087	67,096	11,507,935	-	-	-	-	-
	472,283,654	114,044,820	49,337,501	30,075,918	99,722,501	12,110,055	19,887,297	65,230,648	70,634,908	11,240,006
<b>Liabilities</b>										
Bills payable	1,887,432	1,887,432	-	-	-	-	-	-	-	-
Borrowings	55,236,429	43,067,394	7,843,010	3,212,970	83,923	245,000	-	462,026	322,106	-
Deposits and other accounts	374,961,096	70,806,475	63,469,201	53,479,612	65,626,595	24,272,247	25,105,209	25,596,626	23,302,569	23,302,562
Sub-ordinated loan	2,000,000	-	-	-	-	-	-	-	2,000,000	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	15,520,357	5,026,351	18,140	588,986	201,004	1,928,762	1,040,074	6,717,040	-	-
	449,605,314	120,787,652	71,330,351	57,281,568	65,911,522	26,446,009	26,145,283	32,775,692	25,624,675	23,302,562
<b>Net assets</b>	22,678,340	(6,742,832)	(21,992,850)	(27,205,650)	33,810,979	(14,335,954)	(6,257,986)	32,454,956	45,010,233	(12,062,556)
Share capital	15,551,132									
Discount on issue of shares	(263,158)									
Reserves	2,329,001									
Share deposit money	7,000,000									
Accumulated losses	(5,220,276)									
Surplus on revaluation of assets - net of tax	19,396,699									
	3,281,641									
	22,678,340									

44.3.3 Deposit account without contractual maturities have been classified by taking into account historical trend of their withdrawal pattern, which shows that 15% of such deposits mature in each of the first two categories mentioned above and 10% mature in each of the remaining seven categories.

44.3.4 Maturities of assets and liabilities - based on contractual maturities

	2015									
	Total	Upto 1 month	Over 1 and upto 3 months	Over 3 and upto 6 months	Over 6 months and upto 1 year	Over 1 and upto 2 years	Over 2 and upto 3 years	Over 3 and upto 5 years	Over 5 and upto 10 years	Over 10 years
<b>Assets</b>										
Cash and balances with treasury banks	26,190,481	26,190,481	-	-	-	-	-	-	-	-
Balances with other banks	4,512,033	4,512,033	-	-	-	-	-	-	-	-
Lendings to financial institutions	6,113,262	3,037,107	3,076,155	-	-	-	-	-	-	-
Investments - net	176,043,046	1,578,145	12,880,465	20,221,278	78,978,609	1,926,939	6,325,229	11,712,013	42,420,368	-
Advances - net	219,398,631	64,598,860	32,873,986	9,214,332	8,089,533	7,919,268	10,454,220	51,513,958	26,450,300	8,284,174
Operating fixed assets	6,484,312	29,404	58,808	88,212	176,424	352,848	352,848	705,696	1,764,240	2,955,832
Deferred tax assets - net	7,905,981	162,000	324,000	485,000	970,000	1,911,000	2,755,000	1,298,981	-	-
Other assets	25,635,908	13,936,790	124,087	67,096	11,507,935	-	-	-	-	-
	472,283,654	114,044,820	49,337,501	30,075,918	99,722,501	12,110,055	19,887,297	65,230,648	70,634,908	11,240,006
<b>Liabilities</b>										
Bills payable	1,887,432	1,887,432	-	-	-	-	-	-	-	-
Borrowings	55,236,429	43,067,394	7,843,010	3,212,970	83,923	245,000	-	462,026	322,106	-
Deposits and other accounts	374,961,096	268,878,294	28,515,350	30,177,045	42,324,028	969,680	1,802,642	2,294,057	-	-
Sub-ordinated loan	2,000,000	-	-	-	-	-	-	-	2,000,000	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	15,520,357	5,026,351	18,140	588,986	201,004	1,928,762	1,040,074	6,717,040	-	-
	449,605,314	318,859,471	36,376,500	33,979,001	42,608,955	3,143,442	2,842,716	9,473,123	2,322,106	-
<b>Net assets</b>	22,678,340	(204,814,651)	12,961,001	(3,903,083)	57,113,546	8,966,613	17,044,581	55,757,525	68,312,802	11,240,006
Share capital	15,551,132									
Discount on issue of shares	(263,158)									
Reserves	2,329,001									
Share deposit money	7,000,000									
Accumulated losses	(5,220,276)									
	19,396,699									
Surplus on revaluation of assets - net of tax	3,281,641									
	22,678,340									

#### 44.4 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage operational risk. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and appraisal procedures, including the use of internal audit. The Group has established a comprehensive business continuity plan to deal with the risk of financial loss and damage to reputation arising from operational risk factors.

#### 45 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on May 06, 2016 by the Board of Directors of the Bank.

#### 46 GENERAL

46.1 These consolidated financial statements have been prepared in accordance with the revised forms of annual financial statements of commercial banks issued by SBP vide BSD Circular No. 04 dated 17 February 2006 and other circulars issued from time to time.

46.2 Figures have been rounded off to the nearest thousand rupees.

46.3 Corresponding figures have been re-arranged and re-classified wherever necessary, for the purpose of comparison. However no significant reclassification has been made.

Chairman

President

Director

Director

## Islamic Banking Business

Annexure I

The Bank has started Islamic banking operations in the year 2013. As at close of the December 31, 2015, 48 Islamic banking branches (2014: 37 Islamic banking branches) were operating.

### Statement of Financial Position

as at December 31, 2015

	Note	2015	2014
Rupees in '000'			
<b>ASSETS</b>			
Cash and balances with treasury banks		1,201,923	869,772
Balances with other banks		1,217,344	150,225
Due from financial institutions		500,000	4,029,000
Investments		5,629,443	1,627,737
Islamic financing and related services	A-I.1	4,547,562	1,599,074
Operating fixed assets		214,912	100,407
Deferred tax assets		-	-
Other assets		436,476	125,329
<b>TOTAL ASSETS</b>		<b>13,747,660</b>	<b>8,501,544</b>
<b>LIABILITIES</b>			
Bills payable		46,533	63,129
Due to financial institutions		-	264
Deposit and other accounts			
- Current accounts		4,709,967	3,250,964
- Saving accounts		6,477,449	3,916,827
- Term deposits		957,062	284,189
- Others		165,364	129,835
- Deposits from financial institutions - remunerative		-	-
- Deposits from financial institutions - non-remunerative		-	-
Due to head office		433,058	275,970
Other liabilities		348,040	28,781
		<b>13,137,473</b>	<b>7,949,959</b>
<b>NET ASSETS</b>		<b>610,187</b>	<b>551,585</b>
<b>REPRESENTED BY</b>			
Islamic banking fund		500,000	500,000
Reserves		-	-
Unappropriated profit		109,629	55,436
		<b>609,629</b>	<b>555,436</b>
Surplus on revaluation of assets		558	(3,851)
		<b>610,187</b>	<b>551,585</b>
Remuneration to shariah advisor / board		2,807	2,054
<b>CHARITY FUND</b>			
Opening balance		-	19
Additions during the year		3,318	1
Payments / utilization during the year		(1,447)	(20)
Closing balance		<b>1,871</b>	<b>-</b>

## Islamic Banking Business-Profit and Loss Account for the year ended December 31, 2015

Annexure I

	2015	2014
	Rupees in '000'	
<b>Profit/return earned on financing, investment and placements</b>	735,760	266,747
<b>Return on deposits and other dues expensed</b>	238,396	81,147
<b>Net spread earned</b>	497,364	185,600
Provision against non-performing advances	-	-
Provision against consumer financings	-	-
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	-	-
Income after provisions	497,364	185,600
<b>Other Income</b>		
Fee, commission and brokerage income	28,384	17,997
Dividend income	-	-
(Loss) / Income from dealing in foreign currencies	(455)	132
Gain on sale and redemption of securities	-	-
Unrealized (loss) / gain on revaluation of investments classified as held for trading	-	-
Other income	39,130	31,662
Total other income	67,059	49,791
	564,423	235,391
<b>Other expenses</b>		
Administrative expenses	510,213	193,050
Other provisions / write offs / reversals	-	-
Other charges	17	-
Total other expenses	510,230	193,050
	54,193	42,341
Extra ordinary / unusual items	-	-
<b>Profit before taxation</b>	54,193	42,341



## Islamic Banking Business-Cash Flow Statement for the year ended December 31, 2015

Annexure I

	2015	2014
	Rupees in '000'	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	54,193	42,341
Less: Dividend income	-	-
	54,193	42,341
Adjustments for:		
Depreciation / amortization - own assets	41,260	12,977
Depreciation on ijarah assets under IFAS - 2	56,670	28,219
Amortization of (discount) / premium on Government securities	37,344	3,237
Unrealized loss on revaluation of investments classified as held for trading	-	-
Provision / (Reversal of provision) against non-performing loans and advances - net	-	-
Bad debts written-off directly	-	-
Provision for diminution in the value of investments - net	-	-
(Reversal) / Charge of provision against other assets	-	-
Provision against off balance sheet obligations	-	-
Net profit on sale of property and equipment	-	-
Gain on sale and redemption of securities - net	-	-
Finance charges on leased assets	-	-
	135,274	44,433
	189,467	86,774
(Increase) / Decrease in operating assets:		
Lendings to financial institutions	3,529,000	(3,552,000)
Net investments in held for trading securities	-	-
Advances - net	(3,005,158)	(1,242,293)
Others assets - net	(311,147)	(85,129)
	212,695	(4,879,422)
Increase / (Decrease) in operating liabilities:		
Bills Payable	(16,596)	61,707
Borrowings	-	-
Deposits and other accounts	4,728,027	6,475,328
Other liabilities	476,347	189,402
	5,187,778	6,726,437
	5,589,940	1,933,789
Income tax paid	-	-
Net cash flow from operating activities	5,589,940	1,933,789
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	(4,034,641)	(1,008,382)
Net investments in held to maturity securities	-	-
Dividends received	-	-
Investments in operating fixed assets	(155,765)	(82,166)
Sale proceeds of property and equipment disposed-off	-	-
Net cash used in investing activities	(4,190,406)	(1,090,548)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of lease obligations	-	-
Net cash flow from financing activities	-	-
Net increase in cash and cash equivalents	1,399,534	843,241
Cash and cash equivalents at beginning of the year	1,019,733	176,492
Cash and cash equivalents at end of the year	2,419,267	1,019,733

## Notes to the Annexure I

Annexure I

	2015	2014
	Rupees in '000'	
<b>A-I.1 Islamic financing and related assets</b>		
Against murabaha	1,161,148	180,439
Against diminishing musharaka	2,709,553	1,009,628
Against ijarah	393,861	409,007
Against Istisna	283,000	-
	<b>4,547,562</b>	<b>1,599,074</b>
<b>A-I.1.1 Islamic mode of financing</b>		
Financings/Investments/Receivables	2,841,280	633,744
Advances	1,694,282	965,330
Assets/Inventories	12,000	-
	<b>4,547,562</b>	<b>1,599,074</b>
<b>A-I.1.2 Against murabaha</b>		
Financings/Investments/Receivables	1,055,148	173,439
Advances	106,000	7,000
Assets/Inventories	-	-
	<b>1,161,148</b>	<b>180,439</b>
<b>A-I.1.3 Diminishing musharakah</b>		
Financings/Investments/Receivables	1,284,352	242,745
Advances	1,425,201	766,883
Assets/Inventories	-	-
	<b>2,709,553</b>	<b>1,009,628</b>
<b>A-I.1.4 Against ijarah</b>		
Financings/Investments/Receivables	230,780	217,559
Advances	163,081	191,447
Assets/Inventories	-	-
	<b>393,861</b>	<b>409,006</b>
<b>A-I.1.5 Against Istisna</b>		
Financings/Investments/Receivables	271,000	-
Advances	-	-
Assets/Inventories	12,000	-
	<b>283,000</b>	<b>-</b>

**A-I.2** BOP TAQWA Islamic Banking Division is maintaining a following pools for profit declaration and distribution.

- i) General Pool
- ii) Special Pool-I
- iii) Special Pool-II

#### A-1.2.1 a) General Pool

The General Pool comprises of depositor's funds, Equity inclusive of Current Account Holders and Mudaraba Placements from BOP Head Office. The Bank acts as Manager (Mudarib) and invests the funds in Shariah Compliant modes of financings, Investments and Placements. The profit of the Pool is calculated on all the remunerative assets booked by the Bank and is shared amongst the members of the pool on pre-defined mechanism based on weightages announced before the profit calculation period.

The distributable profit of the pool is finalized after deduction of direct expenses only while indirect expenses including administrative and general expenses are borne by BOP-IBD as Mudarib.

#### b) Weightages for distribution of profit in general pool

Profit is calculated on daily product basis and paid as per pre defined weightages.

While considering weightages emphasis is given to the quantum, type and the period of risk assessed by following factors:

- Contracted period, nature and type of deposit/ fund
- Payment cycle of profit on such deposit/ fund, i.e. monthly, quarterly or on maturity
- Magnitude of risk

#### c) Identification and allocation of pool related income & expenses

The distributable profit of the pool is finalized after deduction of direct expenses only while indirect expenses including administrative and general expenses are borne by BOP-IBD as Mudarib.

#### d) Parameters associated with risk and rewards

Following are the consideration attached with risk & reward of general pool:

- Period, return, safety, security and liquidity of investment
- Financing proposals under process at various stages and likely to be extended in the near future.
- Expected withdrawals of deposits according to the maturities affecting the deposit base.
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah compliant organizations as regulated in Pakistan.
- Element of Risk attached to various types of investments.
- SBP rules & Shariah Clearance.

#### A-1.2.2 a) Special Pool I & Special Pool II

The Special Pools comprises of depositor's funds and Bank's Participation as Equity. The Bank acts as Manager (Mudarib) and invests the funds in Shariah Compliant modes of financings, Investments and Placements. The profit of the Pool is calculated on all the remunerative assets booked by the Bank and is shared amongst the members of the pool on pre-defined mechanism based on weightages announced before the profit calculation period.

The distributable profit of the pool is finalized after deduction of direct expenses only while indirect expenses including administrative and general expenses are borne by BOP-TAQWA as Mudarib.

#### b) Weightages for distribution of profit in general pool

Profit is calculated on daily product basis and paid as per pre defined weightages.

While considering weightages emphasis is given to the quantum, type and the period of risk assessed by following factors:

- Contracted period, nature and type of deposit/ fund.
- Payment cycle of profit on such deposit/ fund, i.e. monthly, quarterly or on maturity
- Magnitude of risk

#### c) Identification and allocation of pool related income & expenses

The distributable profit of the pool is finalized after deduction of direct expenses only while indirect expenses including administrative and general expenses are borne by BOP-IBD as Mudarib.

**d) Parameters associated with risk and rewards**

Following are the consideration attached with risk & reward of general pool:

- Period, return, safety, security and liquidity of investment
- Financing proposals under process at various stages and likely to be extended in the near future.
- Expected withdrawals of deposits according to the maturities affecting the deposit base.
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah compliant organizations as regulated in Pakistan.
- Element of Risk attached to various types of investments.
- SBP rules & Shariah Clearance.

**A-I.3 Avenues / Sectors of economy/business where Mudaraba based deposits have been deployed:**

	2015	2014
	Rupees in '000'	
Federal and provincial governments	792,000	126,000
Due from GOP-Bai Muajjal	5,791,920	-
GOP jara sukuk	125,558	1,621,149
Transport, storage, logistics and communication	426,109	472,529
Manufacturing and Trading of food items	37,000	21,312
Manufacture of pesticides and other agro-chemical product	4,500	20,128
Power Generation	1,783,024	737,423
Manufacture of paper, paperboard and products thereof	150,000	150,000
Consumer Car Ijarah	7,500	10,257
Others	3,064,773	4,240,650
	<b>12,182,384</b>	<b>7,399,448</b>

**A-I.4 Charging expenses**

The direct expenses are being charged to the pool, while indirect expenses including the establishment cost is being borne by BOP IBD as Mudarib. The direct expenses to be charged to the pool may include cost of sales of inventories, insurance / Takaful expenses of pool assets, stamp fee or documentation charges, brokerage fee for purchase of securities/commodities etc.

**Provisions**

No provision was made in the year 2015.

**A-I.5 Mudarib share (in amount and percentage of distributable income):**

	2015		2014	
	Rupees in '000'	Percentage %	Rupees in '000'	Percentage %
Rabbul Mal	221,279	58%	74,156	68%
Mudarib	160,107	42%	35,542	32%
Distributable income	<b>381,386</b>	<b>100%</b>	<b>109,698</b>	<b>100%</b>

**A-I.6 Amount & percentage of mudarib share transferred to depositors through Hiba:**

	2015	2014
	Rupees in '000'	
Mudarib share	160,107	35,542
Hiba	74,616	8,337
Hiba percentage of mudarib share	46.60%	23.46%

This is not a special Hiba as such. This Hiba has been distributed across the board to all the investment account holders.

**Profit rate earned vs profit rate distributed to the depositors during the year:**

	2015	2014
Profit rate earned	7.91%	9.39%
Profit rates distributed to depositors	4.14%	5.09%

1 Ordinary shares / certificates of listed companies and modarabas

Name of company/modaraba	Number of shares		Cost		Market Value		Rating (where available)	
	2015	2014	2015	2014	2015	2014	2015	2014
			Rupees in '000		Rupees in '000			
Held for trading:								
Ademjee Insurance Company Limited	-	200,000	-	10,125	-	9,892	-	A
Allied Bank Limited	210,000	35,000	21,173	3,971	19,795	3,975	AA+A1+	AA+A1+
Attock Refinery Limited	-	10,000	-	1,975	-	1,877	-	AA+A1+
Nisbat Mills Limited	160,000	-	16,015	-	15,179	-	AA+A1+	-
Hum Network Limited	3,000,000	-	44,977	-	39,420	-	A+A1	-
Engro Corporation Limited	-	25,000	-	5,512	-	5,538	-	AA-A1+
Fayzal Bank Limited	-	50,000	-	900	-	910	-	AA+A1+
Pakistan State Oil Company Limited	-	25,000	-	9,129	-	8,948	-	AA-A1+
United Bank Limited	100,000	80,000	16,246	14,320	15,495	14,138	AA+A-1+	AA+A-1+
			98,411	45,932	89,889	45,278		
<b>Available for sale:</b>								
(Colony) Sarhad Textile Mills Limited	70,500	70,500	16	16	-	-	-	-
Aboullah Shah Ghazi Sugar Mills Limited	5,559,627	5,559,627	28,079	28,079	55,596	59,432	-	-
Accord Textile Mills Limited	98,000	98,000	59	59	-	-	-	-
Agriotech Limited	9,010,917	9,010,917	315,381	315,381	84,252	69,834	D	D
Al-Abid Silk Mills Limited	46,341	243,841	1,930	10,158	933	2,926	-	-
Allied Bank Limited	2,000,000	2,000,000	220,000	220,000	188,520	227,160	AA+A1+	AA+A1+
Amazal Textile Mills Limited	4,500	4,500	2	2	-	-	-	-
Asim Textile Mills Limited	109,000	109,000	283	283	665	1,134	-	-
Askari Bank Limited	575,000	-	12,865	-	12,501	-	AA-A1+	-
Attock Refinery Limited	-	80,000	-	17,023	-	15,022	-	AA+A1+
Baluchistan Particle Board Limited	167,500	167,500	184	184	-	-	-	-
Burshane LPG (Pakistan) Limited	230,000	230,000	11,166	11,166	18,009	13,970	-	-
Crescent Fibers Limited	-	371	-	5	-	12	-	-
Crescent Jute Products Limited	165,000	200,000	206	250	507	816	-	-
Dadabhoj Construction Technology Limited	15,000	15,000	26	26	-	-	-	-
Data Textile Limited	50,000	50,000	21	21	25	25	-	-
Emco Industries Limited	-	45,000	-	200	-	182	-	-
English Leasing Limited	151,339	151,339	168	168	-	-	-	-
Engro Corporation Limited	125,000	-	40,311	-	34,924	-	AA+A1+	-
Engro Foods Limited	75,000	-	11,330	-	10,994	-	A+	-
Engro Fertilizer Limited	270,000	-	24,991	-	22,715	-	AA-A1+	-
Fateh Industries Limited	4,900	4,900	29	29	-	-	-	-
Fateh Textile Mills Limited	4,975	4,975	1,741	1,741	-	-	-	-
Fauji Fertilizer Bin Oasis	600,000	-	35,552	-	31,608	-	-	-
Fauji Fertilizer Company Limited	490,000	-	62,995	-	57,810	-	-	-
Fazal Textile Mills Limited	191	98	39	39	26	59	-	-
Globe Textile Mills Limited	14,500	14,500	239	239	-	-	-	-
Gulistan Spinning Mills Limited	277,500	277,500	2,067	2,067	611	708	-	-
Gulistan Textile Mills Limited	470,000	470,000	11,537	11,650	-	7,050	-	-
Habib Bank Limited	20,000	-	4,104	-	4,002	-	AAA-A1+	-
Habib Metropolitan Bank Limited	714,000	400,021	25,624	15,180	21,756	14,921	AA+, A1+	-
Hajra Textile Mills Limited	90,000	90,000	57	57	-	-	-	-
Halkirn Textile Mills Limited	55,500	55,500	49	49	-	-	-	-
Hashmi Can Company Limited	34,500	34,500	207	207	-	-	-	-
			811,258	634,280	545,454	413,251		

Balc/f

Name of company/modaraba	Number of shares		Bab/f	Cost		Market Value		Rating (where available)	
	2015	2014		2015	2014	2015	2014	2015	2014
Ittefaq Textile Mills Limited	35,500	35,500		811,258	634,280	545,454	413,251	-	-
J. A. Textile Mills Limited	434	17,435		34	48	2	103	-	-
Javed Omer Vohra And Company Limited	361,097	361,097		2,820	2,820	-	-	-	-
Kaytex (Saleem Denim Industries Limited)	34,700	34,700		35	35	-	-	-	-
Lafarge Pakistan Cement Limited	1,800,000	1,800,000		-	30,050	-	31,230	-	-
Leiner Pak Gelatine Limited	4,837	4,837		121	121	-	-	-	-
Lucky Cement Limited	60,000	-		30,842	-	29,702	-	-	-
MCB Bank Limited	100,000	-		22,571	-	21,685	-	AAA, A1+	-
Medi Glass Limited	63,000	-		43	43	-	-	-	-
Mirpurkhas Sugar Mills Limited	-	-		-	-	-	-	-	-
Moonlite (Pak) Limited	20,500	20,500		211	227	-	451	-	-
National Bank Of Pakistan Limited	325,000	325,000		-	21,423	-	22,575	AAA, A-1+	AAA, A-1+
Nishat Chunian Power Limited	670,000	670,000		10,958	34,114	10,349	33,199	A+ A-2	A- A-2
Nishat Mills Limited	150,000	-		16,607	-	14,231	-	AAA, A1+	-
Nishat Power Limited	654,000	-		38,452	-	35,107	-	A+ A1	-
National Refinery Limited	133,500	133,500		-	31,045	-	24,677	AA+ A1+	AA+ A1+
Oil & Gas Development Company Limited	737,000	90,100		102,160	20,913	86,480	18,549	AAA, A-1+	AAA, A-1+
Pakgen Power Limited	-	2,613,000		-	59,453	-	70,629	AA, A1+	AA, A1+
Pak Elektron Limited	525,000	-		37,941	-	32,834	-	A, A1	-
Pak Ghee Industries Limited	12,500	12,500		2	2	-	-	-	-
Pak Petroleum Limited	20,000	20,000		-	3,740	-	3,530	-	-
Pakistan Oilfield Limited	11,850	11,850		-	4,822	-	4,495	-	-
Pakistan Reinsurance Company Limited	-	-		22,578	-	22,256	-	AA	-
Pakistan Services Limited	26	26		3	3	14	13	-	-
Pakistan Telecommunication Company Limited	1,281,500	-		24,454	-	21,132	-	-	-
Pakistan Tobacco Company Limited	300	300		33	33	334	318	-	-
Pangro Sugar Mills Limited	100,365	100,365		602	602	289	302	-	-
Redco Textiles Limited	167,500	167,500		-	159	-	752	-	-
Ruby Textile Mills Limited	-	169		-	2	-	1	-	-
Saudi Pak Leasing Company Limited	-	885		-	1	-	2	-	-
Service Industries Textile Limited	35,000	35,000		26	26	-	-	-	-
Service Fabrics Limited	289,000	289,000		72	72	-	-	-	-
Service Industries Limited	17,000	17,000		405	5,285	1,105	16,568	-	-
Shahpur Textile Mills Limited	74,900	74,900		22	22	13	13	-	-
Shantaj Sugar Mills Limited	166,546	166,546		13,157	13,157	11,293	12,086	-	-
Shakerganj Mills Limited	-	143		-	1	-	2	-	-
Siemens (Pakistan) Engineering Company Limited	183,201	193,021		247,159	260,408	164,881	215,139	-	-
Siftag International Limited	23,500	23,500		24	24	-	-	-	-
Sindh Fine Textile Mills Limited	16,500	16,500		-	148	-	-	-	-
Sunshine Cloth Limited	94,300	94,300		29	29	-	-	-	-
Soneri Bank Limited	-	201		-	1	-	2	-	AA-, A1+
Sui Southern Gas Company Limited	125,000	-		5,231	-	4,669	-	-	-
Sunshine Cotton Mills Limited	91,500	91,500		139	139	-	-	-	-
Taj Textile Mills Limited	301,500	301,500		80	80	98	105	-	-
Tristar Polyester Limited	70,063	70,063		6	6	2	2	-	-
Trust Modaraba	500	500		82,269	130,570	80,574	145,839	-	AA+, A-1+
United Bank Limited	520,000	825,000		39,968	39,967	30,078	34,803	-	-
Zephyr Textiles Limited	4,296,556	4,296,556		1,510,314	1,293,905	1,112,582	1,048,636	-	-
				1,608,725	1,339,837	1,202,471	1,093,914		

Note: Shares of companies with cost of Rs. Nil (2014: Nil) and having delisted status, have not been presented.

## 2 Preference shares of listed companies

Particulars	Number of shares		Name of company	Nominal value per share	Profit rate per annum	Nominal value per share	Cost		Market Value		Rating (where available)	
	2015	2014					2015	2014	2015	2014	2015	2014
	1,545,397	1,545,397	Azgard Nine Limited	10	Fixed dividend at 8.95% per annum to be declared within 3-months of close of financial year on a cumulative basis.	10	15,454	-	-	-	-	-
	-	8,263,509	Pak Elektron Limited	10	Fixed dividend of 9.50% per annum payable if and when declared by the Company on a cumulative basis	10	80,000	-	40,000	-	-	-
	7,500,000	7,500,000	Shakarganj Mills Limited	10	Preferred right of dividend at 8.50% per annum on a cumulative basis.	10	75,000	22,650	22,650	-	-	-
	32,499,661	32,499,661	Agritech Limited*	10	Fixed dividend of 1.00% per annum on annual basis by the company on a cumulative basis.	10	324,997	97,499	162,499	-	-	-
							495,451	120,149	225,149	-	-	-

\* Strategic Investment

Other particulars of preference shares are as follows:

Particulars	Nominal value per share	Profit rate per annum	Name of company	Nominal value per share	Profit rate per annum	Redemption terms	Cost		Break up Value		Rating (where available)	
							2015	2014	2015	2014	2015	2014
Azgard Nine Limited	10	Fixed dividend at 8.95% per annum to be declared within 3-months of close of financial year on a cumulative basis.		10	Fixed dividend at 8.95% per annum to be declared within 3-months of close of financial year on a cumulative basis.	50% of the issue amount at the end of 5th year of issuance/ allotment and remaining 50% at the end of 6th year subject to the provisions of Section 85 of the Companies Ordinance, 1984.	15,454	-	-	-	-	-
Pak Elektron Limited (PEL)	10	Fixed dividend of 9.50% per annum payable if and when declared by the Company on a cumulative basis		10	Fixed dividend of 9.50% per annum payable if and when declared by the Company on a cumulative basis	Call option subject to maximum of 75% of the total issue within 90 days from the end of each financial year commencing from 3rd year and ending on 5th year and 100% of the issue size within 90 days of the end of each financial year commencing from 5th year by giving a notice of 30 days. 25% investment convertible at the option of investor exercisable after the 5th year in accordance with the formula mentioned in the prospectus.	80,000	-	40,000	-	-	-
Shakarganj Mills Limited	10	Preferred right of dividend at 8.50% per annum on a cumulative basis.		10	Preferred right of dividend at 8.50% per annum on a cumulative basis.	Principal will be redeemed at the end of 5th year from the issue date. Conversion option is exercisable at the end of every financial year from the date of issue at the option of holder in whole or in part or convertible by the Company in whole or in part through tender. Conversion is set in the ratio of 167 ordinary shares for every 1,000 preference shares at face value of Rs. 10 each.	75,000	22,650	22,650	-	-	-
Agritech Limited	10	Fixed dividend of 1.00% per annum on annual basis by the company on a cumulative basis.		10	Fixed dividend of 1.00% per annum on annual basis by the company on a cumulative basis.	The company will have the option to redeem the preference shares in full or in part with in ninety days after the expiry of the each anniversary of the completion date by giving at least thirty days notice. Preference shares can be converted in to ordinary shares from the fifth anniversary of the completion date.	324,997	97,499	162,499	-	-	-
							495,451	120,149	225,149	-	-	-

## 3 Ordinary shares of unlisted company

Particulars	Nominal value per share	Profit rate per annum	Name of company	Nominal value per share	Profit rate per annum	Redemption terms	Cost		Break up Value		Rating (where available)	
							2015	2014	2015	2014	2015	2014
	2,000,000	2,000,000	Bank Al Baraka (Formerly: Emirates Global Islamic Bank) (Chief Executive Officer: Shaifqat Ahmed)	10	Fixed dividend of 1.00% per annum on annual basis by the company on a cumulative basis.	50% of the issue amount at the end of 5th year of issuance/ allotment and remaining 50% at the end of 6th year subject to the provisions of Section 85 of the Companies Ordinance, 1984.	25,000	13,051	13,051	-	-	-

4 Mutual funds units

Name of fund	Number of Units		Cost	Market Value		Rating (where available)
	2015	2014		2015	2014	
<b>Open ended mutual funds</b>						
United Growth & Income Fund (Income)	3,506,071		294,234	-	290,481	BBB+(f)
IGI Aggressive Income Fund	1,973,884		79,568	-	85,194	A-(f)
			373,802	-	375,675	

5 Listed term finance certificates

Name of company/modaraba	Nominal value per certificate	Number of certificates		Cost	Market Value		Rating (where available)
		2015	2014		2015	2014	
Askari Bank Limited - 3rd issue	5	10,000		49,900	-	48,939	AA-
Askari Bank Limited - 5th issue	5	60,000		300,000	299,223	300,000	AA-
Azgard Nine Limited (TFC - II)	5	7,369		10,362	-	-	D
NIB Bank Limited	5	50,000		249,950	247,351	246,409	A+
Summit Bank Limited	5	1,000		4,342	4,471	3,392	A(SO)
Bank Al-Falah Limited	5	14,200		71,641	72,936	71,305	AA-
Engro Fertilizer Limited	5	5,000		17,946	-	17,046	AA
Jahangir Siddiqui & Company Limited	5	5,500		24,062	21,581	24,821	AA+
World Call Telecom Limited	5	5,000		6,986	-	-	-
				664,623	645,562	711,912	

Other particulars of listed TFCs are as follows:

Particulars	Mark-up rate per annum	Mark-up payment	Redemption terms
Askari Bank Limited - 3rd issue	6 months KIBOR + 2.50 % without any floor or cap	Semi-annually	0.32% of principal in the first 96 months and remaining principal in four equal semi-annual instalment of 24.92% each starting from the 102nd from issue date.
Askari Bank Limited - 5th issue	6 months KIBOR + 1.20%	Semi-annually	Eighteen semi annual instalments of Rs.60,000 and remaining principal in two semi annual instalments.
Azgard Nine Limited (TFC - II)	6 months KIBOR + 1.25 %	Semi-annually	In nine unequal semi-annual instalments starting from September 20, 2013 and ending on September 20, 2017.
NIB Bank Limited	6 months KIBOR + 1.15 % without any floor or cap.	Semi-annually	15 equal semi annual instalments of 0.02% of the first 90 months followed by remaining 99.70% on maturity at the end of the 96th month.
Summit Bank Limited	6 months KIBOR + 3.25%	Semi-annually	Thirteen semi annual instalments of Rs.1,154 and remaining principal in onesemi annual instalment.



Particulars	Mark-up payment	Redemption terms
Bank Al-Falah Limited	Semi-annually	Fifteen semi annual installments of Rs.14,200 and remaining principal in onesemi annual installment
Engro Fertilizer Limited	Semi-annually	0.40% of principal in the first 72th month and remaining principal in two equal semi-annual installments of 30% each starting from 78th month from the issue date.
Jahangir Siddiqui & Company Limited	Semi-annually	TFC has a tenor of six years i.e 2007-2013 with a call option exercisable by the company any time after one year on a coupon date by giving 30 days notice at a premium of 1.00% on the outstanding face value.
World Call Telecom Limited	Semi-annually	Principal repayments of PKR 547,910,302/- each on October 07, 2014; April 07, 2015; and October 07, 2015.

6 Unlisted term finance certificates

Particulars	Nominal value per certificate	Number of certificates		Name of company	Cost		Carrying Value		Rating (where available)	
		2015	2014		2015	2014	2015	2014		
		Rupees in '000'			Rupees in '000'		Rupees in '000'			
293,000	5	293,000	5	Agritech Limited - PPTFC	1,430,767	-	-	-	D	D
8,516	5	8,516	5	Agritech Limited - Sukuk	38,449	-	-	-	D	D
32,000	5	32,000	5	Arzoo Textile Mills Limited	160,000	-	-	-	-	-
106,000	5	106,000	5	Azgard Nine Limited TFC-IV	229,798	-	-	-	D	D
36,428	5	36,428	5	Azgard Nine Limited PPTFC-VI	182,140	-	-	-	D	D
10,000	5	10,000	5	Bank Al-Falah Limited	49,880	-	49,900	-	AA-	AA-
80,000	5	80,000	5	Eden Housing (Sukuk)	46,502	-	46,502	-	-	-
12,521	5	12,521	5	Engro Chemical Pakistan Limited	48,832	-	48,832	-	-	-
23,951	5	23,951	5	Maple Leaf Cement Factory Limited	33,800	-	33,800	-	A	A-
8,000	5	8,000	5	Pak Elektron Limited - Sukuk (1st Issue)	9,769	-	9,769	-	A	A-
106,000	5	106,000	5	Pak Elektron Limited - Sukuk (2nd Issue)	520,743	-	454,492	-	A	A-
50,000	5	50,000	5	Pak Elektron Limited - PPTFC	202,381	-	187,500	-	A	A-
14,874	5	14,874	5	Pakistan International Airlines (PIA)	74,312	-	74,312	-	-	-
10,000	5	10,000	5	Security Leasing - Sukuk (2nd Issue)	11,893	-	-	8,920	-	-
15,000	5	15,000	5	Security Leasing - Sukuk (1st Issue)	15,014	-	-	11,260	-	-
60,000	5	60,000	5	Wrapada Hydroelectric (Neelum Jhelum)	300,000	-	257,143	-	-	-
40,000	5	40,000	5	Independent Media Corporation	110,000	-	110,000	-	BBB-	-
6,000	5	6,000	5	Al-Abbas Sugar Mills Limited	53	-	53	-	-	-
7,000	5	7,000	5	Al-Zamin Leasing Corporation Limited	7,500	-	-	-	-	-
1,493	5	1,493	5	Agritech Limited - PPTFC IV	7,465	-	-	-	D	D
2,000	5	2,000	5	Agritech Limited - TFC I	9,569	-	-	-	D	D
7,000	5	7,000	5	Agritech Limited - TFC III	31,429	-	-	-	D	D
2,000	5	2,000	5	Bank Al-Falah Limited	10,700	-	10,700	-	AA-	AA-
300	5	300	5	Pakistan Mobile Communication Limited	6	-	6	-	-	-
5,500	5	5,500	5	Jahangir Siddiqui & Company	323	-	323	-	-	-
18,000	5	18,000	5	New Allied Electronics Industries (Pvt) Limited	17,798	-	-	-	-	-
64,000	5	64,000	5	New Allied Electronics Industries (Pvt) Limited Sukuk	10,064	-	-	-	-	-
8,000	5	8,000	5	Dewan Cement Limited (Pre IPO Investment)	20,000	-	-	-	-	-
		3,455,200			3,644,013		1,283,312		1,492,305	

## Other particulars of unlisted TFCs are as follows:

Particulars	Mark-up rate per annum	Mark-up payment	Redemption terms
AgriTech Limited - PPTFC	6 months KIBOR + 1.75 %	Semi-annually	In 13 unequal semi annual installments starting from July 14, 2013 and ending on July 14, 2019.
AgriTech Limited - Sukuk	6 months KIBOR + 2.00 % without any floor or cap	Semi-annually	The principal redemption of these certificates is structured to be in 15 unequal semi annual installments. First two installments were just token payments due on July 31, 2010 and August 31, 2010 which have been paid, remaining installments are starting from August 06, 2013 and ending on August 06, 2019.
Arzoo Textile Mills Limited	6 months KIBOR + 2.00 % for the first two year and 6 months KIBOR + 1.75 bps for the remaining period without any floor or cap	Quarterly	In ten equal semi-annual installments starting from 18th month from the drawdown date.
Azgard Nine Limited TFC-IV	6 months KIBOR + 1.25 %	Semi-annually	In nine semi annual installments starting from December 04, 2013 and ending on December 04, 2017.
Azgard Nine Limited PPTFC VI	Nil	Nil	In seven unequal semi annual installments starting from March 31, 2014 and ending on March 31, 2017.
Bank Alifiah Limited	6 months KIBOR + 2.50 % with a Floor of 7.00% . and Cap of 20.00%	Semi-annually	0.56% of principal in the first 84th month and remaining principal in four equal quarterly installments of 24.86% each starting from 87th month from the issue date.
Eden Housing (Sukuk)	6 months KIBOR + 300 bps with a Floor of 1.200% . and Cap of 20.00%	Semi-annually	Not less than 8 consecutive semiannual units, the first such unit falling due not later than 18th months from last drawdown.
Engro Chemical Pakistan Limited	6 months KIBOR + 1.55 % without any floor or cap	Semi-annually	0.28% of principal in the first 84th month and remaining principal in two equal semi-annual installments of 49.86% each starting from 90th month from the issue date.
Meaple Leaf Cement Factory Limited	3 months KIBOR + 1.00 % without any floor or cap	Quarterly	In 36 quarterly installments with first installment due on March 01, 2010.
Pak Elektron Limited - Sukuk (1st Issue)	3 months KIBOR (ask) + 1.25 % with a Floor of 10.00% and Cap of 25.00%	Quarterly	In quarterly installments with first installment due on 28 June 2013.
Pak Elektron Limited - Sukuk (2nd Issue)	3 months KIBOR (ask) + 1.00 % with a Floor of 8.00% and Cap of 16.00%	Quarterly	In quarterly installments with first installment due on 30 June 2013.
Pak Elektron Limited - PPTFC	3 months KIBOR (ask) + 3.00 % without any floor or cap	Semi-annually	In quarterly installments with first installment due on 30 June 2013.
Pakistan International Airlines (PIA)	SBP discount rate + 0.50 % with a Floor of 8.00% and Cap of 12.50%	Semi-annually	15.2% of principal in the first 48th month and remaining principal in six equal semi-annual installments of 14.13% each starting from 54th month from the issue date.
Security Leasing - Sukuk (2nd issue)	Nil	Semi-annually	Up to eight equal semi-annual installment starting from 18th month from first drawdown date.
Security Leasing - Sukuk (1st issue)	Nil	Semi-annually	In eight equal semi-annual installments starting from 18th month.

Particulars	Mark-up rate per annum	Mark-up payment	Redemption terms
Wapda Hydroelectric (Neelum Jhelum)	6 months KIBOR + 1.00 %	Semi-annually	Principal to be repaid in 14 equal semi annual installments starting from 27-03-2015.
Independent Media Corporation	3 months KIBOR + 3.00 %	Quarterly	Principal to be repaid in 20 quarterly installments starting from 05-11-2013.
Al-Abbas Sugar Mills Limited	6 month KIBOR + 1.75%	Semi-annually	TFC will be redeemed in 10 equal bi-annual installments of Rs.75 million each commencing from May 2009.
Al-Zamin Leasing Corporation Limited	Floating cut-off yield of last successful SBP auction of 5-year PIBs+200 bps.Floor 12% & Cap 15.75%	Semi-annually	Principal to be redeemed in 10 equal semi-annual installments commencing from the 6th month of issue date. Callable anytime in full after 18th month of issue.
AgriTech Limited - PPTFC IV	11 % per annum	Semi-annually	A bullet repayment of principal at the maturity of PPTFCs which is due on January 01, 2017.
AgriTech Limited - TFC I	6 month KIBOR + 1.75%	Semi-annually	In 13 unequal installments starting from November 29, 2013 and ending on November 29, 2019.
AgriTech Limited - TFC III	3 months KIBOR + 3.25%	Quarterly	In 26 unequal installments starting from September 01, 2013 and ending on December 01, 2019.
Bank Al-Falah - Fixed	Floating rate of return at Base Rate (6 months KIBOR)+2.50% p.a.	Semi-annually	3-equal semi annual installments commencing 84th month after the issue date.
Pakistan Mobile Communication Limited	6 months KIBOR + 2.85 %	Semi-annually	0.02% of principal redeemed semi-annually in the first 48 months and remaining amount in 6 semi annual installments.
Jahangir Siddiqui & Company	6 months KIBOR + 1.7%	Semi-annually	TFC has a tenor of six years i.e 2007-2013 with a call option exercisable by the company any time after one year on a coupon date by giving 30 days notice at a premium of 1.00% on the outstanding face value.
New Allied Electronics Industries (Pvt) Limited	3 months Kibor + 2.20 % with floor of 7% and Cap of 20%	Semi-annually	Maturity date is November 01, 2012.
New Allied Electronics Industries (Pvt) Limited Sukuk	3 months Kibor + 2.20 %	Semi-annually	Based on diminishing musharaka mechanism with maturity in December 2012.
Dewan Cement Limited	6 months KIBOR + 2 % p.a.	Semi-annually	9- equal semi annual installments starting from the twenty fourth month of the issue.

#### 7 Subsidiary- Punjab Modaraba Services (Private) Limited

1,649,100 (2014: 16,495,100) ordinary shares of Rs. 10 each (Holding: 100% (2014: 100%)). Break up value of investment based on latest audited financial statements is Rs. 2.10 per share (2014: Rs. 1.53).

#### 8 Federal government securities

Available for sale:  
Market treasury bills  
Pakistan investment bonds  
Government of Pakistan jirra sukuk bonds

	Cost		Market Value	
	2015	2014	2015	2014
	Rupees in '000			
	73,644,344	86,783,998	73,682,397	86,908,172
	76,338,624	44,708,426	78,172,178	47,260,903
	200,004	1,706,588	200,862	1,702,902
	150,182,972	133,199,012	152,055,437	135,871,977

Statement showing written - off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2015

Sr.No	Name and address of the borrower	Name of Individuals/Partners/ Directors with CNIC No.	Father's/Husband's name	Branch name	Region	Outstanding liabilities at beginning of year				Principal written-off	Interest/Mark-up/Other charges capitalized written-off	Interest/Mark-up/Other charges written off	Other financial relief provided	Total
						Principal	Interest/Mark-up/Other charges capitalized	Others	Total					
1	Best Brands Inc. 181 CC, Phase-IV, DHA, Lahore.	Nadeem Ahmed Khan (35201-0135872-3)	Ahmed Khan	52- LHR/MI TOWER	Lahore	-	97,916	-	97,916	-	46,754	-	46,754	
2	AK Exports (Pvt) Limited Sargodha Road Small Industrial Estate Faisalabad. Office, Regency The Mall Faisalabad	Khurshid Anwar (33100-0853027-9) Khawaja Asim Khurshid (33102-1773118-1) Khawaja Amer Khurshid (33100-4420114-9)	Muhammad Gul Khawaja Khurshid Anwar Khawaja Khurshid Anwar	10- Small D-Ground Faisalabad	Faisalabad	81,691	85,992	-	167,683	-	3,422	-	3,422	
3	Khurshid Spinning Mills Limited 133, 134, Regency Plaza, The Mall Faisalabad	Khawaja Asim Khurshid (33102-1773118-1) Khawaja Amer Khurshid (33100-4420114-9) Khawaja Shahid Ameen Sethi (42301-5521796-5) Muhammad Faheem (33100-0621353-3) Muhammad Khalid Saif Ullah Shah (33202-1373233-7) Muhammad Iqbal (33100-0720110-1) Zeeshan Saeed (33101-7770044-3)	Khawaja Khurshid Anwar Khawaja Khurshid Anwar Khawaja Khurshid Anwar Yousaf Sethi Muhammad Laseq Khan Speer Muhammad Saeed Akhter	10- Small D-Ground Faisalabad	Faisalabad	46,714	63,921	-	110,635	-	3,192	-	3,192	
4	Hurain Coker Ltd 242-Ahmad Block, New Garden Town, Lahore	Dilhad Begum (35201-0307899-4) Muhammad Yaqub Sheikh (35201-0482496-5) Muhammad Ramzan Sheikh (35201-9041208-1) Sheikh Hussain Haider (35201-9999182-3) Muhammad Ayub Sheikh (35201-154971-3) Sheikh Mian Muhammad Younis (35202-0624157-7) Adnan Yousaf Sheikh (35201-7360083-9) Raza Yousaf (35202-6312974-4)	Muhammad Yousaf Sheikh Haji Sheikh Muhammad Yousaf Muhammad Yousaf Sheikh Muhammad Yousaf Sheikh Muhammad Yousaf Sheikh Sheikh Muhammad Yousaf Muhammad Yousaf Sheikh Sheikh Muhammad Yousaf	52- LHR/MI TOWER	Lahore	38,643	130,253	-	168,896	-	80,952	-	80,952	
5	Imtiaz Rafi Butt Empire Centre, Main Boulevard Gulberg III, Lahore.	Imtiaz Rafi Butt (35201-2361943-7)	M Rafi Butt	52- LHR/MI TOWER	Lahore	36,714	44,166	-	80,880	-	10,277	-	10,277	
6	Flying Cement Company, Limited 103-Fazal Road St. Johana Park Lahore Cantt.	Kamran Khan (35201-5564391-7) Momin Qamar (35201-8255512-7) Samina Kamran (35201-5658600-2) Shaista Imran (35201-9985107-8) Yousaf Kamran Khan (35201-2109195-7) Qasim Khan (35201-1848796-5) Asim Qamar (35201-0949909-1) Muhammad Tawassil Majid (35401-1656385-5)	Qamar Uz Zaman Qamar Uz Zaman Kamran Khan Imran Qamar Kamran Khan Kamran Khan Imran Qamar Sheikh Fazal Majid	02- LHR/MI MAIN BRANCH	Lahore	47,375	38,896	-	86,271	-	18,610	-	18,610	
7	Banker Avenue Cooperative Housing Society Bedian Road, Dera Chahal, Near The Bank of Punjab, Across Hadyara Drain, LHR Cantt.	Management Committee		02- LHR/MI MAIN BRANCH	Lahore	-	116,532	-	116,532	-	91,321	-	91,321	
8	Tricon Developers Ltd 13-K, Main Boulevard, Gulberg-II, Lahore.	Asif Kamal (35202-2550469-9) Zahid Raftiq (35202-2860883-1) Anisad Khali (35202-577418-5)	Muhammad Azam Muhammad Rafiq Khali Ur Rahman	02- LHR/MI MAIN BRANCH	Lahore	-	80,309	-	80,309	-	55,224	-	55,224	
9	Honda Point (Pvt) Ltd. Defence Road, Opposite Divine Centre, Lahore Cantt.	Khawaja Mansoor Mazhar (35201-2126675-7) Muhammad Amdad Aziz (35201-7413466-7) Hasan Farooq Malik (35201-1424294-3)	Khawaja Mehmood Mazhar Abdul Aziz Farooq Ali Malik	52- LHR/MI TOWER	Lahore	86,243	90,469	-	176,712	-	29,807	-	29,807	
10	PAKISTAN TRACTOR HOUSE Fatima Jinnah Road, Sargodha	Chaudhary Shamsher Ali (38403-1083665-7)	Haji Ali Smer Chaudhary	02- LHR/MI MAIN BRANCH	Lahore	49,979	47,277	-	97,256	-	29,462	-	29,462	
11	S.H.ZEE GAS (PVT) LTD Liberty Town, 12.5 KM Lahore Sheikhpura Road, Lahore	Syed Sohail Hashmi (35201-9003038-9) Zohar Hashmi (35201-2796939-5) Hamza Hashmi (35201-8626436-9)	Syed Shakeel Akhtar Hashmi Syed Sohail Hashmi Syed Sohail Hashmi	80- LHR/KOT ABDULMALIK	Lahore	37,876	36,033	-	73,909	-	16,671	-	16,671	

Statement showing written - off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2015

Sr.No	Name and address of the borrower	Name of Individuals/Partners/Directors with CNIC No.	Father's/Husband's name	Branch name	Region	Outstanding liabilities at beginning of year				Principal written-off	Interest/Mark-up/Other charges capitalized written-off	Interest/Mark-up written off	Other financial relief provided	Total	
						Principal	Interest/Mark-up/Other charges capitalized	Interest/Mark-up	Others						Total
12	MONA TRADING COMPANY 24-M Gubergill Lahore	Tanvir Ahmad Pal (35200-1560594-9)	Abdul Aziz Pal	02-LHR(I)MAIN BRANCH)	Lahore	10,166	-	9,140	-	19,306	-	5,165	-	5,165	
13	PAK POLY PRODUCTS 24-M Gubergill Lahore	Tanvir Ahmad Pal (35200-1560594-9)	Abdul Aziz Pal	02-LHR(I)MAIN BRANCH)	Lahore	4,424	-	3,778	-	8,202	-	2,247	-	2,247	
14	KHURRAM KHALID KHAN & MISS. KAUSAR SAEED 28-E, Phase-V, DHA, Lahore Cantt.	Khurram Khalid Khan (35201-3479263-5) Kausar Saeed (35201-1099707-2)	Abdul Khalid W/o Abdul Khalid	02-LHR(I)MAIN BRANCH)	Lahore	5,205	-	6,223	-	11,428	-	3,099	-	3,099	
15	BISMILLAH TRADERS Kot Doon Chand, near Adda Chabeel *Sabliji, G. T. Road, Darogahwala, Lahore	Muhammad Kabir (Deceased) (35201-1705494-1)	Muhammad Bashir	47-LHR(B)GHANPUR A)	Lahore	2,135	-	1,915	-	4,050	-	1,441	-	1,441	
16	PAK CHINA CROCKERY Property # BX-25-17, Rathor Market, Gali Thathianarwalli Kaseera Bazar, Gujranwala	Masood Anjad Rathor (3410-12438031-1)	Muhammad Anjad Rathor	06-GLURANWALA(TRLU ST PLAZA)	Gujranwala	1,537	-	2,431	-	3,968	-	1,355	-	1,355	
17	SOFT KNOT 17-KM Ferozpur Road, Lahore	Syed Iqbal Haider Kazmi (35202-6259565-5) Yasir Gidi Caudhy (27077-585740)	Syed Bacheed Ahmed Shah Kazmi Muhammad Latif	85-LHR(II)Main Boulevard Guberg)	Lahore	1,844	-	2,167	-	4,011	-	710	-	710	
18	LACAT BHOSA FAROSH & GENERAL STORE Nawan Shehar Choti Zerein, D.G. Khan	Liaquat Ali Khan Laghari (42000-9563675-3)	Ghulam Hussain Khan	78-D.G.KHAN (KUTCHER ROAD)	Multan	4,524	-	4,315	-	8,839	-	657	-	657	
19	HIM TRADERS 41/1, Nishtar Road, Lahore	Shahzadur-Rehman (35202-0225485-5)	Ghulam Hassan	182-LHR(R)ANG MAHALI)	Lahore	1,684	-	1,470	-	3,154	-	654	-	654	
20	ASIF CROCKERY STORE Kharsa # 2487/604/2/1 Muhalla Pak Rehman Cainchi Ferozpur Road, Lahore (Near Akhtar Market)	Muhammad Asif (35201-1680845-7)	Muhammad Shafi	60-LHR(K)ARIM BLOCQ)	Lahore	2,002	-	1,888	-	3,890	-	654	-	654	
21	MASHALLAH FABRICS Shop Bearing # 22, R.A. Bazar, Lahore Cantt.	Sheikh Muhammad Adeel (35201-1205551-1)	Haji Muhammad Fayyaz	69-LHR(T)UPALI ROAD CANTT.)	Lahore	1,266	-	1,169	-	2,435	-	577	-	577	
22	ABDUL GHANI HOSPITAL 59-Riwaz Garden Sanda Road, Lahore.	Liaquat Ghani Bhatti (Deceased) (35202-7551289-9)	Abdul Ghani	178-LHR(S)AMPURIA)	Lahore	2,153	-	1,585	-	3,738	-	527	-	527	
	Total		462,175			867,845	-		-	1,330,020	-	402,778	-	402,778	

## Detail of disposal of property and equipment:

Particulars	Cost/ Revalued amount	Book value	Sale price	Profit/ (loss)	Mode of disposal	Particulars of purchasers
Rupees in '000						
<b>Buildings :</b>						
GT Road Gujjar Khan	8,265	7,584	3,900	(3,684)	Negotiation	Mr. Khayyam Zaman
<b>Vehicles :</b>						
Toyota Altis	2,040	170	170	-	As per policy	Mr Khalid Tirmizey- Deputy CEO
Honda Civic	2,453	954	954	-	As per policy	Mr Naeemuddin Khan - Chief Executive Office
Honda Civic	1,868	-	-	-	As per policy	Mr.Abdul Ghafoor Mirza - Chiarman
Honda Civic	1,752	-	1,139	1,139	Auction	Mr Adnan Naseer
Toyota Altis	1,809	-	1,007	1,007	Auction	Mr Adnan Naseer
Toyota Altis	1,889	-	1,166	1,166	Auction	Mr Adnan Naseer
Honda City	1,232	-	1,089	1,089	Auction	Mr Kamran Rasool
Honda City	1,312	-	930	930	Auction	Mr. Adnan Naseer
Toyota Corolla	1,310	-	1,000	1,000	Auction	Mr. Adnan Naseer
Toyota Corolla	1,310	-	990	990	Auction	Mr. Adnan Naseer
Toyota Corolla	1,269	-	830	830	Auction	Mr. Adnan Naseer
Toyota Corolla	1,299	-	957	957	Auction	Mr. Abid Ansar
Toyota Corolla	1,310	-	737	737	Auction	Mr. Abid Ansar
Toyota Corolla	1,310	-	1,052	1,052	Auction	Mr. Abid Ansar
Toyota Corolla	1,310	-	985	985	Auction	Mr. Javed Iqbal
Toyota Corolla	1,364	-	985	985	Auction	Mr. Javed Iqbal
Toyota Corolla	1,263	-	1,025	1,025	Auction	Ms. Noshaba Ilyas
Toyota Corolla	1,239	-	890	890	Auction	Mr. M.Tahir - Employee
Toyota Corolla	1,310	-	1,075	1,075	Auction	Mr.Habib Ul Haq
Toyota Corolla	1,440	-	1,230	1,230	Auction	Mr.Saad Qazi - Employee
	38,354	8,708	22,111	13,403		
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	54,199	3,606	11,327	7,721		
<b>2015</b>	<b>92,553</b>	<b>12,314</b>	<b>33,438</b>	<b>21,124</b>		
<b>2014</b>	<b>101,449</b>	<b>37,535</b>	<b>58,994</b>	<b>21,459</b>		

**CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended December 31, 2015  
(The Bank of Punjab & Punjab Modaraba Services (Pvt) Ltd.)







## Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising the consolidated statement of financial position of The Bank of Punjab (the Bank) and its subsidiary company (together referred to as group) as at December 31, 2015 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity, together with the notes forming part thereof (here-in-after referred to as the 'consolidated financial statements'), for the year then ended. These consolidated financial statements include unaudited certified returns from branches of the bank, except for 17 branches, which have been audited by us. We have also expressed a separate opinion on the separate financial statements of the Bank. Its subsidiary company, Punjab Modaraba Services (Private) Limited (the company), however, was audited by another firm of Chartered Accountants, whose report has been furnished to us and our opinion in so far as it relates to the amount included for such Company is based, solely on the report of such auditors. The audit opinion refers that the Company has accumulated losses and its current liabilities exceeded its current assets, consequently highlighting the existence of uncertainty which may cast doubt on the Company's ability to continue as a going concern (note 1.1.1).

These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we consider necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of the group and its subsidiary company as at December 31, 2015 and the results of their operations for the year then ended.

We draw attention to Note 1.2 to the consolidated financial statements in which the matters related to equity injection by the Government of Punjab (GoPb), regulatory compliance and relaxations granted by the State Bank of Pakistan (SBP) from provisioning against certain advances based on the undertaking by GoPb in respect of capital injection and enduring support of GoPb have been fully discussed, and also to note 13.1 where the basis for recognizing deferred tax asset have been explained. The preparation of projections involves certain key assumptions by the management and any significant change therein may have an effect on the realisability of deferred tax asset. Our opinion is not qualified in respect of these matters.

Chartered Accountants

**Engagement Partner:**  
Nadeem Yousuf Adil

Dated: May 06, 2016  
Karachi

Member of  
**Deloitte Touche Tohmatsu Limited**

## Consolidated Statement of Financial Position

as at December 31, 2015

	Note	2015	2014
		Rupees in '000'	
<b>ASSETS</b>			
Cash and balances with treasury banks	7	26,190,481	23,622,411
Balances with other banks	8	4,512,033	2,239,170
Lendings to financial institutions	9	6,113,262	32,748,623
Investments - net	10	176,079,793	154,943,890
Advances - net	11	219,356,020	170,273,415
Operating fixed assets	12	6,484,312	5,490,121
Deferred tax assets - net	13	7,905,981	9,845,426
Other assets - net	14	25,641,447	21,237,382
		472,283,329	420,400,438
<b>LIABILITIES</b>			
Bills payable	16	1,887,432	1,727,731
Borrowings	17	55,236,429	44,742,624
Deposits and other accounts	18	374,960,986	342,290,693
Sub-ordinated loan	19	2,000,000	2,000,000
Liabilities against assets subject to finance lease	20	-	1,128
Deferred tax liabilities - net		-	-
Other liabilities	21	15,520,719	10,281,610
		449,605,566	401,043,786
<b>NET ASSETS</b>		<b>22,677,763</b>	<b>19,356,652</b>
<b>REPRESENTED BY</b>			
Share capital	22	15,551,132	15,551,132
Discount on issue of shares		(263,158)	(263,158)
Reserves	23	2,329,001	2,081,243
Share deposit money	24	7,000,000	7,000,000
Accumulated losses		(5,220,853)	(9,083,209)
		19,396,122	15,286,008
Surplus on revaluation of assets - net of tax	25	3,281,641	4,070,644
		22,677,763	19,356,652
<b>CONTINGENCIES AND COMMITMENTS</b>	26		

The annexed notes from 1 to 46 and Annexures - I to IV form an integral part of these consolidated financial statements.

Chairman

President

Director

Director

## Consolidated Profit and Loss Account for the year ended December 31, 2015

	Note	2015 Rupees in '000'	2014
Mark-up/return/interest earned	27	31,262,880	29,517,673
Mark-up/return/interest expensed	28	20,198,798	20,525,783
Net mark-up / interest income		11,064,082	8,991,890
Provision / (Reversal of provision) against non-performing loans and advances - net	11.5.5	3,431,451	1,118,605
Provision for diminution in the value of investments - net	10.3	97,202	59,494
Bad debts written off directly	11.6	-	-
Net mark-up / interest income after provisions		3,528,653	1,178,099
		7,535,429	7,813,791
<b>NON MARK-UP/INTEREST INCOME</b>			
Fee, commission and brokerage income		828,229	909,596
Dividend income		57,581	39,918
Income from dealing in foreign currencies		109,280	183,830
Gain on sale and redemption of securities - net	29	5,013,546	667,322
Unrealized loss on revaluation of investments classified as held for trading	10.8	(8,522)	(654)
Other income	30	1,635,064	1,000,173
Total non-markup/interest income		7,635,178	2,800,185
		15,170,607	10,613,976
<b>NON MARK-UP/INTEREST EXPENSES</b>			
Administrative expenses	31	7,394,142	6,217,344
Charge / (Reversal) of Provision against other assets	14.3	224,382	(2,416)
Provision against off balance sheet obligations	21.1	32,274	17,875
Other charges	32	19,958	19,727
Total non-markup/interest expenses		7,670,756	6,252,530
		7,499,851	4,361,446
Extra ordinary/unusual items		-	-
		7,499,851	4,361,446
<b>PROFIT BEFORE TAXATION</b>			
Taxation - Current year		389,782	323,818
- Prior years		143,953	-
- Deferred	33	2,248,317	1,196,093
		2,782,052	1,519,911
<b>PROFIT AFTER TAXATION</b>			
Accumulated losses brought forward		(9,083,209)	(11,275,026)
Transfer from surplus on revaluation of fixed assets - net of tax		57,738	9,858
Transfer from surplus on revaluation of fixed assets on disposal		7,133	(980)
Transfer to statutory reserve		(949,664)	(557,490)
Actuarial gains on remeasurement recognized		29,350	2,514
Right shares issue cost		-	(103,620)
		(9,938,652)	(11,924,744)
Accumulated losses carried forward		(5,220,853)	(9,083,209)
<b>Basic earnings per share - Rupees</b>	34	3.03	1.97
<b>Diluted earnings per share - Rupees</b>	35	3.03	1.97

The annexed notes from 1 to 46 and Annexures - I to IV form an integral part of these consolidated financial statements.

Chairman

President

Director

Director

## Consolidated Statement of Comprehensive Income for the year ended December 31, 2015

	Note	2015 Rupees in '000'	2014
Profit after taxation for the year		4,717,799	2,841,535
Other comprehensive income not to be reclassified to profit and loss account in subsequent periods:			
Actuarial gains on remeasurement recognized during the year	38.1.1	29,350	2,514
Comprehensive income transferred to equity		4,747,149	2,844,049
Components of comprehensive income not reflected in equity:			
Items to be reclassified to profit and loss in subsequent periods:			
(Deficit) / surplus on revaluation of investments - net of tax		(719,168)	1,940,269
Items not to be reclassified to profit and loss in subsequent periods:			
Surplus / (deficit) on revaluation of fixed assets - net of tax		2,496	1,234,703
<b>Total comprehensive income for the year</b>		<b>4,030,477</b>	<b>6,019,021</b>

The annexed notes from 1 to 46 and Annexures - I to IV form an integral part of these consolidated financial statements.

Chairman

President

Director

Director

## Consolidated Cash Flow Statement for the year ended December 31, 2015

	Note	2015	2014
		Rupees in '000'	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		7,499,851	4,361,446
Less: Dividend income		(57,581)	(39,918)
		7,442,270	4,321,528
Adjustments for:			
Depreciation on property and equipment	12.2	548,043	369,642
Depreciation on jjarah assets under IFAS - 2		56,670	28,219
Amortization on intangible assets	12.3	13,335	4,561
Amortization of premium / (discount) on Government securities		430,311	(176,076)
Unrealized loss on revaluation of investments classified as held for trading	10.8	8,522	654
Provision / (Reversal of provision) against non-performing loans and advances - net	11.5.5	3,431,451	1,118,605
Bad debts written-off directly	11.6	-	-
Provision for diminution in the value of investments - net	10.3	97,202	59,494
Provision for employees compensated absences	38.1.3	9,338	14,105
Provision for gratuity	38.1.1	77,367	78,904
Charge / (reversal) of provision against other assets	14.3	224,382	(2,416)
Provision against off balance sheet obligations	21.1	32,274	17,875
Net profit on sale of property and equipment	30	(21,124)	(21,459)
Net profit on sale of non-banking assets acquired in satisfaction of claims	30	(240,489)	(82,652)
Gain on sale and redemption of securities - net	29	(5,013,546)	(667,322)
Finance charges on leased assets	31	16	152
		(346,248)	742,286
		7,096,022	5,063,814
(Increase) / Decrease in operating assets:			
Lendings to financial institutions		26,035,361	(21,541,175)
Net investments in held for trading securities		(77,280)	9,801,418
Advances - net		(53,272,632)	(14,196,547)
Others assets - net		(6,337,856)	(6,197,106)
		(33,652,407)	(32,133,410)
Increase / (Decrease) in operating liabilities:			
Bills Payable		159,701	221,396
Borrowings		10,512,527	21,878,241
Deposits and other accounts		32,670,293	35,729,999
Other liabilities		5,149,480	1,828,037
		48,492,001	59,657,673
		21,935,616	32,588,077
Financial charges paid on leased assets		(16)	(152)
Income tax paid		(379,106)	(237,144)
<b>Net cash flow from operating activities</b>		<b>21,556,494</b>	<b>32,350,781</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investments in available for sale securities		(17,614,116)	(23,329,952)
Net investments in held to maturity securities		-	(13,651,866)
Dividends received		56,347	39,543
Investments in operating fixed assets		(1,493,092)	(568,653)
Sale proceeds of property and equipment disposed-off		33,438	58,994
Sale proceeds of non-banking assets disposed-off		1,721,712	719,551
<b>Net cash used in investing activities</b>		<b>(17,295,711)</b>	<b>(36,732,383)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of lease obligations		(1,128)	(1,258)
Sub-ordinated loan received from GoPb		-	2,000,000
Right shares issue cost		-	(103,620)
<b>Net cash (used in) / flow from financing activities</b>		<b>(1,128)</b>	<b>1,895,122</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>4,259,655</b>	<b>(2,486,480)</b>
Cash and cash equivalents at beginning of the year		26,368,200	28,854,680
Cash and cash equivalents at end of the year	36	30,627,855	26,368,200

The annexed notes from I to 46 and Annexures - I to IV form an integral part of these consolidated financial statements.

Chairman

President

Director

Director

## Consolidated Statement of Changes in Equity for the year ended December 31, 2015

	Share capital	Discount on issue of shares	Statutory reserve	Capital reserves		Share deposit Money	Revenue reserve	Total
				Share premium	Restructuring reserve			
				Rupees	in '000'			
<b>Balance as at January 01, 2014</b>	10,551,132	(263,158)	783,965	37,882	717,812	12,000,000	(11,275,026)	12,552,607
Transfer from surplus on revaluation of fixed assets to accumulated losses - net of tax	-	-	-	-	-	-	9,858	9,858
Transfer from surplus on revaluation of fixed assets to accumulated losses on disposal	-	-	-	-	-	-	(980)	(980)
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	(15,906)	-	2,844,049	2,844,049
Transfer from restructuring reserve against NPLs	-	-	-	-	-	-	-	(15,906)
Transfer to statutory reserve	-	-	557,490	-	-	-	(557,490)	-
Transaction with owners, recorded directly in equity								
Issue of right shares during the year	5,000,000	-	-	-	-	(5,000,000)	-	-
Right shares issue cost	-	-	-	-	-	-	(103,620)	(103,620)
	5,000,000	-	-	-	-	(5,000,000)	(103,620)	(103,620)
<b>Balance as at December 31, 2014</b>	15,551,132	(263,158)	1,341,455	37,882	701,906	7,000,000	(9,083,209)	15,286,008
Transfer from surplus on revaluation of fixed assets to accumulated losses - net of tax	-	-	-	-	-	-	57,738	57,738
Transfer from surplus on revaluation of fixed assets to accumulated losses on disposal	-	-	-	-	-	-	7,133	7,133
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	-	-	4,747,149	4,747,149
Transfer from restructuring reserve against NPLs	-	-	-	-	(701,906)	-	-	(701,906)
Transfer to statutory reserve	-	-	949,664	-	-	-	(949,664)	-
<b>Balance as at December 31, 2015</b>	15,551,132	(263,158)	2,291,119	37,882	-	7,000,000	(5,220,853)	19,396,122

The annexed notes from I to IV form an integral part of these consolidated financial statements.

Chairman

President

Director

Director

## Notes to the Consolidated Financial Statements for the year ended December 31, 2015

### 1. STATUS AND NATURE OF BUSINESS

**1.1** The Bank of Punjab Group comprises The Bank of Punjab (the Bank) and Punjab Modaraba Services (Private) limited. The Bank was constituted pursuant to The Bank of Punjab Act, 1989. It was given the status of a scheduled bank by the State Bank of Pakistan (SBP) on September 19, 1994. It is principally engaged in commercial banking and related services with its registered office at BOP Tower, 10-B, Block E-2, Main Boulevard, Gulberg III, Lahore. The Bank has 406 branches including 01 sub branch and 48 islamic banking branches. (2014: 364 branches including 37 islamic banking branches) in Pakistan and Azad Jammu and Kashmir at the year end. The Bank is listed Pakistan Stock Exchange. The majority shares of the Bank are held by Government of the Punjab (GoPb).

**1.1.1** Punjab Modaraba Services (Private) Limited is a wholly owned subsidiary of The Bank of Punjab and is primarily engaged in the business of floating and managing modarabas.

The Punjab Modaraba Services (Private) Limited has accumulated losses and its current liabilities exceed its current assets. These losses are mainly due to drying up of revenue streams. The management fee and dividends are the main sources of revenue. The Punjab Modaraba Services (Private) Limited's financial statements, however have been prepared under the going concern assumption as the management is of the view that by virtue of the continued support of the Bank of Punjab and the business plan of the managed Modaraba, the Modaraba would show better performance resulting in provision of adequate resources to Punjab Modaraba Services (Private) Limited to continue its business in the foreseeable future.

**1.2** As on December 31, 2015, paid-up capital, reserves (net of losses) including share deposit money, as allowed by SBP, of the Bank amounts to Rs. 19,396,699 thousand. The Capital Adequacy Ratio (CAR) remained above the required level. As at the close of the year, net advances aggregating to Rs. 20,348,464 thousand (December 31, 2014: Rs. 21,642,293 thousand) requiring additional provision of Rs. 19,407,810 thousand (December 31, 2014: Rs. 20,649,941 thousand) there against have not been subjected to provisioning criteria as prescribed in SBP prudential regulations in view of the relaxation provided by SBP vide letter No.OSED/Div-01/SEU-03/010(01)-2016/4001 dated February 16, 2016, on the basis of two Letters of Comfort (LOCs) issued by the GoPb as explained in below paragraph.

The GoPb being the majority shareholder, in order to support the Bank, deposited Rs. 10,000,000 thousand and Rs. 7,000,000 thousand as share deposit money in the year 2009 and 2011 respectively against future issue of shares by the Bank. Further, the GoPb vide two LOCs has also undertaken to inject necessary funds to make good the capital shortfall to the satisfaction of SBP up to a maximum amount of Rs. 3,580,000 thousand (net of tax @ 35%) and Rs. 10,570,000 thousand (net of tax @ 35%) within a period of 90 days after close of the year ending December 31, 2018 if the Bank fails to make provision of Rs. 21,770,000 thousand or if there is a shortfall in meeting the prevailing regulatory capital requirements as a result of the said provisioning. In addition, in terms of aforesaid LOCs, the GoPb being majority shareholder and sponsor of the Bank, has also extended its commitment to support and assist the Bank in ensuring that it remains compliant with the regulatory requirements at all times.

During the year 2015, the Bank was required to record provisioning in staggered manner against exposure covered under LOCs aggregating to 15% by December 31, 2015. However, SBP vide letter no. OSED/DIV/01/SEU-04/010(01)-2016/10738 dated April 29, 2016 has allowed 10% staggering for the year 2015, which has duly complied with by the Bank. Further, during the year 2016, the Bank will be required to record further provisioning in staggered manner against exposure cover under LOCs. i.e. 7% by June 30, 2016 and additional 8% by December 31, 2016 so as to ensure that total staggering by end of year 2016 would not be less than 15%. As communicated by SBP, going forward, further extension in these relaxations would be considered upon satisfactory compliance of the conditions / requirements of SBP as well as the Bank's future performance based on the Bank's business plan.

On the basis of enduring support of GoPb, the arrangements as outlined above and the business plan prepared by the management which has been approved by the Board of Directors, the Board is of the view that the Bank would have adequate resources to continue its business on a sustainable basis in the foreseeable future.

## 2. BASIS OF PREPARATION

- 2.1 Subsidiaries are those companies in which the Bank directly or indirectly controls, beneficially owns or hold more than 50% of the shares or otherwise have the power to elect and appoint more than 50% of its directors. The financial statements of the subsidiaries are included in the consolidated financial statements from the date the control commences until the date the control ceases. In preparing consolidated financial statements, the financial statements of the Bank and subsidiaries are combined on a line by line basis by adding together like items of assets, liabilities, income and expenses. Significant intercompany transactions have been eliminated.
- 2.2 These consolidated financial statements of The Bank of Punjab Group include The Bank of Punjab and its wholly owned subsidiary, Punjab Modaraba Services (Private) Limited. The consolidated financial statements have been prepared in accordance with the purchase method.
- 2.3 In accordance with the directives of the Government of Pakistan regarding the conversion of the Banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the Banks from their customers and immediate resale to them at appropriate marked-up price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.
- 2.4 The financial results of Islamic Banking business have been consolidated in these consolidated financial statements for reporting purposes, after eliminating inter-branch transactions / balances. Key financial figures of the Islamic Banking business are disclosed in Annexure-I to these consolidated financial statements.

## 3. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with the directives issued by the SBP, requirements of The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board and Islamic Financial Accounting standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the directives issued by the SBP and Securities and Exchange Commission of Pakistan (SECP), the Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 differ with the requirements of these standards, the requirements of the said directives, the Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 take precedence.

SBP as per BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standard (IAS) 40, "Investment Property" for banking companies till further instructions. Further, according to the notification of SECP dated April 28, 2008, the IFRS – 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these Standards have not been considered in the preparation of these consolidated financial statements.

IFRS 8, 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with



the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorization in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these consolidated financial statements is based on the requirements laid down by the SBP.

SECP has notified IFAS- 3, "Profit and Loss Sharing on Deposits" issued by the Institute of Chartered Accountants of Pakistan. The standard is effective from January 1, 2014 and deals with the accounting for transactions relating to "Profit and Loss Sharing on Deposits" as defined by the standard. The standard may result in the addition of certain new disclosures. However, the SBP vide its BPRD Circular No. 4 dated February 25, 2015 has deferred the disclosure requirements of IFAS - 3 which will be notified in due course.

#### 4. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention, except for revaluation of free hold land and buildings on free hold land, valuation of certain investments and commitments in respect of forward exchange contracts at fair value and certain staff retirement benefits at present value.

These consolidated financial statements are presented in Pak Rupees, which is the Bank's functional and presentation currency.

#### 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates and judgments are continually evaluated and are based on historical experiences, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Group's consolidated financial statements or where judgment was exercised in the application of accounting policies are as follows:

##### 5.1 Classification of investments

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

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

##### 5.2 Provision against non-performing advances

Apart from the provision determined on the basis of time-based criteria given in Prudential Regulations issued by the SBP, the management also applies the subjective criteria of classification and, accordingly, the classification of advances is downgraded on the basis of credit worthiness of the borrower, its cash flows, operations in account and adequacy of security in order to ensure accurate measurement of the provision.

### 5.3 Impairment of available for sale investments

The Group considers that available for sale equity investments and mutual funds are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance. As of the statement of financial position date, the management has determined an impairment loss on available for sale securities and held to maturity securities as disclosed in note 10.3.1.

### 5.4 Depreciation, amortization and revaluation of operating fixed assets

Estimates of useful life of operating fixed assets are based on management's best estimate. In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Group. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the change in pattern. Further, the Group estimates the revalued amount of free hold land and buildings on free hold land on a regular basis. The estimates are based on valuations carried out by an independent valuation expert under the market conditions.

### 5.5 Income taxes

In making estimates for income taxes currently payable by the Group, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. There are various matters where the Group's view differs with the view taken by the income tax authorities and such amounts are shown as a contingent liability.

### 5.6 Staff retirement benefits

The amount of provision for gratuity and compensated absences is determined using actuarial valuation. The valuation involves making use of assumptions about discount rates, mortality, expected rate of salary increases, retirement rates, and average leave utilization per year. Due to the degree of subjectivity involved and long-term nature of these plans, such estimates are subject to significant uncertainty.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 6.1 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks, balances with other banks and call money lendings less over drawn nostro accounts and other overdrawn bank accounts.

### 6.2 Revenue recognition

Revenue is recognized to the extent that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following recognition criteria must be met before revenue is recognized:

#### 6.2.1 Mark-up/return/interest income

Mark-up/return/interest on advances and return on investments are recognized in profit and loss account on an accrual basis, except mark-up on non-performing advances which is recognized when received.

### 6.2.2 Dividend income

Dividend income is recognized when the Bank's right to receive the dividend is established.

### 6.2.3 Lease finance income

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease periods so as to produce a constant periodic rate of return on the outstanding net investment in lease. Unrealized lease income is suspended, where necessary, in accordance with the requirements of the SBP. Gain/loss on termination of lease contracts, documentation charges and other lease income are recognized as income when these are realized.

### 6.2.4 Fees and commission income

Commission income is recognized on time proportion basis.

## 6.3 Advances including net investment in finance lease

Advances and net investments in finance lease are stated net of provision for doubtful debts. Provision for doubtful debts is made in accordance with the Prudential Regulations prescribed by the SBP and charged to profit and loss account.

Leases where risks and rewards incidental to ownership are substantially transferred to lessee are classified as finance lease. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value.

The rentals received / receivable on Ijarahs are recorded as income / revenue. Depreciation on Ijarah assets is charged to profit and loss account by applying the straight line method whereby the depreciable value of Ijarah assets is written off over the Ijarah period. The Bank charges depreciation from the date of the delivery of respective assets to Mustajir upto the date of maturity / termination of Ijarah agreement.

## 6.4 Investments

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

All regular way purchase/sale of investment are recognized on the trade date, i.e., the date the Group commits to purchase/sell the investments. Regular way purchase or sale of investment requires delivery of securities within the time frame generally established by regulation or convention in the market place.

Investment in subsidiary is stated at cost less provision for impairment (if any). Other investments are classified as follows:

- Held for trading – These are securities which are acquired with the intention to trade by taking advantage of short-term market/interest rate movements. These are carried at market value, with the related surplus / (deficit) on revaluation being taken to profit and loss account.
- Held to maturity – These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortized cost.

- Available for sale – These are investments, other than those in subsidiaries and associates, which do not fall under the held for trading or held to maturity categories. These are carried at market value with the surplus/ (deficit) on revaluation taken to ‘Surplus/(deficit) on revaluation of assets’ shown below equity, except available for sale investments in unquoted shares, debentures, bonds, participation term certificates, term finance certificates, federal, provincial and foreign government securities (except for Treasury Bills and Pakistan Investment Bonds) which are stated at cost less provision for diminution in value of investments, if any.

Provision for diminution in the value of investments is made after considering impairment, if any, in their value and charged to profit and loss account. Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to break-up value. Provision for diminution in value of investments for unquoted debt securities is calculated with reference to the time-based criteria as per the SBP’s Prudential Regulations.

Premium or discount on debt securities classified as available for sale and held to maturity securities are amortized using the effective yield method.

On de-recognition or impairment in quoted available for sale securities the cumulative gain or loss previously reported as “Surplus/(Deficit) on revaluation of assets” below equity is included in the profit and loss account for the period.

Gain and loss on disposal of investments are dealt with through the profit and loss account in the year in which they arise.

## 6.5 Lending to/borrowing from financial institutions

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

### 6.5.1 Sale under repurchase obligations

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings from financial institutions. The differential in sale and repurchase price is accrued using effective yield method and recorded as interest expense over the term of the related repo agreement.

### 6.5.2 Purchase under resale obligations

Securities purchased under agreement to resell (reverse repo) are not recognized in the financial statements as investments and the amount extended to the counter party is included in lendings to financial institutions. The differential between the contracted price and resale price is amortized over the period of the contract and recorded as interest income.

## 6.6 Operating fixed assets and depreciation

### 6.6.1 Owned

Property and equipment, other than free hold land which is not depreciated, are stated at cost or revalued amounts less accumulated depreciation and accumulated impairment losses (if any). Free hold land is carried at revalued amount.

Depreciation on property and equipment is charged to income using the diminishing balance method so as to write off the historical cost / revalued amount of the asset over its estimated useful life, except motor vehicles and computer equipment on which depreciation is charged using the straight line basis. The rates at which the depreciation is charged are given in note 12.2 to these consolidated financial statements. Impairment loss or its reversal, if any, is charged to income. When an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount over its estimated useful life.

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed.

Surplus / Deficit arising on revaluation of free hold land and buildings on free hold land is credited to the "Surplus/(Deficit) on Revaluation of Assets" shown below equity. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of buildings (net of deferred taxation) is transferred directly to un-appropriated profit / accumulated loss.

Gains and losses on sale of operating fixed assets are included in income currently.

Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Normal repairs and maintenance are charged to the profit and loss account as and when incurred.

#### 6.6.2 Leased

Property and equipment subject to finance lease are accounted for by recording the assets and the related liabilities. These are stated at fair value or present value of minimum lease payments whichever is lower at the inception of the lease less accumulated depreciation. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability. The property and equipment acquired under finance leasing contracts is depreciated over the useful life of the assets as per rates given in note 12.2 to these consolidated financial statements.

#### 6.6.3 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses (if any). The cost of intangible assets is amortized over their useful lives, using the straight line method as per the rates given in note 12.3 to these consolidated financial statements. Amortization on additions is charged from the month the assets are available for use while no amortization is charged in the month in which the assets are disposed.

#### 6.6.4 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses (if any). These are transferred to specific assets as and when assets are available for use.

### 6.7 Taxation

#### 6.7.1 Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

## 6.7.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that the taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is charged or credited in income statement, except in the case of items credited or charged to equity in which case it is included in equity

The Bank also recognizes deferred tax asset/liability on deficit/surplus on revaluation of operating fixed assets and available for sale securities which is adjusted against the related deficit/surplus in accordance with the requirements of International Accounting Standard (IAS) 12, 'Income Taxes'.

## 6.8 Assets acquired in satisfaction of claims

The Group acquires assets in settlement of claims. These are acquired at average value obtained from three independent approved valuers at the time of acquisition.

## 6.9 Employee retirement and other benefits

### 6.9.1 Defined contribution plan – Provident Fund

The Group operates an approved Provident Fund Scheme, covering all permanent employees. Contributions are made monthly by the Bank and the employees at the rate of 8.33% of basic salary. Contributions by the Group are charged to income.

### 6.9.2 Defined benefit plan – Gratuity scheme

The Group operates an approved funded gratuity scheme for all its employees. Contributions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to income. Actuarial gains and losses are charged or credited to other comprehensive income in the year in which they occur.

### 6.9.3 Employees' compensated absences

The Bank makes annual provision in the financial statements for its liabilities towards vested compensated absences accumulated by its employees on the basis of actuarial valuation. Actuarial gains and losses are charged to income in the year in which they occur.

## 6.10 Foreign currencies

Transactions in foreign currency are translated to Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities and commitments for letters of credit and acceptances in foreign currencies are translated at the exchange rates prevailing at the statement of financial position date except assets and liabilities for which there are forward contracts which are translated at the contracted rates. Forward exchange contracts and foreign bills purchased are valued at forward rates applicable to their respective maturities.

All exchange differences are charged to profit and loss account.

### 6.11 Provisions

Provisions are recorded when the Group has a present obligation as a result of a past event when it is probable that it will result in an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

### 6.12 Provision for off balance sheet obligations

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

### 6.13 Dividend distribution and appropriations

Dividend distributions and appropriation to reserves are recognized as a liability in the financial statements in the period in which these are approved. Transfer to statutory reserve and any of the mandatory appropriations as may be required by law are recognized in the period to which they relate.

### 6.14 Impairment

The carrying amounts of assets (other than deferred tax assets) are reviewed for impairment at each statement of financial position date whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

### 6.15 Earnings per share

The Group presents earnings per share (EPS) for its ordinary shares which is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares (if any).

### 6.16 Share Capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

### 6.17 Financial instruments

#### 6.17.1 Financial assets and liabilities

Financial instruments carried on the statement of financial position include cash and bank balances, lending to financial institutions, investments, advances, certain receivables, borrowing from financial institutions, deposits and other payables. The particular recognition criteria adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

#### 6.17.2 Offsetting

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

## 6.18 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing product or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

### 6.18.1 Business segments

#### Trading and sales

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

#### Retail banking

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

#### Commercial banking

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

#### Payment and settlement

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

#### Agency service

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

### 6.18.2 Geographical segments

The Group operates only in Pakistan.

## 6.19 New accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2015

IFRS 10 – Consolidated Financial Statements	Effective from accounting period beginning on or after January 1, 2015
IFRS 11 – Joint Arrangements	Effective from accounting IFRS period beginning on or after January 1, 2015
IFRS 12 – Disclosure of Interests in Other Entities	Effective from accounting IFRS period beginning on or after January 1, 2015
IFRS 13 – Fair Value Measurement	Effective from accounting IFRS period beginning on or after January 1, 2015
IAS 27 (Revised 2011) – Separate Financial Statements	Effective from accounting IFRS period beginning on or after January 1, 2015
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	Effective from accounting IFRS period beginning on or after January 1, 2015



## 6.20 New accounting standards and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. The Group considers that the following standards and interpretations are either not relevant or will not have any material impact on its financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosures in the financial statements provided that such changes do not conflict with the format of financial statements prescribed by the SBP for banks.

Standard or Interpretations		Effective date (accounting periods beginning on or after)
IFRS 9	Financial Instruments – classification and Measurement	January 01, 2018
IFRS 11	Joint arrangements – amendments in accounting for acquisitions of interests in joint operations	January 01, 2016
IAS 1	Presentation of financial statement - amendments in disclosure initiatives	January 01, 2016
IAS 16 & 38	Property, Plant and Equipment and Intangible Assets – Amendments in classification of acceptable method of depreciation and amortization	January 01, 2016
IAS 16 & 41	Property, Plant and Equipment and Agriculture – Bearer plants	January 01, 2016
IAS 27	Separate Financial Statements – Amendments in equity method in separate financial statements	January 01, 2016
IFRS 10 & IAS 28	Consolidated financial statements and Investments in associate – Amendments in sale or contribution of assets between an investor and its associate or joint venture	January 01, 2016
IFRS 10, IFRS 12, IAS 28	Consolidated financial statements, Disclosure on interest in other entities and Investments in associate – Amendments in Investment Entities: Applying the consolidation exception	January 01, 2016

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customer

## 7. CASH AND BALANCES WITH TREASURY BANKS

In hand:

- Local currency
- Foreign currencies

With State Bank of Pakistan (SBP) in:

- Local currency current account
- Foreign currency deposit account:
  - Non remunerative
  - Remunerative

With National Bank of Pakistan in:

- Local currency current account
- Local currency deposit account

Note	2015	2014
	Rupees in '000'	
7.1	5,670,290	4,325,393
	687,435	640,574
	6,357,725	4,965,967
7.2	10,876,445	10,362,611
7.3	443,367	356,826
7.4	998,601	1,057,484
	12,318,413	11,776,921
	7,514,343	6,879,523
	-	-
	7,514,343	6,879,523
	26,190,481	23,622,411

7.1 This includes National Prize Bonds of Rs. 38,526 thousand (2014: Rs. 38,305 thousand)

7.2 This represents current account maintained with the SBP under the requirements of section 22 'Cash Reserve Requirement' of the Banking Companies Ordinance, 1962.

7.3 These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.

7.4 This carries mark-up as announced by the SBP on monthly basis.

## 8. BALANCES WITH OTHER BANKS

In Pakistan:

- On current accounts
- On deposit accounts

Outside Pakistan:

- On current accounts
- On deposit accounts

Note	2015	2014
	Rupees in '000'	
8.1	3,335,280	1,884,942
	86,935	82,586
	3,422,215	1,967,528
8.2	377,956	106,226
	711,862	165,416
	1,089,818	271,642
	4,512,033	2,239,170

8.1 These carry mark-up at rates ranging from 4.50% to 6.00% per annum (2014: 6.50% to 7.50% per annum).

8.2 These carry mark-up at the rates ranging from 0.05% to 0.11% per annum (2014: 0.05% per annum).

## 9. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings

Reverse repurchase agreement lendings

Certificate of investments

Placements

9.2	-	600,000
	4,513,262	27,719,623
	1,000,000	300,000
9.3	600,000	4,129,000
	6,113,262	32,748,623
9.1	6,113,262	32,748,623
	-	-
	6,113,262	32,748,623

### 9.1 Particulars of lendings

- In local currency
- In foreign currency

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

	2015			2014		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
Market treasury bills	2,263,262	-	2,263,262	62,787	-	62,787
Pakistan investment bonds	2,250,000	-	2,250,000	27,656,836	-	27,656,836
	4,513,262	-	4,513,262	27,719,623	-	27,719,623

Market value of securities held as collateral as at December 31, 2015 amounted to Rs. 4,745,547 thousand (2014: Rs. 29,291,585 thousand). These carry mark-up at rate ranging from 6.40% to 7.50% per annum (2014: 9.70% to 11.50% per annum).

9.3 These carry profit at rate ranging from 5.85% to 6.50% per annum (2014: 7.50% to 9.70% per annum) with maturities upto February 26, 2016.

10. INVESTMENTS - NET	Note	2015			2014		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
Rupees in '000'							
<b>10.1 Investments by types</b>							
<b>Held for trading securities:</b>							
Ordinary shares of listed companies	Annex II - 1	98,411	-	98,411	45,932	-	45,932
<b>Available for sale securities:</b>							
Market treasury bills	10.4 & Annex II - 7	38,330,074	35,314,270	73,644,344	52,979,483	33,804,515	86,783,998
Pakistan investment bonds	10.4 & Annex II - 7	69,936,695	6,401,929	76,338,624	44,708,426	-	44,708,426
Ordinary shares / certificates of listed companies and modarabas	Annex II - 1	1,675,257	-	1,675,257	1,458,847	-	1,458,847
Preference shares of listed companies	Annex II - 2	415,451	-	415,451	495,451	-	495,451
Ordinary shares of unlisted company	Annex II - 3	25,000	-	25,000	25,000	-	25,000
Mutual funds units	Annex II - 4	-	-	-	373,802	-	373,802
Government of Pakistan ijara sukuk bonds	Annex II - 7	200,004	-	200,004	1,706,588	-	1,706,588
Sale of sukuk to GOP on Bai-Muajjal basis	Annex II - 7	5,503,881	-	5,503,881	-	-	-
Listed term finance certificates	Annex II - 5	664,623	-	664,623	736,008	-	736,008
Unlisted term finance certificates	10.5 & Annex II - 6	3,455,200	-	3,455,200	3,644,013	-	3,644,013
		120,206,185	41,716,199	161,922,384	106,127,618	33,804,515	139,932,133
<b>Held to maturity securities:</b>							
Pakistan investment bonds	10.6	15,191,724	-	15,191,724	15,090,774	-	15,090,774
WAPDA bonds		400	-	400	400	-	400
		15,192,124	-	15,192,124	15,091,174	-	15,091,174
Total investments at cost		135,496,720	41,716,199	177,212,919	121,264,724	33,804,515	155,069,239
Provision for diminution in the value of investments - net	10.3	(3,012,191)	-	(3,012,191)	(3,045,286)	-	(3,045,286)
Investments - net of provisions		132,484,529	41,716,199	174,200,728	118,219,438	33,804,515	152,023,953
Surplus / (Deficit) on revaluation of available for sale securities	25.2	1,887,587	-	1,887,587	2,920,591	-	2,920,591
Deficit on revaluation of held for trading securities	10.8	(8,522)	-	(8,522)	(654)	-	(654)
Total investments at market value		134,363,594	41,716,199	176,079,793	121,139,375	33,804,515	154,943,890
<b>10.2 Investments by segments:</b>							
<b>Federal government securities:</b>							
Market treasury bills	10.4	38,330,074	35,314,270	73,644,344	52,979,483	33,804,515	86,783,998
Pakistan investment bonds	10.4	85,128,419	6,401,929	91,530,348	59,799,200	-	59,799,200
Government of Pakistan ijara sukuk bonds		200,004	-	200,004	1,706,588	-	1,706,588
Sale of sukuk to GOP on Bai-Muajjal basis		5,503,881	-	5,503,881	-	-	-
<b>Ordinary shares/certificates:</b>							
Listed companies and modarabas	Annex II - 1	1,773,668	-	1,773,668	1,504,779	-	1,504,779
Unlisted company	Annex II - 3	25,000	-	25,000	25,000	-	25,000
<b>Mutual funds units</b>							
	Annex II - 4	-	-	-	373,802	-	373,802
<b>Preference shares - listed companies</b>							
	Annex II - 2	415,451	-	415,451	495,451	-	495,451
<b>Term finance certificates and bonds:</b>							
Listed term finance certificates	Annex II - 5	664,623	-	664,623	736,008	-	736,008
Unlisted term finance certificates	Annex II - 6	3,455,200	-	3,455,200	3,644,013	-	3,644,013
WAPDA bonds		400	-	400	400	-	400
Total investments at cost		135,496,720	41,716,199	177,212,919	121,264,724	33,804,515	155,069,239
Provision for diminution in the value of investments - net	10.3	(3,012,191)	-	(3,012,191)	(3,045,286)	-	(3,045,286)
Investments - net of provisions		132,484,529	41,716,199	174,200,728	118,219,438	33,804,515	152,023,953
Surplus / (Deficit) on revaluation of available for sale securities	25.2	1,887,587	-	1,887,587	2,920,591	-	2,920,591
Deficit on revaluation of held for trading securities	10.8	(8,522)	-	(8,522)	(654)	-	(654)
Total investments at market value		134,363,594	41,716,199	176,079,793	121,139,375	33,804,515	154,943,890

	Note	2015	2014
		Rupees in '000'	
<b>10.3 Provision for diminution in the value of investments - net</b>			
Opening balance		3,045,286	3,148,947
Charge for the year		98,081	227,134
Reversal during the year		(879)	(167,640)
		97,202	59,494
		3,142,488	3,208,441
Reversal on disposal		(130,297)	(163,155)
Closing balance	10.3.1	3,012,191	3,045,286

#### 10.3.1 Particulars of provision in respect of type and segment

##### Available for sale securities:

Ordinary shares of listed companies	515,304	518,312
Preference shares	295,302	270,302
Ordinary shares of unlisted company	11,949	11,949
Mutual funds units	-	74,388
Term finance certificates	2,189,236	2,169,935
	3,011,791	3,044,886

##### Held to maturity securities:

WAPDA bonds	400	400
	3,012,191	3,045,286

10.4 Market treasury bills and Pakistan investment bonds are eligible for re-discounting with SBP.

10.5 This includes investment in privately placed term finance certificates of Pakistan International Airlines amounting to Rs. 74,310 thousand for which SBP has allowed relaxation from R-8 of Prudential Regulations for Corporate / Commercial Banking upto December 31, 2015 being GOP guaranteed exposure.

10.6 Market value of held to maturity investments amounted to Rs. 15,647,265 thousand (2014: Rs. 15,612,502 thousand).

10.7 Certain approved/ Government securities are kept with the SBP to meet statutory liquidity requirements calculated on the basis of domestic demand and time liabilities.

#### 10.8 Unrealized loss on revaluation of investments classified as held for trading

	2015	2014
	Rupees in '000'	
Ordinary shares of listed companies	(8,522)	(654)
	(8,522)	(654)

10.9 This represents outright purchase of GOP Ijara Sukuk (GIS) on deferred payment basis (Bai-Muajjal) at returns ranging from 6.34 % to 8.92 % per annum (2014: Nil).

	Note	2015	2014						
		Rupees in '000'							
<b>11. ADVANCES - NET</b>									
Loans, cash credits, running finances etc.									
- In Pakistan		200,744,882	173,952,931						
- Outside Pakistan		-	-						
		200,744,882	173,952,931						
Net book value of assets in ijarah under IFAS 2 - In Pakistan	11.2	230,780	217,559						
Islamic financing and related assets		4,316,782	1,381,515						
Net investment in finance lease									
- In Pakistan	11.3	41,290,683	17,372,840						
- Outside Pakistan		-	-						
		41,290,683	17,372,840						
Bills discounted and purchased (excluding market treasury bills)									
- Payable in Pakistan		2,186,757	2,187,991						
- Payable outside Pakistan		1,529,217	1,970,349						
		3,715,974	4,158,340						
Advances - (gross)	11.1	250,299,101	197,083,185						
Less: Provision for non-performing loans and advances									
- Specific	11.4 & 11.5	(30,596,588)	(26,702,645)						
- General	11.5	(346,493)	(107,125)						
		(30,943,081)	(26,809,770)						
<b>Advances - net of provision</b>		<b>219,356,020</b>	<b>170,273,415</b>						
<b>11.1 Particulars of advances (gross)</b>									
<b>11.1.1 In local currency</b>		249,514,492	196,276,131						
In foreign currencies		784,609	807,054						
		250,299,101	197,083,185						
<b>11.1.2 Short-term advances upto one year</b>		114,882,388	100,974,236						
Long-term advances for over one year		135,416,713	96,108,949						
		250,299,101	197,083,185						
<b>11.2 Net book value of assets in Ijarah under IFAS 2 - In Pakistan</b>									
		2015		2014					
		Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
		Rupees in '000'			Rupees in '000'				
Assets acquired under ijarah		-	315,594	-	315,594	-	245,778	-	245,778
Accumulated depreciation on ijarah		-	84,814	-	84,814	-	28,219	-	28,219
Net investment in ijarah		-	230,780	-	230,780	-	217,559	-	217,559
<b>11.3 Net investment in finance lease</b>									
Lease rentals receivable		4,115,724	29,717,519	-	33,833,243	2,865,370	13,097,404	-	15,962,774
Add: Guaranteed residual value		221,367	9,457,133	-	9,678,500	49,460	3,877,037	-	3,926,497
Minimum lease payments		4,337,091	39,174,652	-	43,511,743	2,914,830	16,974,441	-	19,889,271
Less: Finance charge for future periods		789,342	1,431,718	-	2,221,060	776,232	1,740,199	-	2,516,431
Present value of minimum lease payments		3,547,749	37,742,934	-	41,290,683	2,138,598	15,234,242	-	17,372,840

11.4 Advances include Rs. 57,026,684 thousand (2014: Rs. 55,611,275 thousand) which have been placed under non-performing status as detailed below :-

Category of classification	2015								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Other Assets Especially Mentioned	101,466	-	101,466	857	-	857	857	-	857
Substandard	4,281,121	-	4,281,121	869,489	-	869,489	869,489	-	869,489
Doubtful	4,474,983	-	4,474,983	2,175,523	-	2,175,523	2,175,523	-	2,175,523
Loss	48,169,114	-	48,169,114	27,372,220	-	27,372,220	27,550,719	-	27,550,719
	<u>57,026,684</u>	<u>-</u>	<u>57,026,684</u>	<u>30,418,089</u>	<u>-</u>	<u>30,418,089</u>	<u>30,596,588</u>	<u>-</u>	<u>30,596,588</u>

The provision held includes Rs. 178,499 thousand (2014: Nil) held against exposure adjusted through debt property swap prior to December 31, 2015, wherein the property is in process of transfer in the name of the Bank.

Category of classification	2014								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Other Assets Especially Mentioned	68,097	-	68,097	415	-	415	415	-	415
Substandard	8,429,852	-	8,429,852	2,070,332	-	2,070,332	2,070,332	-	2,070,332
Doubtful	743,240	-	743,240	284,398	-	284,398	284,398	-	284,398
Loss	46,370,086	-	46,370,086	24,347,500	-	24,347,500	24,347,500	-	24,347,500
	<u>55,611,275</u>	<u>-</u>	<u>55,611,275</u>	<u>26,702,645</u>	<u>-</u>	<u>26,702,645</u>	<u>26,702,645</u>	<u>-</u>	<u>26,702,645</u>

11.4.1 Provision against certain net advances amounting to Rs. 20,348,464 thousand (2014: Rs. 21,642,293 thousand) requiring additional provision of Rs. 19,407,810 thousand (2014: Rs. 20,649,941 thousand) has not been considered necessary in these consolidated financial statements on the basis of undertaking given by GoPb as stated in Note 1.2. However, provision covered under LOCs enhanced by Rs. 171,399 thousand (2014: Nil) on account of benefit of provision reversed against exposure adjusted through debt property swap prior to year end, wherein the property is in process of transfer in name of the Bank. Further, during the year, in order to meet the staggering requirement of 10% an additional provision net off recoveries amounting to Rs. 1,568,575 thousand (2014: Rs. 1,609,841 thousand) has been recognized.

11.5 Particulars of provisions against non-performing loans and advances

Note	2015						2014		
	Specific			General			Total		
	Rupees in '000'						Rupees in '000'		
11.5.1	Opening balance	26,702,645	107,125	26,809,770	25,633,504	41,755	25,675,259		
	Charge for the year	5,781,689	239,368	6,021,057	3,548,257	65,370	3,613,627		
	Reversals for the year	(1,887,700)	-	(1,887,700)	(2,479,116)	-	(2,479,116)		
	Amounts written off	3,893,989	239,368	4,133,357	1,069,141	65,370	1,134,511		
	Closing balance	(46)	-	(46)	-	-	-		
		<u>30,596,588</u>	<u>346,493</u>	<u>30,943,081</u>	<u>26,702,645</u>	<u>107,125</u>	<u>26,809,770</u>		
11.5.2	In local currency	30,596,588	346,493	30,943,081	26,702,645	107,125	26,809,770		
	In foreign currencies	-	-	-	-	-	-		
		<u>30,596,588</u>	<u>346,493</u>	<u>30,943,081</u>	<u>26,702,645</u>	<u>107,125</u>	<u>26,809,770</u>		

11.5.3 General provision represents provision against consumer financing portfolio as required by Prudential Regulations issued by the SBP.

11.5.4 The SBP amended the prudential regulations vide BSD Circular No.1 of 2011 dated October 21, 2011 in relation to provision for loans and advances; there by allowing benefit of Forced Sale Value (FSV) of pledged stocks, mortgaged residential, commercial and industrial properties (land and buildings only) and plant and machinery under charge held as collateral against non-performing advances. The FSV benefit availed in last years has been reduced by Rs. Nil (net of FSV benefit availed during the period), which has resulted in increased charge for specific provision for the year by the same amount. The FSV benefit is not available for cash or stock dividend. Had the FSV benefit not been recognized, before and after tax profits for the year would have been higher by Rs. Nil (2014: higher by Rs. 1,592,217 thousand) and Rs. Nil (2014: higher by Rs. 1,034,941 thousand) respectively.

11.5.5 Provision / (Reversal of provision) against non-performing loans and advances - charge to profit and loss account

Note	2015	2014
Rupees in '000'		
Provision / (Reversal of provision) against non-performing loans and advances-net	4,133,357	1,134,511
Transfer from restructuring reserve	(701,906)	(15,906)
	<u>3,431,451</u>	<u>1,118,605</u>

11.6 Particulars of write offs:

11.6.1	Against provisions Directly charged to profit and loss account	11.5.1	46	-
			-	-
			<u>46</u>	<u>-</u>
11.6.2	Write Offs of Rs. 500,000 and above Write Offs of below Rs. 500,000	11.7	-	-
			46	-
			<u>46</u>	<u>-</u>

11.7 Details of loan write off of Rs. 500,000/- and above

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

## 11.8 Particulars of loans and advances to executives & associated companies, etc.

	Note	2015	2014
Debts due by executives or officers of the Bank or any of them either severally or jointly with any other persons :			
Balance at beginning of year		1,945,501	1,899,915
Loans granted during the year		630,888	482,328
Repayments received during the year		(585,514)	(436,742)
Balance at end of year	11.8.1	1,990,875	1,945,501
Debts due by modarba floated by wholly owned subsidiary of the bank			
Balance at beginning of year		720,942	1,045,975
Loans granted during the year		731,307	647,533
Repayments received during the year		(639,415)	(972,566)
Balance at end of year		812,834	720,942
		<u>2,803,709</u>	<u>2,666,443</u>

11.8.1 These represent staff loans given to executives and officers in accordance with their terms of employment and advances given under consumer finance schemes of the Bank.

	Note	2015	2014
		Rupees in '000'	
<b>12. OPERATING FIXED ASSETS</b>			
Capital work in progress	12.1	782,338	114,993
Property and equipment	12.2	5,651,041	5,367,132
Intangible assets	12.3	50,933	7,996
		<u>6,484,312</u>	<u>5,490,121</u>
<b>12.1 Capital work in progress</b>			
Civil works		156,968	35,684
Hardware - Core Banking System		351,315	-
Hardware - Others		30,943	-
Softwares - Core Banking System		235,046	-
Softwares - Others		8,066	79,309
		<u>782,338</u>	<u>114,993</u>

12.2 Property and equipment

	2015						2014					
	COST / REVALUED AMOUNT			DEPRECIATION			COST / REVALUED AMOUNT			DEPRECIATION		
	Opening balance as at January 01, 2015	Additions	(Deletions) / Transfer / (Adjustment)	Revaluation adjustment	Closing balance as at December 31, 2015	Opening balance as at January 01, 2015	Charge for the year	(Deletions) / Transfer / (Adjustment)	Revaluation Adjustment	Closing balance as at December 31, 2015	Book value as at December 31, 2015	Rate of depreciation %
	Rupees in '000'						Rupees in '000'					
<b>Owned assets:</b>												
Free hold land	1,354,338	760	-	-	1,355,098	-	-	-	-	-	1,355,098	-
Buildings on free hold land	2,897,278	77,311	(8,265)	-	2,973,911	-	147,744	(681)	-	147,063	2,826,848	5
Furniture, fixture and office equipment	2,842,703	604,702	(7,587)	(44,064)	3,395,754	1,770,093	358,056	(40,458)	-	2,087,691	1,308,063	10-33.33
Vehicles	155,570	161,493	(40,101)	(7,587)	281,632	112,664	42,243	(38,977)	-	120,600	161,032	33.33
	7,249,889	844,266	(87,760)	(4,670)	8,006,395	1,882,757	548,043	(75,446)	-	2,355,354	5,651,041	
<b>Assets held under finance lease:</b>												
Vehicles	4,793	-	(123)	(4,670)	-	4,793	-	(123)	(4,670)	-	-	33.33
	7,254,682	844,266	(92,553)	(4,670)	8,006,395	1,887,550	548,043	(80,239)	-	2,355,354	5,651,041	
<b>Owned assets:</b>												
Free hold land	1,114,521	856	(22,500)	261,461	1,354,338	-	-	-	-	-	1,354,338	-
Buildings on free hold land	1,553,189	82,215	(12,243)	1,274,117	2,897,278	150,035	70,925	(2,082)	(218,878)	-	2,897,278	5
Furniture, fixture and office equipment	2,369,260	521,356	(12,955)	(34,958)	2,842,703	1,555,078	260,269	(10,296)	-	1,770,093	1,072,610	10-33.33
Vehicles	135,451	38,421	(18,302)	(18,302)	155,570	91,798	37,040	(16,174)	-	112,664	42,906	33.33
	5,172,421	642,848	(100,958)	1,535,578	7,249,889	1,796,911	368,234	(63,510)	(218,878)	1,882,757	5,367,132	
<b>Assets held under finance lease:</b>												
Vehicles	5,284	-	(491)	-	4,793	3,789	1408	(404)	-	4,793	-	33.33
	5,177,705	642,848	(101,449)	1,535,578	7,254,682	1,800,700	369,642	(63,914)	(218,878)	1,887,550	5,367,132	



### 12.2.1 Details of disposal of property and equipment

The information relating to disposal of property and equipment required to be disclosed as part of the financial statements by the SBP is given in Annexure - IV and is an integral part of these consolidated financial statements.

### 12.2.2

Free hold land and buildings on free hold land were revalued on December 31, 2014 by M/s Iqbal A. Nanjee & Co. (Private) Limited, an independent valuer, on the basis of fair market value. This valuation resulted in surplus of Rs. 96,19,32 thousand and Rs. 1,69,01,3 thousand in respect of free hold land and buildings on free hold land respectively. Detailed particulars are as follows:

	Revalued Amount Rupees in '000'	
	2015	2014
Free hold land	393,166	392,406
Buildings on free hold land	1,145,649	1,120,118

12.2.3 Had the free hold land and buildings on freehold land not been revalued, their carrying amounts would have been as follows:

### 12.2.4

The gross carrying amount of fully depreciated assets that are still in use is Rs. 294,747 thousand (2014: Rs. 295,847 thousand).

### 12.3 Intangible assets

	2015				2014			
	Opening balance as at January 01, 2015	Closing balance as at December 31, 2015	Opening balance as at January 01, 2015	Closing balance as at December 31, 2015	Opening balance as at January 01, 2014	Closing balance as at December 31, 2014	Opening balance as at January 01, 2014	Closing balance as at December 31, 2014
	<b>2015 AMORTIZATION</b>							
	<b>COST</b>				<b>AMORTIZATION</b>			
Softwares	15,179	56,272	71,451	7,183	13,335	20,518	50,933	33.33
	15,179	56,272	71,451	7,183	13,335	20,518	50,933	
	<b>2014 AMORTIZATION</b>							
	<b>COST</b>				<b>AMORTIZATION</b>			
Softwares	11,384	3,795	15,179	2,622	4,561	7,183	7,996	33.33
	11,384	3,795	15,179	2,622	4,561	7,183	7,996	

	Note	2015	2014
Rupees in '000'			
<b>13. DEFERRED TAX ASSETS - NET</b>			
<b>Taxable temporary differences:</b>			
-Surplus on revaluation of operating fixed assets	25.1	(588,418)	(622,003)
-Surplus on available for sale securities	25.2	(660,655)	(967,031)
-Accelerated tax depreciation		(212,391)	(225,573)
<b>Deductible temporary differences:</b>			
-Loan loss provision		8,597,319	8,026,320
-Business loss	13.1	770,126	3,633,713
		<u>7,905,981</u>	<u>9,845,426</u>

13.1 The management has prepared a business plan on the basis of the arrangements as disclosed in Note 1.2. The business plan includes certain key assumptions such as deposit composition, growth of deposits and advances, investment returns, potential provision against assets, branch expansion plan etc. Any significant change in the key assumptions may have an impact on the projections, however, the management believes that it is probable that the Bank will be able to achieve the projections as per the business plan and future taxable income would be sufficient to allow the benefit of the deductible temporary differences.

### 13.2 Reconciliation of deferred tax

Balance as at January 01, 2014	Recognized in profit and loss account	Recognized in equity	Balance as at December 31, 2014	Recognized in profit and loss account	Recognized in equity	Balance as at December 31, 2015
Rupees in '000'						

#### Taxable temporary differences:

-Surplus on revaluation of operating fixed assets	(107,558)	5,308	(519,753)	(622,003)	31,089	2,496	(588,418)
-Surplus on available for sale securities	-	-	(967,031)	(967,031)	-	306,376	(660,655)
-Accelerated tax depreciation	(216,786)	(8,787)	-	(225,573)	13,182	-	(212,391)

#### Deductible temporary differences:

-Deficit on available for sale securities	99,049	-	(99,049)	-	-	-	-
-Loan loss provision	8,026,320	-	-	8,026,320	570,999	-	8,597,319
-Business loss	4,826,327	(1,192,614)	-	3,633,713	(2,863,587)	-	770,126
	<u>12,627,352</u>	<u>(1,196,093)</u>	<u>(1,585,833)</u>	<u>9,845,426</u>	<u>(2,248,317)</u>	<u>308,872</u>	<u>7,905,981</u>

### 14. OTHER ASSETS - NET

	Note	2015	2014
Rupees in '000'			
Income/mark-up accrued in local currency		9,263,059	8,343,481
Profit paid in advance on pehlay munafa scheme		37,968	67,100
Advances, deposits, advance rent and other prepayments		4,410,822	268,327
Advance taxation (payments less provisions)		2,041,168	2,195,797
Non-banking assets acquired in satisfaction of claims	14.1	9,074,157	9,903,230
Branch adjustment account		399,269	328,017
Stock of stationery		41,556	43,703
Suspense account		14,247	1,897
Zakat recoverable from NITL	14.2	36,790	36,790
Unrealized gain on revaluation of foreign contracts		30,007	-
Fraud and forgeries		23,283	36,062
Others		539,501	256,155
		<u>25,911,827</u>	<u>21,480,559</u>
Less provision against:			
Non-banking assets acquired in satisfaction of claims		(212,152)	(196,909)
Zakat recoverable from NITL		(36,790)	(36,790)
Claim for recovery of shares		-	-
Fraud and forgeries		(21,438)	(9,478)
	14.3	<u>(270,380)</u>	<u>(243,177)</u>
Other assets - net of provision		<u>25,641,447</u>	<u>21,237,382</u>

14.1 This includes properties of Rs. 363,499 thousand acquired through adjustment of advances, wherein the properties are in the process of transfer in the name of the Bank.

14.2 This represents zakat deducted on dividends by NIT. The Bank has filed suit against NIT for recovery of the amount. The case was decided in favour of the Bank in 1993 and intra court appeal was filed by the Zakat and Ushr Department against the decision which is still pending. As a matter of prudence, though without prejudice to the Bank's claim against NIT at the court of law, the claim amount has been fully provided for.

	Note	2015	2014
		Rupees in '000	
<b>14.3 Provision against other assets</b>			
Opening balance		243,177	267,103
Charge for the year		224,382	1,174
Reversal during the year		-	(3,590)
		224,382	(2,416)
Amount written off		(197,179)	(21,510)
Closing balance		270,380	243,177
<b>15. CONTINGENT ASSETS</b>			
Contingent assets		Nil	Nil
<b>16. BILLS PAYABLE</b>			
In Pakistan		1,887,432	1,727,731
Outside Pakistan		-	-
		1,887,432	1,727,731
<b>17. BORROWINGS</b>			
In Pakistan		53,860,238	44,649,243
Outside Pakistan		1,376,191	93,381
	17.1	55,236,429	44,742,624
<b>17.1 Particulars of borrowings with respect to currencies</b>			
In local currency		53,860,238	44,649,243
In foreign currencies		1,376,191	93,381
		55,236,429	44,742,624
<b>17.2 Details of borrowings</b>			
<b>Secured</b>			
Borrowings from SBP:			
-Export refinance (ERF)	17.2.1	10,788,841	9,581,230
-Long term financing - export oriented projects (LTF-EOP)	17.2.2	4,331	54,872
-Long term financing facility (LTF)	17.2.2	1,358,063	1,404,893
Repurchase agreement borrowings	17.2.3	41,709,003	33,608,248
		53,860,238	44,649,243
<b>Unsecured</b>			
Foreign Placement		1,301,532	-
Overdrawn nostro accounts		74,659	93,381
		55,236,429	44,742,624

**17.2.1** These are secured against the Bank's cash and security balances held with the SBP. Mark-up on these borrowings is payable quarterly at rates ranging from 1.50% to 3.50% per annum. (2014: 5.50% to 6.50% per annum). Maturity of the borrowing is upto June 30, 2016.

**17.2.2** This amount is due to the SBP and has been obtained for providing long term finance to customers. As per the agreements with the SBP, the Bank has granted the SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with the SBP. Mark-up on these borrowings is payable quarterly at 2.00% to 10.10 % per annum (2014: 5.00% to 10.10% per annum) with maturity upto May 27, 2022.

**17.2.3** These are secured against market treasury bills and Pakistan investment bonds and carry mark-up at rates ranging from 6.25% to 6.50% per annum (2014: 9.40% to 10.00% per annum) maturing on various dates latest by January 08, 2016. The carrying value of securities given as collateral against these securities is given in note 10.1.

## 18. DEPOSITS AND OTHER ACCOUNTS

	2015	2014
	Rupees in '000'	
Customers		
Fixed deposits	126,553,494	120,193,692
Savings deposits	147,719,737	132,651,725
Current accounts - non-remunerative	88,424,534	77,060,674
Sundry deposits, margin accounts, etc.	8,268,024	8,223,503
	<u>370,965,789</u>	<u>338,129,594</u>
Financial institutions		
Remunerative deposits	2,668,511	2,845,709
Non-remunerative deposits	1,326,686	1,315,390
	<u>3,995,197</u>	<u>4,161,099</u>
	<u>374,960,986</u>	<u>342,290,693</u>

### 18.1 Particulars of deposits

In local currency	368,143,763	335,644,511
In foreign currencies	6,817,223	6,646,182
	<u>374,960,986</u>	<u>342,290,693</u>

## 19 SUB-ORDINATED LOAN

Loan from the GoPb	2,000,000	2,000,000
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The GoPb has extended loan of Rs. 2,000,000 thousand (2014: Rs.2,000,000 thousand) to support capital structure of the Bank for the purpose of the regulatory capital requirement. The loan is unsecured and sub-ordinated to all other indebtedness including deposits. The salient features of the loan are as follows:

<b>Tenor:</b>	07 Years.
<b>Profit payment &amp; frequency:</b>	Profit payable on half yearly basis in arrears on the outstanding principal amount.
<b>Profit rate:</b>	Average SBP discount rate. (Average shall be calculated on daily basis)
<b>Conversion option:</b>	May be converted, subject to consent of the parties and necessary regulatory approvals, after a period of five years into ordinary shares at the rate of Rs. 15 per share.
<b>Repayment:</b>	Bullet repayment after lapse of 07 years.
<b>Call / Put option:</b>	Callable after a period of 05 years. However no put option is available to GoPb.

## 20 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2015			2014		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	Rupees in '000'			Rupees in '000'		
Not later than one year	-	-	-	1,149	21	1,128
Later than one year and not later than five years	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,149</u>	<u>21</u>	<u>1,128</u>

20.1 Financial charges, included in the lease rentals, are determined on the basis of discount factors applied at Nil (2014: 11.88% to 12.43% per annum). The Bank has an option to purchase the assets upon completion of lease term and has the intention to exercise the option.

20.2 The amount of future payments of the lease and the period in which these payments will become due are as follows:

	2015	2014
	Rupees in '000'	
Years:		
2015	-	1,149
	-	1,149
Less: Financial charges for future periods	-	21
	<u>-</u>	<u>1,128</u>

	Note	2015	2014
Rupees in '000'			
<b>21. OTHER LIABILITIES</b>			
Mark-up/ return/ interest payable in local currency		3,903,677	4,850,510
Mark-up/ return/ interest payable in foreign currencies		48,389	55,911
Compensation payable on share deposit money		9,219	9,219
Mark-up payable on sub-ordinated loan from GoPb		-	1,562
Sundry creditors and accrued expenses		480,743	403,204
Unclaimed dividends		2,654	2,655
Payable to gratuity fund	38.1.1	48,017	76,390
Provision for employees compensated absences	38.1.3	228,742	223,672
Provision against off-balance sheet obligations	21.1	547,851	515,577
Deficit on revaluation of deposits and foreign bills purchased		-	26,204
Unrealized loss on revaluation of foreign contracts		28,334	37,290
Lease key money		9,678,500	3,926,497
Others		544,593	152,919
		<b>15,520,719</b>	<b>10,281,610</b>

#### 21.1 Provision against off balance sheet obligations

Opening balance	515,577	497,702
Charge for the year	32,274	17,875
Reversal during the year	-	-
	<b>32,274</b>	<b>17,875</b>
Closing balance	<b>547,851</b>	<b>515,577</b>

The above provision has been made against letters of guarantee issued by the Bank.

## 22. SHARE CAPITAL

### 22.1 Authorized Capital

2015	2014		2015	2014
Number	Number		Rupees in '000'	Rupees in '000'
<b>5,000,000,000</b>	<b>5,000,000,000</b>	Ordinary / Preference shares of Rs. 10 each	<b>50,000,000</b>	<b>50,000,000</b>

The authorized capital of the Bank is fifty thousand million rupees divided into five thousand million ordinary or preference shares of ten rupees each.

### 22.2 Issued, subscribed and paid up share capital

2015	2014	Ordinary shares	2015	2014
Number	Number		Rupees in '000'	Rupees in '000'
<b>Opening balance</b>				
519,333,340	19,333,340	Ordinary shares of Rs. 10 each paid in cash	5,193,333	193,333
526,315,789	526,315,789	Ordinary shares of Rs. 10 each issued at discount	5,263,158	5,263,158
509,464,036	509,464,036	Issued as bonus shares	5,094,641	5,094,641
<b>1,555,113,165</b>	<b>1,055,113,165</b>		<b>15,551,132</b>	<b>10,551,132</b>
-	500,000,000	Issuance of right shares at par value	-	5,000,000
<b>Closing balance</b>				
519,333,340	519,333,340	Ordinary shares of Rs. 10 each paid in cash	5,193,333	5,193,333
526,315,789	526,315,789	Ordinary shares of Rs. 10 issued at discount	5,263,158	5,263,158
509,464,036	509,464,036	Issued as bonus shares	5,094,641	5,094,641
<b>1,555,113,165</b>	<b>1,555,113,165</b>		<b>15,551,132</b>	<b>15,551,132</b>

22.3 GoPb held 57.47% shares in the Bank as at December 31, 2015 (2014: 57.47 %).

## 23. RESERVES

	Note	2015	2014
Rupees in '000'			
Statutory reserve	23.1	2,291,119	1,341,455
Share premium reserve		37,882	37,882
Restructuring reserve	23.2	-	701,906
		<u>2,329,001</u>	<u>2,081,243</u>

23.1 In accordance with the Banking Companies Ordinance, 1962, the Bank is required to transfer twenty percent of its profits each year to statutory reserve fund until the amount in such fund equals to the paid up share capital of the Bank.

23.2 This represents the effect of the up-gradation of category of classification by one category upon rescheduling /restructuring of classified loans and advances in accordance with the BSD Circular No. 10 dated 20 October 2009.

	Note	2015	2014
Rupees in '000'			
Opening balance		701,906	717,812
Transfer to profit and loss account	11.5.5	(701,906)	(15,906)
Closing balance		<u>-</u>	<u>701,906</u>

## 24. SHARE DEPOSIT MONEY

Share deposit money - II	24.1	7,000,000	7,000,000
		<u>7,000,000</u>	<u>7,000,000</u>

### 24.1 Reconciliation of share deposit money

Opening balance		7,000,000	12,000,000
Right shares issued during the year		-	(5,000,000)
Closing balance		<u>7,000,000</u>	<u>7,000,000</u>

## 25. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Surplus on revaluation of :			
Operating fixed assets - net of tax	25.1	2,054,709	2,117,084
Available for sale securities - net of tax	25.2	1,226,932	1,953,560
		<u>3,281,641</u>	<u>4,070,644</u>

### 25.1 Surplus on revaluation of operating fixed assets - net of tax

As on January 01		2,852,918	1,097,482
-(Surplus) / Deficit on revaluation realized during the year		(7,133)	980
-Surplus on revaluation during the year		-	1,754,456
		<u>2,845,785</u>	<u>2,852,918</u>

Incremental depreciation:

-Opening balance		(113,831)	(98,665)
-Transferred to accumulated losses in respect of incremental depreciation charge during the year - net of tax		(57,738)	(9,858)
-Related deferred tax liability		(31,089)	(5,308)
Accumulated incremental depreciation		<u>(202,658)</u>	<u>(113,831)</u>

As on December 31

		2,643,127	2,739,087
Less: Related deferred tax liability:			
-Opening balance		(622,003)	(107,558)
-Deferred tax on revaluation during the year		-	(522,548)
-Deferred tax on surplus realized during the year		2,496	2,795
-Deferred tax recorded during the year		31,089	5,308
-Closing balance	13	<u>(588,418)</u>	<u>(622,003)</u>
		<u>2,054,709</u>	<u>2,117,084</u>

### 25.2 Surplus / (Deficit) on revaluation of available for sale securities - net of tax

Federal government securities		1,872,465	2,672,965
Quoted securities		16,835	177,234
Mutual funds units		-	76,261
Term finance certificates		(1,713)	(5,869)
		<u>1,887,587</u>	<u>2,920,591</u>
Less: Related deferred tax liability	13	<u>(660,655)</u>	<u>(967,031)</u>
		<u>1,226,932</u>	<u>1,953,560</u>

## 26. CONTINGENCIES AND COMMITMENTS

### 26.1 Direct credit substitutes

These include general guarantees of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favour of:

- Government
- Financial institutions
- Others

2015	2014
Rupees in '000'	
-	-
-	-
1,656,157	996,208
<u>1,656,157</u>	<u>996,208</u>

### 26.2 Transaction-related contingent liabilities

These include performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credit related to particular transactions issued in favour of:

- Government
- Financial institutions
- Others

2015	2014
Rupees in '000'	
562,760	435,164
6,028	14,469
18,922,622	15,897,268
<u>19,491,410</u>	<u>16,346,901</u>

### 26.3 Trade-related contingent liabilities

These include letters of credit issued in favour of:

- Government
- Financial institutions
- Others

4,385,804	10,408,600
-	-
11,822,290	10,332,243
<u>16,208,094</u>	<u>20,740,843</u>

### 26.4 Income tax related contingency

For the tax years 2010, 2011 & 2012 Income Tax Department has amended the assessment orders on the issues of separate taxation of dividend income and turnover tax against which the Bank had filed appeals before Commissioner Inland Revenue Appeals (CIR(A)). CIR(A) provided relief on issue of separate taxation of dividend income. Now, both Bank and the tax department have filed appeals against the respective unfavorable decisions of CIR(A) with the Appellate Tribunal Inland Revenue (ATIR). The expected tax liability in respect of aforesaid tax years amounts to Rs 162,772 thousand and minimum tax under section 113 amounts to Rs 257,967 thousand. The management of the Bank, as per the opinion of its tax consultant, is confident that the appeals filed for the aforementioned tax years will be decided in Bank's favour.

The PMSL Tax Advisors have certified total refunds due from the Tax Department aggregating Rs. 6,333 thousand. Refund applications of the Company for the Tax Years 2007, 2008 and 2009 amounting to Rs 1,648 thousand, Rs 1,863 thousand and Rs 426 thousand respectively were rejected by the Deputy Commissioner of Inland Revenue (DCIR). The Company has filed an appeal before the Commissioner of Inland Revenue Appeals (CIR Appeals) against the said order. CIR Appeals vide its order dated June 21, 2011 has vacated the order issued by the DCIR and referred the case back for denovo proceeding which have been initiated and pending for adjudication.

### 26.5 Other contingencies

Claims against the Bank not acknowledged as debts

2015	2014
Rupees in '000'	
<u>31,077,751</u>	<u>35,192,352</u>

The amount involved in the claims filed against the Bank are yet to be adjudicated by the concerned Courts as the same have been filed as outburst to our recovery suits. Uptill now, in no case, any claim has been adjudicated, determined or decreed by the Courts against the Bank. Moreover, there is no likelihood of decreeing the suits against the Bank because, the claims are frivolous.

The Registrar Modaraba Companies and Modarabas (the Registrar), vide order dated August 27, 2009, has imposed penalty of Rs. 150 thousand each on the Ex-Chief Executive, one Ex-Director, one existing Director and the PMSL through its Chief Executive due to violation of certain provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 and Modaraba Companies and Modaraba Rules, 1981. The PMSL has filed an appeal before the Appellate Bench Securities and Exchange Commission of Pakistan (SECP), whereby SECP vide its order dated April 23, 2012 upheld the penalty imposed by the Registrar. The PMSL has filed an appeal against the said order before Honourable Lahore High Court, Lahore, which is pending adjudication.

### 26.6 Commitments to extend credit

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

### 26.7 Commitments in respect of forward exchange contracts

- Purchase
- Sale

2015	2014
Rupees in '000'	
12,160,726	5,314,736
9,624,791	3,658,932
<u>21,785,517</u>	<u>8,973,668</u>
<u>111,537</u>	<u>63,278</u>

### 26.8 Commitments for the acquisition of operating fixed assets

## 27. MARK-UP/RETURN/INTEREST EARNED

	Note	2015	2014
		Rupees in '000'	
a) On loans and advances to:			
i) Customers		15,559,818	14,761,929
ii) Financial institutions		5,063	36,523
b) On investments in:			
i) Available for sale securities		12,805,782	12,105,586
ii) Held for trading securities		425,483	393,062
iii) Held to maturity securities		1,810,639	1,365,808
c) On deposits with financial institutions		18,504	10,941
d) On securities purchased under resale agreements		505,952	715,080
e) On certificates of investment		29,200	38,236
f) On letters of placement		102,439	90,508
		<u>31,262,880</u>	<u>29,517,673</u>

## 28. MARK-UP/RETURN/INTEREST EXPENSED

Deposits		17,771,401	21,150,452
Securities sold under repurchase agreements		2,278,876	1,434,759
Return on share deposit money	28.1	-	(2,061,626)
Mark-up on subordinated loan from GoPb		148,521	1,562
Call borrowings		-	636
		<u>20,198,798</u>	<u>20,525,783</u>

28.1 This includes refund of Rs. Nil (2014: Rs. 2,128,772 thousand) received from GoPb on account of markup on share deposit money charged during the period 2009-2012.

## 29. GAIN ON SALE AND REDEMPTION OF SECURITIES - NET

	Note	2015	2014
		Rupees in '000'	
Federal government securities :			
Market treasury bills		810,529	124,036
Pakistan investment bonds		3,948,571	328,759
Shares - listed		169,450	135,530
Term finance certificates		41	12,310
Mutual funds		84,955	66,687
		<u>5,013,546</u>	<u>667,322</u>

## 30. OTHER INCOME

Rent on lockers and bank property		33,865	30,587
Net profit on sale of property and equipment		21,124	21,459
Net profit on sale of non banking assets acquired in satisfaction of claims		240,489	82,652
Service charges		260,184	233,991
Loan processing and arrangement charges		722,132	369,104
Online transaction charges		12,846	12,510
ATM transactions		185,598	145,457
SMS Banking		26,180	7,023
Cheque return charges		17,479	15,676
Miscellaneous earnings		115,167	81,714
		<u>1,635,064</u>	<u>1,000,173</u>

## 31. ADMINISTRATIVE EXPENSES

Salaries, allowances, etc.		3,774,456	3,214,300
Contribution to defined contribution plans		102,554	93,347
Provision for gratuity	38.1.1	77,367	78,904
Provision for compensated absences	38.1.3	9,338	14,105
Non-executive directors' fees	39	3,150	2,625
Taxes, insurance, electricity, etc.		328,555	319,546
Legal and professional charges		47,907	42,268
Communications		130,717	116,689
Repairs and maintenance		162,366	133,901
Rent for bank premises	31.1	542,234	406,003
Finance charge on leased assets		16	152
Stationery and printing		145,976	160,361
Advertisement and publicity		168,798	136,571
Auditors' remuneration	31.2	9,077	8,128
Depreciation	12.2	548,043	369,642
Depreciation on jjarah assets under IFAS - 2		56,670	28,219
Amortization on intangible assets	12.3	13,335	4,561
Traveling		105,722	68,485
Fuel expenses		216,308	274,737
Cash remittance charges		99,785	85,243
Entertainment expenses		62,766	56,746
Bank charges		97,309	81,720
Online connectivity charges		150,422	105,662
Fuel for generator		113,170	125,777
Commission and brokerage		103,856	82,747
Branch License fee		15,096	10,031
ATM charges		106,153	44,815
CNIC verification/ ecib charges		31,829	20,048
Miscellaneous expenses		171,167	132,011
		<u>7,394,142</u>	<u>6,217,344</u>



### 31.1 Operating lease

Operating lease rentals are charged in profit and loss account on a time proportion basis over the term of lease agreements.

### 31.2 Auditors' remuneration

	2015	2014
	Rupees in '000'	
Audit fee	2,250	2,000
Fee for audit of subsidiary - ShineWing Hameed Chaudary & Co.	55	55
Special certifications, half yearly review and others	5,887	5,286
Out-of-pocket expenses	885	785
	<u>9,077</u>	<u>8,126</u>
<b>32. OTHER CHARGES</b>		
Penalties imposed by SBP	<u>19,958</u>	<u>19,727</u>
<b>33. TAXATION</b>		
<b>For the year</b>		
Current	389,782	323,818
Deferred	2,248,317	1,196,093
	<u>2,638,099</u>	<u>1,519,911</u>
<b>Prior years</b>		
Current	143,953	-
Deferred	-	-
	<u>143,953</u>	<u>-</u>
	<u>2,782,052</u>	<u>1,519,911</u>

33.1 Due to carry forward business losses, numerical reconciliation between tax expense and accounting profit has not been presented. However, current liability for taxation represents minimum tax under section 113 of the Income Tax Ordinance, 2001.

### 34. BASIC EARNINGS PER SHARE

Profit for the year - Rupees in thousand	4,717,799	2,841,535
Weighted average ordinary shares - Number	1,555,113,165	1,439,655,027
Basic earnings per share - after tax - Rupees	<u>3.03</u>	<u>1.97</u>

### 35. DILUTED EARNINGS PER SHARE

There is no dilution effect on basic earnings per share.

### 36. CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks  
Balance with other banks  
Call money lendings  
Overdrawn nostro accounts

Note	2015	2014
	Rupees in '000'	
	26,190,481	23,622,411
	4,512,033	2,239,170
	-	600,000
	(74,659)	(93,381)
	<u>30,627,855</u>	<u>26,368,200</u>

### 37. STAFF STRENGTH

Permanent  
Temporary/on contractual basis  
Daily wagers  
Bank's own staff strength at the end of the year  
Outsourced  
Total Staff Strength

	2015	2014
	Number	
	3,504	3,566
	1,771	1,514
	425	389
	<u>5,700</u>	<u>5,469</u>
	1,040	712
	<u>6,740</u>	<u>6,181</u>

### 38. EMPLOYEE BENEFITS

#### 38.1 Defined benefit plans

##### 38.1.1 Gratuity

The Bank operates a funded gratuity scheme for all its permanent employees. The benefits under the scheme are payable on retirement which is equal to one month's last drawn basic salary for each year of eligible service or part thereof, with effect from January 01, 2008, subject to minimum of five years of service. The Bank makes annual provision in these consolidated financial statements for its liabilities on the basis of actuarial valuation.

#### Principal actuarial assumptions

The most recent valuation was carried out at December 31, 2015 using the "Projected Unit Credit Method". The principal assumptions used in the valuation at December 31, 2015 were as follows:

	2015	2014
Discount rate	9.00%	11.00%
Expected rate of eligible salary increase in future years	8.00%	10.00%
Interest income for the year 2015	9.00%	11.00%
Average expected remaining working life (years)	7	7

	2015	2014
	Rupees in '000'	
<b>Reconciliation of payable to defined benefit plan</b>		
Present value of defined benefit obligation	457,730	420,106
Fair value of plan assets	(426,280)	(358,518)
Benefit payments payable	16,567	14,802
	<u>48,017</u>	<u>76,390</u>
<b>Movement in payable to defined benefit plan</b>		
Opening balance	76,390	71,470
Charge for the year	77,367	78,904
Remeasurement chargeable in other comprehensive income	(29,350)	(2,514)
Contributions made by the Bank during the year	(76,390)	(71,470)
Closing balance	<u>48,017</u>	<u>76,390</u>
<b>Changes in present value of defined benefit obligations</b>		
Opening balance	420,106	343,541
Current service cost	74,891	75,454
Interest cost	44,202	43,119
Benefits due but not paid during the year	(9,342)	(7,525)
Benefit paid	(27,200)	(23,717)
Actuarial gain	(44,927)	(10,766)
	<u>457,730</u>	<u>420,106</u>

The effect of increase of one percent and the effect of decrease of one percent in the discount rate on the present value of defined benefit obligation at December 31, 2015 would be Rs. 421,058 thousand (2014: Rs. 386,905 thousand) and Rs. 499,868 thousand (2014: Rs. 449,269 thousand) respectively.

	2015	2014
	Rupees in '000'	
<b>Changes in fair value of plan assets</b>		
Opening balance	358,518	283,186
Interest income for the year	41,726	39,669
Contributions made	76,390	71,470
Benefits paid	(34,777)	(27,554)
Actuarial gain / (loss)	(15,577)	(8,253)
	<u>426,280</u>	<u>358,518</u>
<b>Charge for defined benefit plan</b>		
Current service cost	74,891	75,454
Interest cost	44,202	43,119
Interest income for the year	(41,726)	(39,669)
	<u>77,367</u>	<u>78,904</u>
Actual return on plan assets	<u>26,149</u>	<u>31,416</u>
<b>Composition of fair value of plan assets</b>		
First Punjab Modaraba	404,475	-
Cash at bank	21,805	358,518
	<u>426,280</u>	<u>358,518</u>

### 38.1.2 Reconciliation of net liability recognized for gratuity for the five years are as follows:

	2015	2014	2013	2012	2011
	Rupees in '000'				
Present value of defined benefit obligation	457,730	420,106	343,541	268,612	181,818
Fair value of plan assets	(426,280)	(358,518)	(283,186)	(190,322)	(39,580)
Benefit payments payable	16,567	14,802	11,115	9,041	6,963
	<u>48,017</u>	<u>76,390</u>	<u>71,470</u>	<u>87,331</u>	<u>149,201</u>
Actuarial gains / (losses) on obligation	44,927	10,766	7,969	(17,849)	14,777
Actuarial gains / (losses) on assets	(15,577)	(8,253)	422	8,017	(583)

### 38.1.3 Compensated absences

The Bank makes annual provision in the financial statements for its liabilities towards vested compensated absences accumulated by its employees on the basis of actuarial valuation. The actuary has used "Projected Unit Credit Method" for calculations. The employees of the Bank are entitled to take the leave as Leave Preparatory to Retirement (LPR) immediately before retirement. These leaves are subject to retirees' un-utilized privilege leave balance with an upper limit of 180 days. Alternatively, the retiree may receive a lump-sum cash amount equal to 180 days gross salary at the time of retirement in lieu of LPR of 180 days. Privilege leave accrues at the rate of 30 days per year. Moreover, any unutilized privilege leaves over 180 days are ignored.

#### Principal actuarial assumptions

The most recent valuation was carried out at December 31, 2015 using the "Projected Unit Credit Method". The principal assumptions used in the valuation at December 31, 2015 were as follows:

	2015	2014
Discount rate	9.00%	11.00%
Expected rate of eligible salary increase in future years	8.00%	10.00%
Average number of leaves accumulated per annum by the employees (days)	13	10
	Rupees in '000'	
<b>Present value of defined benefit obligation</b>	<u>228,742</u>	<u>223,672</u>
<b>Movement in payable to defined benefit plan</b>		
Opening balance	223,672	209,961
Charge for the year	9,338	14,105
Benefit paid	(4,268)	(394)
Closing balance	<u>228,742</u>	<u>223,672</u>

The effect of increase of one percent and the effect of decrease of one percent in the discount rate on the present value of defined benefit obligation at December 31, 2015 would be Rs. 206,694 thousand (2014: Rs. 201,373 thousand) and Rs. 254,574 thousand (2014: Rs. 249,761 thousand) respectively.

	2015	2014
	Rupees in '000'	
<b>Charge for defined benefit plan</b>		
Current service cost	13,972	19,874
Interest cost	24,369	27,269
Actuarial gains recognized	(29,003)	(33,037)
	<u>9,338</u>	<u>14,106</u>

### 38.1.4 Reconciliation of net liability recognized for compensated absences for the five years are as follows:

	2015	2014	2013	2012	2011
	Rupees in '000'				
Opening net liability	223,672	209,961	193,464	186,799	184,041
Net charge for the year	5,070	13,711	16,497	6,665	2,758
	<u>228,742</u>	<u>223,672</u>	<u>209,961</u>	<u>193,464</u>	<u>186,799</u>
Actuarial gains on obligation	29,003	33,037	23,689	33,894	37,036

### 39. COMPENSATION OF DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for remuneration, including benefits to the Chairman, President/Chief Executive Officer, Directors and Executives of the Bank was as follows:

	Chairman		President / Chief Executive		Directors		Executives	
	2015	2014	2015	2014	2015	2014	2015	2014
	Rupees in '000							
Fees	400	275	-	-	2,750 *	2,350 *	-	-
Managerial remuneration	-	-	39,110	29,688	-	-	421,035	378,000
Bonus	1,000	-	21,648	11,402	-	-	135,086	120,743
Rent and house maintenance	-	-	3,017	2,290	-	-	158,769	143,184
Utilities	132	125	2,718	2,063	-	-	40,732	36,712
Medical	247	314	-	-	-	-	39,236	35,377
Other allowances	3,226	1,668	7,243	2,348	-	-	252,911	168,556
	5,005	2,382	73,736	47,791	2,750	2,350	1,047,769	882,572
Number of persons	1	1	1	1	7	7	446	420

\* This represents fee paid to non-executive directors for attending the Board and its committees meetings.

Chairman, President/Chief Executive Officer and Executives are provided with free use of the Bank's maintained cars.

In addition to the above, contribution to defined contribution and benefit plans have been made in accordance with the Bank's policy. Further, executives are entitled to certain additional benefits in accordance with the Bank's policy.

Executive means officers, other than the chief executive and directors, whose basic salary exceeds five hundred thousand rupees in the financial year.

### 40. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

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

#### 40.1 The Bank measures fair value 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 measurement 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 input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).\*

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

Carrying value	2015			Total
	Fair value			
	Level 1	Level 2	Level 3	
Rupees in '000'				
<b>On balance sheet financial instruments</b>				
<b>Financial assets measured at fair value :</b>				
Government securities	150,182,972	-	152,055,437	152,055,437
Ordinary shares / certificates of listed companies and modarabas	1,773,668	1,202,471	-	1,202,471
Ordinary shares of unlisted company	25,000	-	13,051	13,051
Preference shares of listed companies	415,451	-	120,149	120,149
Listed term finance certificates	664,623	-	645,562	645,562
Operating fixed assets (land & building)	4,181,946	-	4,181,946	4,181,946
<b>Financial instruments not measured at fair value:</b>				
Cash and balances with treasury banks	26,190,481	-	-	-
Balances with other banks	4,512,033	-	-	-
Lendings to financial institutions	6,113,262	-	-	-
<b>Investments:</b>				
Government securities	15,192,124	-	-	-
Unlisted term finance certificates	3,455,200	-	-	-
Sale of sukuk of GOP on Bai- Muajjal basis	5,503,881	-	-	-
Operating fixed assets	2,302,366	-	-	-
Advances - net	219,356,020	-	-	-
Other assets	10,021,529	-	-	-
	449,890,556	1,202,471	157,016,145	158,218,616

	2015				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Rupees in '000'					
<b>Financial liabilities not measured at fair value</b>					
Bills payable	1,887,432	-	-	-	-
Borrowings	55,236,429	-	-	-	-
Deposits and other accounts	374,960,986	-	-	-	-
Sub-ordinated loan	2,000,000	-	-	-	-
Other liabilities	15,520,719	-	-	-	-
	449,605,566	-	-	-	-
<b>Off balance sheet financial instruments</b>					
Forward purchase of foreign exchange contracts	12,160,726	-	12,096,254	-	12,096,254
Forward sale of foreign exchange contracts	9,624,791	-	9,588,653	-	9,588,653
	2014				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>On balance sheet financial instruments</b>					
<b>Financial assets measured at fair value :</b>					
Government securities	133,199,012	-	135,871,977	-	135,871,977
Ordinary shares / certificates of listed companies and modarabas	1,504,779	1,093,914	-	-	1,093,914
Ordinary shares of unlisted company	25,000	-	-	-	-
Preference shares of listed companies	495,451	-	225,148	-	225,148
Listed term finance certificates	736,008	-	711,912	-	711,912
Operating fixed assets (land & building)	4,251,616	-	4,251,616	-	4,251,616
<b>Financial instruments not measured at fair value:</b>					
Cash and balances with treasury banks	23,622,411	-	-	-	-
Balances with other banks	2,239,170	-	-	-	-
Lendings to financial institutions	32,748,623	-	-	-	-
Investments:					
Government securities	15,091,174	-	-	-	-
Unlisted term finance certificates	3,644,013	-	-	-	-
Advances - net	170,273,415	-	-	-	-
Operating fixed assets	1,238,505	-	-	-	-
Other assets	8,763,494	-	-	-	-
	397,832,671	1,093,914	141,060,653	-	142,154,567
<b>Financial liabilities not measured at fair value</b>					
Bills payable	1,727,731	-	-	-	-
Borrowings	44,742,624	-	-	-	-
Deposits and other accounts	342,290,693	-	-	-	-
Sub-ordinated loan	2,000,000	-	-	-	-
Other liabilities	10,281,610	-	-	-	-
	401,042,658	-	-	-	-
<b>Off balance sheet financial instruments</b>					
Forward purchase of foreign exchange contracts	5,314,736	-	5,227,803	-	5,227,803
Forward sale of foreign exchange contracts	3,658,932	-	3,609,289	-	3,609,289

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

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

	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
Rupees in '000						
<b>2015</b>						
Total income	20,895,675	3,456,503	13,990,396	467,436	88,048	38,898,058
Total expenses	2,457,974	4,031,554	24,908,679	-	-	31,398,207
Inter segment (cost) / revenue transfer	(10,493,546)	1,592,969	8,900,577	-	-	-
Income taxes	-	-	-	-	-	2,781,178
Net income / (loss)	<u>7,944,155</u>	<u>1,017,918</u>	<u>(2,017,706)</u>	<u>467,436</u>	<u>88,048</u>	<u>4,718,673</u>
Segment assets (gross)	<u>215,336,059</u>	<u>45,257,923</u>	<u>234,132,579</u>	<u>-</u>	<u>-</u>	<u>494,726,561</u>
Segment non performing loans / investments	<u>3,132,190</u>	<u>1,982,426</u>	<u>55,129,480</u>	<u>-</u>	<u>-</u>	<u>60,244,096</u>
Segment provision required	<u>3,085,687</u>	<u>2,003,212</u>	<u>28,939,869</u>	<u>-</u>	<u>-</u>	<u>34,028,768</u>
Segment liabilities	<u>45,150,348</u>	<u>59,445,098</u>	<u>345,010,120</u>	<u>-</u>	<u>-</u>	<u>449,605,566</u>
Segment return on net assets (ROA) (%)	<u>12.21%</u>	<u>9.94%</u>	<u>11.77%</u>			
Segment cost of funds (%)	<u>7.13%</u>	<u>7.19%</u>	<u>7.33%</u>			
<b>2014</b>						
Total income	15,671,975	2,836,518	13,297,793	428,915	82,657	32,317,858
Total expenses	1,616,925	4,201,905	22,137,582	-	-	27,956,412
Inter segment (cost) / revenue transfer	(11,583,730)	1,737,639	9,846,091	-	-	-
Income taxes	-	-	-	-	-	1,519,911
Net income / (loss)	<u>2,471,320</u>	<u>372,252</u>	<u>1,006,302</u>	<u>428,915</u>	<u>82,657</u>	<u>2,841,535</u>
Segment assets (gross)	<u>215,679,904</u>	<u>22,209,794</u>	<u>197,647,813</u>	<u>-</u>	<u>-</u>	<u>435,537,511</u>
Segment non performing loans / investments	<u>3,186,279</u>	<u>2,132,875</u>	<u>53,478,400</u>	<u>-</u>	<u>-</u>	<u>58,797,554</u>
Segment provision required	<u>3,045,286</u>	<u>1,836,563</u>	<u>24,973,207</u>	<u>-</u>	<u>-</u>	<u>29,855,056</u>
Segment liabilities	<u>35,854,983</u>	<u>54,958,655</u>	<u>310,230,148</u>	<u>-</u>	<u>-</u>	<u>401,043,786</u>
Segment return on net assets (ROA) (%)	<u>11.25%</u>	<u>16.33%</u>	<u>13.05%</u>			
Segment cost of funds (%)	<u>8.95%</u>	<u>8.83%</u>	<u>8.00%</u>			

#### 42. RELATED PARTY TRANSACTIONS

Related parties comprise modaraba floated by the wholly owned subsidiary of the bank, key management personnel and entities in which key management personnel are office holders / members. The Bank in the normal course of business carries out transactions with various related parties on arm's length basis. Amounts due from and due to related parties are shown under receivables and payables. Amounts due from key management personnel are shown under receivables and remuneration of key management personnel is disclosed in Note 11.8 and Note 39 respectively. In addition key management personnel are paid terminal and short-term terminal benefits.

	2015				2014			
	Key management personnel	Modaraba floated by the wholly owned subsidiary of the bank	Employee funds	Others	Key management personnel	Modaraba floated by the wholly owned subsidiary of the bank	Employee funds	Others
	Rupees in '000'				Rupees in '000'			
<b>Advances</b>								
Opening balance	125,954	720,942	-	61,874	91,202	1,045,975	-	52,591
Loans granted during the year	76,553	731,307	-	-	70,710	647,533	-	267,235
Repayments received during the year	(73,213)	(639,415)	-	(61,874)	(35,958)	(972,566)	-	(257,952)
Closing balance	129,294	812,834	-	-	125,954	720,942	-	61,874
<b>Deposits</b>								
Opening balance	18,239	20,356	2,076,040	46,545	27,878	26,123	805,346	29,657
Placements made during the year	299,746	752,149	7,536,662	552,485	282,750	787,775	6,566,043	70,317
Withdrawals during the year	(299,413)	(719,963)	(7,294,760)	(586,753)	(292,389)	(793,542)	(5,295,349)	(53,429)
Closing balance	18,572	52,542	2,317,942	12,277	18,239	20,356	2,076,040	46,545
<b>Placements</b>								
	-	100,000	-	-	-	100,000	-	-
<b>Lease liability</b>								
	-	-	-	-	-	1,129	-	-
<b>Transactions during the year :</b>								
Mark-up/return earned	9,571	56,525	-	-	10,571	74,881	-	7,082
Mark-up/interest expensed	399	-	156,065	2,012	443	-	183,257	2,663
Contribution to employees funds	-	-	77,658	-	-	-	69,900	-

42.1 Balances pertaining to parties that were related at the beginning of the year but ceased to be so related during any part of the current year are not reflected as part of the closing balance. The same are accounted for through movement presented above.

42.2 The GoPb holds controlling interest (57.47% shareholding) in the Bank and therefore entities which are owned and / or controlled by the GoPb, or where the GoPb may exercise significant influence, are related parties of the Bank.

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

As at Statement of Financial Position date the loans and advances, deposits and contingencies relating to GoPb and its related entities and loans disbursed against GoPb guarantees amounted to Rs. 35,710,375 thousand (2014: Rs. 23,818,185 thousand), Rs.170,215,660 thousand (2014: Rs. 146,442,712 thousand), Rs. 4,051,764 thousand (2014: Rs. 10,277,131 thousand) and Rs. 4,140,871 thousand (2014: Rs. Nil) respectively. Further, during the year, the Bank has incurred markup expense amounted to Rs. 148,521 thousand (2014: Rs. 1,562 thousand) on subordinated loan of Rs. 2,000,000 thousand received from GoPb in year 2014.



## 43. CAPITAL ADEQUACY

### 43.1 Scope of application

The Bank is the only entity in the Group to which Basel framework is applicable. The Bank has only one subsidiary, Punjab Modaraba Services (Private) Limited, whose financial statements are included in the consolidated financial statements.

### 43.2 Capital adequacy

The Basel Framework for a capital adequacy is applicable to the Bank both at the consolidated level (including the subsidiary) and on a stand alone basis. The Bank's policy is to maintain strong capital base so as to maintain, investor, creditor and market confidence and to sustain future business developments. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the SBP. The ratio compares the amount of eligible capital with the total of risk-weighted assets. The Bank monitors and reports its capital ratios under SBP rules, which ultimately determine the regulatory capital required to be maintained by Banks and DFIs.

In addition, the SBP requires that the paid up capital of locally incorporated banks should be raised to Rs. 10 billion by December 31, 2013 in a phased manner. The Bank plans to increase its paid up share capital, through right issue, to comply with the aforesaid requirement. The paid-up capital requirement (net of losses) as at December 31, 2015 is Rs.10.0 billion. The paid-up capital, reserves (net of losses) and share deposit money of the Bank amounts to Rs. 19,396,122 thousand.

The SBP requires that banks doing business in Pakistan should maintain regulatory capital for credit, market, and operational risks, the amount of which should at least be equal to 10% of their risk weighted assets. The Bank's capital adequacy ratio as at December 31, 2015 under Basel III is 10.50%.

The capital adequacy ratio of the Bank was subject to Basel III capital adequacy guidelines stipulated by the SBP through its circular BPRD Circular No. 06 of 2013 dated August 15, 2013. These instructions are effective from December 31, 2013 in a phased manner with full implementation intended by December 31, 2019. Under Basel III guidelines banks are required to maintain the following ratios on an ongoing basis.

Phase-in arrangement and full implementation of the minimum capital requirements:

Sr.No.	Ratio	Year end						As of
		2013	2014	2015	2016	2017	2018	December 2019
1	CET1	5.00%	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%
2	ADT-1	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
3	Tier-1	6.50%	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%
4	Total capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
5	CCB (consisting of CET1 only)	0.00%	0.00%	0.25%	0.65%	1.275%	1.90%	2.50%
6	Total capital plus CCB	10.00%	10.00%	10.25%	11.25%	11.875%	12.50%	12.50%

The SBP's regulatory capital as managed by the Bank is analyzed into following tiers:

- Tier I capital (CET1), which comprises of highest quality capital element and include fully paid up capital, share premium, reserve for bonus shares, general reserves and accumulated losses.
- Additional Tier I capital (ADT-I), which includes perpetual non-cumulative preference shares and its premium after all regulatory adjustments applicable on ADT-I.

- Tier II capital, which includes subordinated debt / instruments and its premium, general reserve for loan losses (up to a maximum of 1.25% of CRWA), net of tax revaluation reserves up to a maximum of 45% of the balance, exchange translation reserves after all regulatory adjustments applicable on Tier-2.
- Tier III capital, which includes short term sub-ordinated debts. This capital is solely for the purpose of meeting a proportion of the capital requirements for market risk.

Various limits are applied to elements of the capital base. Qualifying Tier II and Tier III capital cannot exceed the Tier I capital. Revaluation reserves are eligible upto 45 % for treatment as Tier II capital. There is also restriction on the amount of general reserve for loan losses upto 1.25 % of total risk weighted assets. Sub-ordinated debts cannot exceed 50 % of Tier I capital. Further tier III capital cannot exceed 250 % of Tier I capital.

The Bank calculates capital requirement as per regulatory framework, using the following approaches:

Credit risk	Standardized Approach
Market risk	Standardized Approach
Operational risk	Basic Indicator Approach

Basel-III Framework enables a more risk-sensitive regulatory capital calculation to promote long term viability of the Bank.

### 43.3 Capital adequacy return

Note	2015	2014
	Rupees in '000	
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
1	15,551,132	15,551,132
2	7,037,882	7,037,882
3	-	-
4	(263,158)	(263,158)
5	2,291,119	2,043,361
6	-	-
7	(5,220,853)	(9,083,209)
8	-	-
9	19,396,122	15,286,008
10	43.3.1 1,835,690	1,840,392
11	17,560,432	13,445,616
<b>Additional Tier 1 (AT 1) Capital</b>		
12	-	-
13	-	-
14	-	-
15	-	-
16	-	-
17	-	-
18	43.3.2 -	59,635
19	-	-
20	-	59,635
21	17,560,432	13,385,981
<b>Tier 2 Capital</b>		
22	2,000,000	2,000,000
23	-	-
24	-	-
25	-	-
26	346,493	107,125
27	1,927,965	2,279,561
28	1,207,142	1,185,567
29	720,823	1,093,994
30	-	-
31	-	-
32	4,274,458	4,386,686
33	43.3.3 -	-
34	-	-
35	-	-
36	-	-
37	4,274,458	4,386,686
38	21,834,888	17,772,667
39	43.6 207,903,735	174,130,682
Capital Ratios and buffers (in percentage of risk weighted assets)		
40	8.45%	7.72%
41	8.45%	7.69%
42	10.50%	10.21%
43		
44		
45		
46		
47		
<b>National minimum capital requirements prescribed by SBP</b>		
48	6.00%	5.50%
49	7.50%	7.00%
50	10.25%	10.00%

### Regulatory Adjustments and Additional Information

	2015		2014
	Amount	Amounts subject to Pre- Basel III treatment	
	Rupees in '000		
<b>43.3.1 Common Equity Tier 1 capital: Regulatory adjustments</b>			
1 Goodwill (net of related deferred tax liability)	243,112	-	79,309
2 All other intangibles (net of any associated deferred tax liability)	50,934	-	7,996
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)	192,531	770,125	726,743
5 Defined-benefit pension fund net assets	-	-	-
6 Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	22,876	-	13,244
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)	-	-	-
14 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	1,326,237	5,084,438	1,011,308
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	-	-	1,792
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	-	-	-
22 Total regulatory adjustments applied to CET1 (sum of 1 to 21)	<u>1,835,690</u>		<u>1,840,392</u>
<b>43.3.2 Additional Tier-1 &amp; Tier-1 Capital: regulatory adjustments</b>			
23 Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-	-	59,635
24 Investment in own AT1 capital instruments	-	-	-
25 Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-	-
26 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
27 Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
28 Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	-	-	-
29 Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-
30 Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	<u>-</u>		<u>59,635</u>
<b>43.3.3 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	-	-	-
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)	<u>-</u>		<u>-</u>
<b>43.3.4 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	577,594	770,125	2,906,970
(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	-	-	-
38 Amounts below the thresholds for deduction (before risk weighting)	-	-	-
39 Non-significant investments in the capital of other financial entities	-	-	-
40 Significant investments in the common stock of financial entities	-	-	-
41 Deferred tax assets arising from temporary differences (net of related tax liability)	5,809,619	7,135,856	5,198,613
42 Applicable caps on the inclusion of provisions in Tier 2	-	-	-
43 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	-	-
44 Cap on inclusion of provisions in Tier 2 under standardized approach	-	-	-
45 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-	-
46 Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-	-

#### 43.4 Capital structure reconciliation

##### 43.4.1 Step 1

	Balance sheet of the published financial statements	Under regulatory scope of consolidation
	2015	2015
	Rupees in '000	
Cash and balances with treasury banks	26,190,481	26,190,481
Balances with other banks	4,512,033	4,512,033
Lendings to financial institutions	6,113,262	6,113,262
Investments - net	176,079,792	176,079,792
Advances - net	219,356,020	219,356,020
Operating fixed assets	6,484,313	6,484,313
Deferred tax assets - net	7,905,981	7,905,981
Other assets - net	25,641,447	25,641,447
<b>Total assets</b>	<b>472,283,329</b>	<b>472,283,329</b>
<b>Liabilities &amp; Equity</b>		
Bills payable	1,887,432	1,887,432
Borrowings	55,236,429	55,236,429
Deposits and other accounts	374,960,986	374,960,986
Sub-ordinated loan	2,000,000	2,000,000
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities - net	-	-
Other liabilities	15,520,719	15,520,719
<b>Total liabilities</b>	<b>449,605,566</b>	<b>449,605,566</b>
Share capital	22,325,856	22,325,856
Reserves	2,291,119	2,291,119
Accumulated losses	(5,220,853)	(5,220,853)
Minority Interest	-	-
Surplus on revaluation of assets - net of tax	3,281,641	3,281,641
Total equity	22,677,763	22,677,763
<b>Total liabilities &amp; equity</b>	<b>472,283,329</b>	<b>472,283,329</b>

#### 43.4.2 Step 2

##### Assets

Cash and balances with treasury banks	
Balance with other banks	
Lending to financial institutions	
Investments	
of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	
of which: Mutual Funds exceeding regulatory threshold	
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	
of which: others (mention details)	
Advances	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	
general provisions reflected in Tier 2 capital	
Fixed Assets	
Deferred Tax Assets	
of which: DTAs that rely on future profitability excluding those arising from temporary differences	
of which: DTAs arising from temporary differences exceeding regulatory threshold	
Other assets	
of which: Goodwill	
of which: Intangibles	
of which: Defined-benefit pension fund net assets	

##### Total assets

##### Liabilities & Equity

Bills payable	
Borrowings	
Deposits and other accounts	
Sub-ordinated loans	
of which: eligible for inclusion in AT1	
of which: eligible for inclusion in Tier 2	
Liabilities against assets subject to finance lease	
Deferred tax liabilities	
of which: DTLs related to goodwill	
of which: DTLs related to intangible assets	
of which: DTLs related to defined pension fund net assets	
of which: other deferred tax liabilities	
Other liabilities	
<b>Total liabilities</b>	

Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
2015	2015	
Rupees in '000		

26,190,481	26,190,481	
4,512,033	4,512,033	
6,113,262	6,113,262	
176,079,792	176,079,792	
-	-	a
-	-	b
-	-	c
22,876	22,876	d
-	-	e
219,356,020	219,356,020	
-	-	f
346,493	346,493	g
6,484,313	6,484,313	
7,905,981	7,905,981	
-	-	h
770,125	965,298	
7,135,856	6,962,051	i
25,641,447	25,641,447	
243,112	243,112	j
50,934	50,934	k
-	-	l
472,283,329	472,283,329	
1,887,432	1,887,432	
55,236,429	55,236,429	
374,960,986	374,960,986	
2,000,000	2,000,000	
-	-	m
2,000,000	2,000,000	n
-	-	
-	-	
-	-	o
-	-	p
-	-	q
-	-	r
15,520,719	15,520,357	
449,605,566	449,605,204	

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	2015	2015	
	Rupees in '000		
<b>Share capital</b>	22,325,856	22,325,856	
of which: amount eligible for CET1	22,325,856	22,325,856	s
of which: amount eligible for AT1	-	-	t
<b>Reserves</b>	2,291,119	2,291,119	
of which: portion eligible for inclusion in CET1 (provide breakup)	2,291,119	2,291,119	u
of which: portion eligible for inclusion in Tier 2	-	-	v
Unappropriated profit/ (losses)	(5,220,853)	(5,220,853)	w
<b>Minority Interest</b>			
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
<b>Surplus on revaluation of assets</b>	3,281,641	3,281,641	
of which: Revaluation reserves on Fixed Assets	2,054,709	2,054,709	aa
of which: Unrealized Gains/Losses on AFS	1,226,932	1,226,932	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
<b>Total liabilities &amp; Equity</b>	<b>472,283,329</b>	<b>472,282,967</b>	

#### 43.4.3 Step 3

##### Common Equity Tier 1 capital (CET1): Instruments and reserves

1 Fully paid-up capital/ capital deposited with SBP	15,551,132	
2 Balance in share premium account, share deposit money and discount on issue of shares	6,774,724	(s)
3 Reserve for issue of bonus shares		
4 General/ Statutory reserves	2,291,119	(u)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge		
6 Accumulated losses	(5,220,853)	(w)
7 Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)
<b>8 CET 1 before Regulatory Adjustments</b>	<b>19,396,122</b>	
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>		
9 Goodwill (net of related deferred tax liability)	243,112	(j) - (o)
10 All other intangibles (net of any associated deferred tax liability)	50,934	(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)	192,531	{{(h) - (r)} * x%
13 Defined-benefit pension fund net assets		{{(l) - (q)} * x%
14 Reciprocal cross holdings in CET1 capital instruments	22,876	(d)
15 Cash flow hedge reserve	-	
16 Investment in own shares/ CET1 instruments	-	
17 Securitization gain on sale	-	
18 Capital shortfall of regulated subsidiaries	-	
19 Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	(ab)

	Component of regulatory capital reported by bank 2015	Source based on reference number from step 2 2015
	Rupees in '000	
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)	-	(b) - (ad) - (af)
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	1,326,237	(i)
23 Amount exceeding 15% threshold	-	
24 of which: significant investments in the common stocks of financial entities	-	
25 of which: deferred tax assets arising from temporary differences	-	
26 National specific regulatory adjustments applied to CET1 capital	-	
27 of which: Investment in TFCs of other banks exceeding the prescribed limit	-	
28 of which: Any other deduction specified by SBP (mention details)	-	
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	
30 Total regulatory adjustments applied to CET1 (sum of 9 to 29)	-	
<b>31 Common Equity Tier 1</b>	<b>17,560,432</b>	
<b>Additional Tier 1 (AT 1) Capital</b>		
32 Qualifying Additional Tier-1 instruments plus any related share premium	-	
33 of which: Classified as equity	-	(t)
34 of which: Classified as liabilities	-	(m)
35 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
36 of which: instrument issued by subsidiaries subject to phase out	-	
<b>37 AT1 before regulatory adjustments</b>		
<b>Additional Tier 1 Capital: regulatory adjustments</b>		
38 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
39 Investment in own AT1 capital instruments	-	
40 Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
41 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
42 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
43 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	



	Component of regulatory capital reported by bank 2015	Source based on reference number from step 2 2015
	Rupees in '000	
44 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
45 Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 44)	-	
46 Additional Tier 1 capital	-	
47 <b>Additional Tier 1 capital recognized for capital adequacy</b>	-	
<b>48 Tier 1 Capital (CET1 + admissible AT1) (31+47)</b>	17,560,432	
<b>Tier 2 Capital</b>		
49 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	2,000,000	
50 Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	(n)
51 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(z)
52 of which: instruments issued by subsidiaries subject to phase out	-	
53 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	346,493	(g)
54 Revaluation Reserves	1,927,965	
55 of which: Revaluation reserves on fixed assets	1,207,142	
56 of which: Unrealized Gains/Losses on AFS	720,823	portion of (aa)
57 Foreign Exchange Translation Reserves	-	(v)
58 Undisclosed/Other Reserves (if any)	-	
59 <b>T2 before regulatory adjustments</b>	4,274,458	
<b>Tier 2 Capital: regulatory adjustments</b>		
60 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	
61 Reciprocal cross holdings in Tier 2 instruments	-	
62 Investment in own Tier 2 capital instrument	-	
63 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
64 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
65 Amount of Regulatory Adjustment applied to T2 capital (sum of 60 to 64)	-	
66 Tier 2 capital (T2)	-	
67 Tier 2 capital recognized for capital adequacy	-	
68 Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
69 Total Tier 2 capital admissible for capital adequacy	4,274,457	
70 <b>TOTAL CAPITAL (T1 + admissible T2) (48+69)</b>	21,834,889	

#### 43.5 Main features template of regulatory capital instruments

Sr. No.	Main Features	Common Shares	Sub-ordinated Loan
1	Issuer	The Bank of Punjab	The Bank of Punjab
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	BOP	BOP
3	Governing law(s) of the instrument	Capital Market Law	Relevant rules and regulations
Regulatory treatment			
4	Transitional Basel III rules	Common equity Tier 1	Tier 2 Capital Instruments
5	Post-transitional Basel III rules	Common equity Tier 1	Tier 2 Capital Instruments
6	Eligible at solo/ group/ group & solo	Standalone and group	Standalone and group
7	Instrument type	Common shares	Debt
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	22,551,132	2,000,000
9	Par value of instrument	PKR 10	Not applicable
10	Accounting classification	Shareholder equity	Sub-ordinated Loan
11	Original date of issuance	1990	2014
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	No maturity	07 years from date of disbursement
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates and redemption amount	Not applicable	After 5 years
16	Subsequent call dates, if applicable	Not applicable	Not applicable
<b>Coupons / dividends</b>			
17	Fixed or floating dividend/ coupon	Not applicable	Floating
18	Coupon rate and any related index/ benchmark	Not applicable	Average SBP discount rate
19	Existence of a dividend / coupon stopper	No	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Not applicable	No
23	Convertible or non-convertible	Non-convertible	May be converted subject to consent of parties and necessary regulatory approvals.
24	If convertible, conversion trigger (s)	Not applicable	At the option of issuer after 05 years
25	If convertible, fully or partially	Not applicable	Fully
26	If convertible, conversion rate	Not applicable	Rs. 15 per share
27	If convertible, mandatory or optional conversion	Not applicable	Optional
28	If convertible, specify instrument type convertible into	Not applicable	Ordinary shares
29	If convertible, specify issuer of instrument it converts into	Not applicable	BOP common shares
30	Write-down feature	Not applicable	Yes
31	If write-down, write-down trigger(s)	Not applicable	Not applicable
32	If write-down, full or partial	Not applicable	Not applicable
33	If write-down, permanent or temporary	Not applicable	Permanent
34	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable	Ranked inferior to all other debts of the Bank including deposits
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	Not applicable	Not applicable

#### 43.6 Risk Weighted Assets

The capital requirements for the banking group as per the major risk categories should be indicated in the manner given below:-

	Capital Requirements		Risk Weighted Assets	
	2015	2014	2015	2014
	Rupees in '000			
<b>Credit Risk</b>				
On-Balance sheet				
<u>Portfolios subject to standardized approach (Comprehensive)</u>				
Cash & cash equivalents	-	-	-	-
Sovereign	12,609	-	126,085	-
Public Sector entities	610,307	276,893	6,103,073	2,768,925
Banks	254,537	276,213	2,545,368	2,762,133
Corporate	8,918,471	8,610,647	89,184,706	86,106,468
Retail	2,743,282	1,247,499	27,432,817	12,474,993
Residential Mortgages	63,263	62,734	632,631	627,342
Past Due loans	925,528	907,930	9,255,281	9,079,296
Deferred Tax Assets	923,134	288,346	9,231,335	2,883,455
Operating Fixed Assets	619,027	540,282	6,190,267	5,402,816
Other assets	2,542,930	2,818,958	25,429,297	28,189,584
	17,613,086	15,029,502	176,130,860	150,295,012
Off-Balance sheet				
Non-market related				
Financial guarantees, acceptances, performance related	1,003,365	738,873	10,033,650	7,388,725
Market related				
Foreign Exchange contracts/ derivatives etc.	6,653	4,364	66,529	43,641
	1,010,018	743,237	10,100,179	7,432,366
Equity Exposure Risk in the Banking Book				
Under simple risk weight method				
Listed, Unlisted	80,045	75,023	800,447	750,226
Under Internal models approach				
	80,045	75,023	800,447	750,226
<b>Market Risk</b>				
<u>Capital Requirement for portfolios subject to Standardized Approach</u>				
Interest rate risk	1,591	2,667	19,888	33,338
Equity position risk	188,736	183,969	2,359,200	2,299,608
Foreign Exchange risk	10,780	3,625	134,750	45,313
	201,107	190,261	2,513,838	2,378,259
<u>Capital Requirement for portfolios subject to Basic Indicator Approach</u>				
Operational Risk				
<u>Capital Requirement for operational risks</u>	1,554,559	1,061,986	19,425,509	13,274,819
<b>Total</b>	<b>20,458,815</b>	<b>17,100,009</b>	<b>208,970,833</b>	<b>174,130,682</b>
<b>Capital Adequacy Ratios</b>				
	<b>2015</b>	<b>2015</b>	2014	2014
	<b>Required</b>	<b>Actual</b>	Required	Actual
CET1 to total RWA	6.00%	8.45%	5.50%	7.72%
Tier-1 capital to total RWA	7.50%	8.45%	7.00%	7.69%
Total capital to total RWA	10.25%	10.50%	10.00%	10.21%

#### 44. RISK MANAGEMENT

The principal risks associated with the Banking business are credit risk, market risk, liquidity risk and operational risk.

##### 44.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligations and cause the other party to incur a financial loss. The Group manages its exposure to credit risk by pursuing credit policy approved by the Board of Directors and undertaking all lending activities in accordance with standard practices and procedures as laid down in the Credit Policy Manual. The Group's credit process currently entails assessment of credit worthiness of potential customers, pre-sanction evaluation of credit proposal, adequacy and quality checks over collateral and examination of charge documents before disbursements. The Group will also continue to keep its focus on expansion through diversified exposure. Further, to strengthen the portfolio and as a matter of prudence, adequate provisions against non-performing advances are accounted for in accordance with the requirements of the Prudential Regulations issued by the SBP.

##### Segments by class of business

	Advances (gross)				Deposits				Contingencies and commitments			
	2015		2014		2015		2014		2015		2014	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agribusiness	7,694,514	3.07	7,992,425	4.06	13,925,870	3.71	13,658,453	3.99	-	-	-	-
Textile and ginning	53,598,444	21.41	52,827,475	26.80	2,058,506	0.55	1,979,204	0.58	4,333,441	11.60	3,230,090	8.48
Cement	4,120,492	1.65	4,279,741	2.17	6,445,401	0.17	537,488	0.16	2,670,574	7.15	473,570	1.24
Sugar	9,126,626	3.65	9,971,494	5.06	4,054,468	0.11	4,291,192	0.13	99,186	0.27	208,221	0.55
Financial	1,603,320	0.64	2,880,168	1.46	3,995,087	1.07	4,161,029	1.22	6,028	0.02	14,469	0.04
Construction and real estate	11,103,629	4.44	6,625,675	3.36	12,464,104	3.32	9,435,697	2.76	9,327,563	24.97	6,314,441	16.58
Oil and gas	2,262,693	0.90	2,541,999	1.29	451,328	0.12	5,882,581	1.72	859,488	2.30	1,772,103	4.65
Auto and allied	2,122,953	0.85	2,104,633	1.07	3,643,981	0.97	1,31,683	0.04	109,420	0.29	1,30,336	0.34
Food and allied	7,996,996	3.19	10,600,946	5.38	1,693,523	0.45	1,998,027	0.58	542,423	1.45	1,213,137	3.19
Chemical and pharmaceuticals	5,128,090	2.05	4,980,148	2.53	1,201,872	0.32	1,798,205	0.53	1,831,477	4.90	1,264,307	3.32
Fertilizers	3,983,440	1.59	3,788,684	1.92	238,427	0.06	2,090,896	0.61	565,865	1.51	1,442,956	3.79
Cable, electrical and engineering	9,316,399	3.72	8,046,126	4.08	1,442,538	0.38	2,393,791	0.70	3,539,720	9.48	2,854,202	7.49
Production and transmission of energy	5,529,316	2.21	8,081,013	4.10	254,641	0.07	4,25,525	0.12	1,090,632	2.92	519,351	1.36
Transport, storage and communication	6,036,160	2.41	4,910,662	2.49	1,001,325	0.27	1,159,002	0.34	215,014	0.58	1,554,007	4.08
Government:												
- Public sector enterprises	18,304,286	7.31	2,453,883	1.25	10,196,775	2.72	23,202,628	6.78	2,154,353	5.77	2,570,751	6.75
- Federal and Provincial Governments	31,028,296	12.40	21,754,560	11.04	189,226,581	50.47	160,031,502	46.75	4,948,564	13.25	10,843,764	28.47
Individuals	40,166,614	16.05	14,579,794	7.40	105,549,191	28.15	91,514,685	26.74	-	-	-	-
Trading and commerce	14,410,934	5.76	13,128,467	6.66	4,701,812	1.25	5,114,127	1.49	1,684,859	4.51	1,271,162	3.34
Services	6,394,515	2.55	4,968,705	2.52	1,115,743	0.29	6,865,577	2.01	175,698	0.47	199,801	0.52
Others	10,371,384	4.15	10,566,587	5.36	10,712,813	2.87	9,481,401	2.75	3,201,356	8.56	2,207,284	5.81
	250,299,101	100.00	197,083,185	100.00	374,960,986	100.00	342,290,693	100.00	37,355,661	100.00	38,083,952	100.00

#### 44.1.2 Segment by sector

	2015					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public Sector / Government	49,332,582	19.71	199,423,356	53.19	7,102,917	19.01
Private	200,966,519	80.29	175,537,630	46.81	30,252,744	80.99
	<u>250,299,101</u>	<u>100.00</u>	<u>374,960,986</u>	<u>100.00</u>	<u>37,355,661</u>	<u>100.00</u>

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

	2015		2014	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rupees in '000			
Agribusiness	1,287,340	1,111,180	1,385,722	1,166,724
Textile and ginning	25,520,551	1,189,399	24,559,164	9,071,646
Cement	1,639,610	1,029,556	1,240,580	1,133,649
Sugar	1,916,552	1,402,295	936,665	344,557
Financial	1,127,479	38,675	1,035,560	9,669
Construction and real estate	2,425,746	1,939,369	2,943,015	2,270,212
Oil and gas	105,191	85,016	163,511	80,738
Auto and allied	1,997,044	1,537,993	2,004,784	1,546,715
Food and allied	3,129,497	1,716,723	2,700,709	1,402,038
Chemical and pharmaceuticals	578,307	517,672	586,838	532,985
Fertilizers	61,010	61,010	60,978	35,245
Cable, electrical and engineering	2,092,300	203,359	2,143,757	203,003
Production and transmission of energy	1,542,741	505,217	1,541,637	505,094
Transport, storage and communication	612,238	284,736	283,801	238,303
Government:				
- Public sector enterprises	-	-	-	-
- Federal and Provincial Governments	-	-	-	-
Individuals	523,695	399,898	565,632	420,865
Trading and commerce	7,643,387	4,833,138	7,858,931	4,484,273
Services	2,082,373	1,642,855	2,751,803	1,635,075
Others	2,741,623	1,798,497	2,848,188	1,621,854
	<u>57,026,684</u>	<u>20,296,588</u>	<u>55,611,275</u>	<u>26,702,645</u>

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

Public Sector / Government	-	-	-	-
Private	57,026,684	20,296,588	55,611,275	26,702,645
	<u>57,026,684</u>	<u>20,296,588</u>	<u>55,611,275</u>	<u>26,702,645</u>

#### 44.1.5 Geographical segment analysis

A geographical segment analysis has not been presented since the Bank's operations are restricted to Pakistan only.

#### 44.1.6 Credit risk - general disclosures

The Bank follows the standardized approach for its credit risk exposures, which sets out fixed risk weights corresponding to external credit rating or type of exposure, whichever is applicable.

Under standardized approach, the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. Bank utilizes, wherever available, the credit ratings assigned by the SBP recognized ECAIs, viz. PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company- Vital Information Systems), Fitch Moody's and Standard & Pools. Credit rating data for advances is obtained from recognized ECAIs and then mapped to SBP's rating grades.

##### Type of exposures & ECAIs used

Exposures	JCR-VIS	PACRA	S&P	Moody's	Fitch
Corporate	√	√			
Banks	√	√	√	√	√
Sovereigns		√			
PSEs	√	√			
SMEs	√	√			

##### Mapping to SBP rating grades

For all credit exposures, the selected ratings are translated to the standard rating grades given by the SBP. The mapping tables used for converting ECAI ratings to SBP rating grades are given below:

##### Long term ratings grades mapping

SBP rating grade	Fitch	Moody's	S & P	PACRA	JCR-VIS	ECA Scores
1	AAA	Aaa	AAA	AAA	AAA	0
	AA+	Aa1	AA+	AA+	AA+	1
	AA	Aa2	AA	AA	AA	
	AA-	Aa3	AA-	AA-	AA-	
2	A+	A1	A+	A+	A+	2
	A	A2	A	A	A	
	A-	A3	A-	A-	A-	
3	BBB+	Baa1	BBB+	BBB+	BBB+	3
	BBB	Baa2	BBB	BBB	BBB	
	BBB-	Baa3	BBB-	BBB-	BBB-	
4	BB+	Ba1	BB+	BB+	BB+	4
	BB	Ba2	BB	BB	BB	
	BB-	Ba3	BB-	BB-	BB-	
5	B+	B1	B+	B+	B+	5
	B	B2	B	B	B	6
	B-	B3	B-	B-	B-	
6	CCC+ and below	Caa1 and below	CCC+ and below	CCC+ and below	CCC+ and below	7

#### Short term rating grades mapping

SBP rating grade	Fitch	Moody's	S & P	PACRA	JCR-VIS
S1	F1	P-1	A-1+	A-1+	A-1+
S1	F1	P-1	A-1	A-1	A-1
S2	F2	P-2	A-2	A-2	A-2
S3	F3	P-3	A-3	A-3	A-3
S4	Others	Others	Others	Others	Others

#### Credit exposures subject to standardized approach

Exposures	Rating	2015			2014		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
Rupees in '000							
Corporate	1	8,718,622	(3,875,518)	4,843,104	6,672,192	(1,888,668)	4,783,524
	2	12,448,646	(15,087)	12,433,559	9,394,717	(30,186)	9,364,531
	3,4	1,049,876	(11,236)	1,038,639	1,714,246	(9,738)	1,704,508
	5,6	120,149	-	120,149	-	-	-
	Unrated-1	25,625,650	-	25,625,650	54,471,187	(2,218,603)	52,252,584
	Unrated-2	60,048,575	(11,300,195)	48,748,380	23,052,526	-	23,052,526
Bank	1	12,979,840	(587,107)	12,392,733	39,577,506	(25,830,690)	13,746,816
	2,3	133,644	-	133,644	25,539	-	25,539
	4,5	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
Public sector enterprises in Pakistan	1	-	-	-	-	-	-
	2,3	-	-	-	-	-	-
	4,5	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	18,656,044	(6,449,899)	12,206,145	7,615,744	(2,077,895)	5,537,849
Sovereigns and on Government of Pakistan or Provisional Government or SBP or Cash	0	216,831,658	(21,630,213)	195,201,445	188,966,331	-	188,966,331
	1	-	-	-	-	-	-
	2	-	-	-	-	-	-
	3	-	-	-	-	-	-
	4,5	126,085	-	126,085	-	-	-
	6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
Listed equity investments	100%	684,560	-	684,560	730,649	-	730,649
Un-listed equity Investments	150%	77,257	-	77,257	13,051	-	13,051
Non performing loans	150%	17,725,460	(15,403,059)	2,322,401	18,093,570	(15,888,566)	2,205,004
	100%	6,870,226	(2,631,036)	4,239,190	8,899,968	(3,410,075)	5,489,893
Mortgage	50%	1,877,022	(1,175,018)	702,004	1,954,272	(1,390,478)	563,794
	35%	1,807,518	-	1,807,518	1,792,406	-	1,792,406
Retail	75%	45,614,780	(9,037,691)	36,577,089	19,738,047	(3,104,723)	16,633,324
Fixed assets	100%	6,190,267	-	6,190,267	5,402,816	-	5,402,816
Deferred tax assets	100%	4,556,305	-	4,556,305	6,952,201	-	6,952,201
Deferred tax assets	250%	1,830,908	-	1,830,908	1,153,382	-	1,153,382
Others	100%	25,641,447	-	25,641,447	21,237,383	-	21,237,383
<b>Total</b>		<b>469,614,539</b>	<b>(72,116,059)</b>	<b>397,498,479</b>	<b>417,457,733</b>	<b>(55,849,622)</b>	<b>361,608,111</b>

#### 44.1.7 Credit risk: Disclosures with respect to credit risk mitigation for standardized approach

The Group has adopted comprehensive approach of credit risk mitigation for banking book. Under this approach cash, lien on deposits, government securities, and eligible securities etc. are consolidated as eligible collateral. Where the Group's exposure to an obligor is secured by eligible collaterals, the Group reduces its exposure for the calculation of the capital requirement by the realizable amount of the collateral, adjusted for any applicable haircuts.

#### 44.1.7.1 Credit risk: Disclosures for portfolio subject to the standardized approach

No credit risk mitigation benefit is taken in the trading book. For each asset class, the risk weights as specified by the SBP or corresponding to the SBP rating grades are applied to the net amount for the calculation of risk weighted assets.

#### 44.1.7.2 Equity position risk in the banking book

The Group takes proprietary equity positions for both short term and long term trading purposes. As of December 31, 2015 the composition of equity investments, is as follows:

	Held for trading	Available for sale	Total
	Rs. In '000'		
Ordinary shares (listed) - net of impairment held	89,889	1,140,039	1,229,928
Ordinary shares (un-listed) - net of impairment held	-	13,051	13,051
Preference shares - net of impairment held	-	120,149	120,149
<b>Total</b>	<b>89,889</b>	<b>1,273,239</b>	<b>1,363,128</b>

The Bank classify its equity investment portfolio in accordance with the directives of the SBP as follows:

- Investments - Held for trading
- Investments – Available for Sale
- Investments in subsidiaries

#### 44.1.8 Leverage Ratio

The State Bank of Pakistan (SBP) through its BPRD Circular No. 06 of 2013 has issued instructions regarding implementation of parallel run of leverage ratio reporting and its components from December 31, 2013 to December 31, 2017. During this period the final calibration, and any further adjustments to the definition, will be completed, with a view to set the leverage ratio as a separate capital standard on December 31, 2018. Banks are required to disclose the leverage from Dec 31, 2015.

The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as a percentage:

$$\text{Leverage Ratio} = \text{Tier 1 capital (after related deductions)} / \text{Total Exposure}$$

As at December 31, 2015 the Bank's Leverage ratio stood at 3.26% which is well above the minimum requirement of 3.0%.

	2015	2014
	Rupees in '000'	
Cash and balances with treasury banks	26,190,481	23,622,411
Balances with other banks	4,512,033	2,239,170
Lendings to financial institutions	6,113,262	32,748,623
Investments - net	176,079,792	154,874,757
Advances - net	219,356,020	170,312,593
Operating fixed assets	6,484,312	5,490,121
Deferred tax assets - net	7,905,981	9,845,426
Financial Derivatives (A.1)	19,354,579	7,840,087
Other assets - net	25,641,447	21,237,087
	<b>491,637,907</b>	<b>428,210,275</b>
<b>A.1 Derivatives (On Balance sheet)</b>		
Interest Rate	-	-
Equity	-	-
Foreign Exchange and Gold	19,354,579	7,840,087
Precious Metal (except gold)	-	-
Commodities	-	-
Credit Derivatives (protection bought & sold)	-	-
Any other derivatives	-	-
<b>B. Off-Balance Sheet Items excluding derivatives</b>		
Direct Credit Substitutes	3,886,685	1,150,882
Performance-related Contingent Liabilities (i.e. Guarantees)	17,260,882	16,346,899
Trade-related Contingent Liabilities (i.e. Letter of Credits)	16,208,094	20,740,842
Lending of securities or posting of securities as collaterals	-	-
Undrawn committed facilities (which are not cancellable)	6,335,573	552,636
Unconditionally cancellable commitments	3,355,250	2,040,332
Commitments in respect of operating leases	-	-
Commitments for the acquisition of operating fixed assets	111,537	-
	<b>47,158,021</b>	<b>40,831,591</b>
<b>C. Commitments in respect of Derivatives - Off Balance Sheet Items</b> (Derivatives having negative fair value are also included)		
Interest Rate	-	-
Equity	-	-
Foreign Exchange & gold	-	-
Precious Metals (except gold)	46,734	49,642
Commodities	-	-
Credit Derivatives (protection sold and bought)	-	-
Other derivatives	-	-
Total Derivatives (C)	<b>46,734</b>	<b>49,642</b>
Tier-I Capital	17,560,432	13,354,874
Total Exposures (sum of A,B and C)	538,842,662	469,091,508
Leverage Ratio	3.26%	2.85%



#### 44.2 Market risk

Market risk is the risk that the value of 'on' or 'off' balance sheet positions will be adversely affected by movements in equity and interest rate markets, currency exchange rates and commodity prices.

The Group is exposed to market risk primarily through its trading activities, which are centered in the Treasury and Equity Capital Markets. Market risk exposure also arises from market-making, facilitation of client business and proprietary positions in equities, fixed income and interest rate products and foreign exchange, which exposes bank to interest rate risk, foreign exchange risk and equity price risk.

The Group's market risk management structure consists of Board Risk Management Committee, ALCO, Market Risk Management Committee and independent Enterprise Risk Management Unit (ERM). Market risk is an independent risk management function that works in close partnership with the business segments to identify and monitor market risks throughout the Bank and to define market risk policies and procedures. ERM unit seeks to facilitate efficient risk/return decisions, reduce volatility in operating performance and provide transparency in reporting the Bank's market risk profile to the senior management, the Board of Directors and the SBR.

#### 44.2.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group is exposed to yield/interest rate risk for its investing and/or financing activities, where any major fluctuation in the market interest rate/yield can affect both the value of the financial instrument as well as the profitability of the Group. To minimize this risk the Group's Assets and Liabilities Committee (ALCO) keeps a constant watch on the interest rate scenario in the country and on regular intervals reviews pricing mechanism for assets and liabilities of the Bank.

#### 44.2.1.1 Mismatch of interest rate sensitive assets and liabilities

	Effective yield/interest rate	2015										Non-interest bearing financial instruments
		Total	Exposed to yield/interest risk	Rupees in '000'								
			Upto 1 month	Over 1 and upto 3 months	Over 3 and upto 6 months	Over 6 months and upto 1 year	Over 1 and upto 2 years	Over 2 and upto 3 years	Over 3 and upto 5 years	Over 5 and upto 10 years	Above 10 years	
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks		26,190,481	1,104,702	-	-	-	-	-	-	-	-	25,085,779
Balances with other banks	4.27%	4,512,033	1,800,036	-	-	-	-	-	-	-	-	2,711,997
Lending to financial institutions	8.03%	6,113,262	3,037,107	3,076,155	-	-	-	-	-	-	-	-
Investments - net	9.05%	176,087,519	1,762,668	13,920,066	20,573,011	78,827,993	1,600,427	5,998,978	10,359,542	41,757,382	-	1,287,452
Advances - net	7.08%	219,356,020	64,598,860	154,749,340	-	-	-	-	-	-	-	7,820
Other assets		10,022,410	-	-	-	-	-	-	-	-	-	10,022,410
		442,281,725	72,303,373	171,745,561	20,573,011	78,827,993	1,600,427	5,998,978	10,359,542	41,757,382	-	39,115,458
<b>Liabilities</b>												
Bills payable	6.94%	1,887,432	-	-	-	-	-	-	-	-	-	1,887,432
Borrowings	5.09%	55,236,429	42,992,735	7,843,010	3,212,970	83,923	245,000	-	462,026	322,106	-	74,659
Deposits and other accounts	7.43%	374,960,986	20,963,593	184,728,083	28,087,171	38,876,330	436,919	1,745,075	2,104,471	-	-	98,019,344
Sub-ordinated loan	0.00%	2,000,000	2,000,000	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Other liabilities		14,972,043	-	-	-	-	-	-	-	-	-	14,972,043
		449,056,890	65,956,328	192,571,093	31,300,141	38,960,253	681,919	1,745,075	2,566,497	322,106	-	114,953,478
		(6,775,165)	6,347,045	(20,825,532)	(10,727,130)	39,867,740	918,508	4,253,903	7,793,045	41,435,276	-	(75,838,020)
<b>Off-balance sheet financial instruments</b>												
Forward foreign exchange contracts		-	-	-	-	-	-	-	-	-	-	-
- purchase		12,160,726	8,168,173	2,928,590	1,026,756	37,207	-	-	-	-	-	-
- sale		9,624,791	6,763,796	2,426,716	434,279	-	-	-	-	-	-	-
		2,535,935	1,404,377	501,874	592,477	37,207	-	-	-	-	-	-
		7,751,422	(20,323,658)	(10,134,653)	39,904,947	7,793,045	918,508	4,253,903	7,793,045	41,435,276	-	(75,838,020)
		7,751,422	(12,572,236)	(22,706,889)	17,198,058	22,370,469	30,163,514	71,598,790	71,598,790	71,598,790	-	(4,239,230)

#### 44.2.2 Foreign exchange risk management

The Group's foreign exchange exposure comprises of forward contracts, purchases of foreign bills, foreign currency cash in hand, balances with banks abroad, foreign currency placements with foreign commercial banks and foreign currency deposits. The Group manages its foreign exchange exposure by matching foreign currency assets and liabilities. The net open position and nostro balances are managed within the statutory limits, as fixed by the SBP. Counter parties limits are also fixed to limit risk concentration.

	2015			Net foreign currency exposure
	Assets	Liabilities	Off-balance sheet items	
	Rupees in '000			
Pakistan Rupee	468,279,499	441,412,152	(2,535,935)	24,331,412
United States Dollar	3,349,544	5,720,741	845,754	(1,525,443)
Great Britain Pound	310,719	1,365,392	1,061,700	7,027
Japanese Yen	1,149	-	-	1,149
Euro	326,233	1,051,963	628,481	(97,249)
Others	16,185	55,318	-	(39,133)
	<u>472,283,329</u>	<u>449,605,566</u>	<u>-</u>	<u>22,677,763</u>

#### 44.2.3 Equity position risk

Equity position risk arises from exposure to securities that represent an ownership interest in a company in the form of ordinary shares or other equity-linked instruments. The instruments held by the Bank that would lead to this exposure include, but are not limited to, the following:

- Shares of listed and unlisted companies
- Preference shares falling on equity criteria
- Equity-based mutual funds

These investments are carried at fair market value with regular revaluations. The Group prefers to hold long-term exposures for securities held in 'available for sale' category to avoid seasonal or cyclical downturns in the prices of such securities.

#### 44.3 Liquidity risk

44.3.1 Liquidity risk is the potential for loss to an institution arising from either its inability to meet its obligations or to fund increase in assets as they fall due without incurring unacceptable cost or losses. The Group's ALCO is primarily responsible to ensure adequate maintenance and monitoring of liquidity and minimization of liquidity risk. The Group manages its liquidity risk by continuous monitoring of the maturity profiles of its assets and liabilities, strengthening of its credit recovery procedures by focusing on retail and medium-sized customers and managing open positions through effective treasury operations. Allocation of funds towards various business propositions and pricing of assets and liabilities of the Group are given significant importance.

#### 44.3.2 Maturities of assets and liabilities - based on expected maturities

	2015								
	Upto 1 month	Over 1 and upto 3 months	Over 3 and upto 6 months	Over 6 months and upto 1 year	Over 1 and upto 2 years	Over 2 and upto 3 years	Over 3 and upto 5 years	Over 5 and upto 10 years	Over 10 years
<b>Assets</b>	Rupees in '000								
Cash and balances with treasury banks	26,190,481	-	-	-	-	-	-	-	-
Balances with other banks	4,512,033	-	-	-	-	-	-	-	-
Lendings to financial institutions	3,037,107	3,076,155	-	-	-	-	-	-	-
Investments - net	1,578,145	12,880,465	20,221,278	78,978,609	1,926,939	6,325,229	11,712,013	42,420,368	44,473
Advances - net	64,598,860	32,873,986	9,214,332	8,046,922	7,919,268	10,454,220	51,513,958	26,450,300	8,284,174
Operating fixed assets	29,404	58,808	88,212	176,424	352,848	352,848	705,696	1,764,240	2,955,832
Deferred tax assets - net	162,000	324,000	485,000	970,000	1,911,000	2,755,000	1,320,349	-	-
Other assets	13,936,790	129,626	67,096	11,507,935	-	-	-	-	-
	472,312,423	114,044,820	49,343,040	99,679,890	12,110,055	19,887,297	65,252,016	70,634,908	11,284,479
<b>Liabilities</b>									
Bills payable	1,887,432	-	-	-	-	-	-	-	-
Borrowings	55,236,429	7,843,010	3,212,970	83,923	245,000	-	462,026	322,106	-
Deposits and other accounts	374,960,986	63,469,201	53,479,612	65,626,595	24,272,247	25,105,209	25,596,626	23,302,569	23,302,562
Sub-ordinated loan	2,000,000	-	-	-	-	-	-	2,000,000	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
Other liabilities	15,520,719	18,140	588,986	201,004	1,928,762	1,040,074	6,717,040	-	-
	449,605,566	71,330,351	57,281,568	65,911,522	26,446,009	26,145,283	32,775,692	25,624,675	23,302,562
<b>Net assets</b>	22,706,857	(6,743,084)	(21,987,311)	(33,768,368)	(14,335,954)	(6,257,986)	32,476,324	45,010,233	(12,018,083)
Share capital	15,551,132								
Discount on issue of shares	(263,158)								
Reserves	2,329,001								
Share deposit money	7,000,000								
Accumulated losses	(5,220,853)								
Surplus on revaluation of assets - net of tax	19,396,122								
	3,281,641								
	22,677,763								

44.3.3 Deposit account without contractual maturities have been classified by taking into account historical trend of their withdrawal pattern, which shows that 15% of such deposits mature in each of the first two categories mentioned above and 10% mature in each of the remaining seven categories.

44.3.4 Maturities of assets and liabilities - based on contractual maturities

	2015									
	Total	Upto 1 month	Over 1 and upto 3 months	Over 3 and upto 6 months	Over 6 months and upto 1 year	Over 1 and upto 2 years	Over 2 and upto 3 years	Over 3 and upto 5 years	Over 5 and upto 10 years	Over 10 years
Rupees in '000'										
<b>Assets</b>										
Cash and balances with treasury banks	26,190,481	26,190,481	-	-	-	-	-	-	-	-
Balances with other banks	4,512,033	4,512,033	-	-	-	-	-	-	-	-
Lendings to financial institutions	6,113,262	3,037,107	3,076,155	-	-	-	-	-	-	-
Investments - net	1,76,087,519	1,578,145	12,880,465	20,221,278	78,978,609	1,926,939	6,325,229	11,712,013	42,420,368	44,473
Advances - net	2,19,356,020	64,598,860	32,873,986	9,214,332	8,046,922	7,919,268	10,454,220	51,513,958	26,450,300	8,284,174
Operating fixed assets	6,484,312	29,404	58,808	88,212	176,424	352,848	352,848	705,696	1,764,240	2,955,832
Deferred tax assets - net	7,977,349	162,000	324,000	485,000	970,000	1,911,000	2,755,000	1,320,349	-	-
Other assets	25,641,447	13,942,329	124,087	67,096	11,507,935	-	-	-	-	-
	472,312,423	114,050,359	49,337,501	30,075,918	99,679,890	12,110,055	19,887,297	65,252,016	70,634,908	11,284,479
<b>Liabilities</b>										
Bills payable	1,887,432	1,887,432	-	-	-	-	-	-	-	-
Borrowings	55,236,429	43,067,394	7,843,010	3,212,970	83,923	245,000	-	462,026	322,106	-
Deposits and other accounts	374,960,986	268,878,184	28,515,350	30,177,045	42,324,028	969,680	1,802,642	2,294,057	-	-
Sub-ordinated loan	2,000,000	-	-	-	-	-	-	-	2,000,000	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	15,520,719	5,026,713	18,140	588,986	201,004	1,928,762	1,040,074	6,717,040	-	-
	449,605,566	318,859,723	36,376,500	33,979,001	42,608,955	3,143,442	2,842,716	9,473,123	2,322,106	-
<b>Net assets</b>	22,706,857	(204,809,364)	12,961,001	(3,903,083)	57,070,935	8,966,613	17,044,581	55,778,893	68,312,802	11,284,479
<b>Share capital</b>	15,551,132									
Discount on issue of shares	(263,158)									
Reserves	2,329,001									
Share deposit money	7,000,000									
Accumulated losses	(5,220,853)									
	19,396,122									
Surplus on revaluation of assets - net of tax	3,281,641									
	22,677,763									

#### 44.4 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage operational risk. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and appraisal procedures, including the use of internal audit. The Group has established a comprehensive business continuity plan to deal with the risk of financial loss and damage to reputation arising from operational risk factors.

#### 45 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on May 06, 2016 by the Board of Directors of the Bank.

#### 46 GENERAL

- 46.1 These consolidated financial statements have been prepared in accordance with the revised forms of annual financial statements of commercial banks issued by SBP vide BSD Circular No. 04 dated 17 February 2006 and other circulars issued from time to time.
- 46.2 Figures have been rounded off to the nearest thousand rupees.
- 46.3 Corresponding figures have been re-arranged and re-classified wherever necessary, for the purpose of comparison. However no significant reclassification has been made.

Chairman

President

Director

Director

## Islamic Banking Business

Annexure I

The Group has started Islamic banking operations in the year 2013. As at close of the December 31, 2015, 48 Islamic banking branches were operating.

### Statement of Financial Position as at December 31, 2015

	Note	2015	2014
		Rupees in '000'	
<b>ASSETS</b>			
Cash and balances with treasury banks		1,201,923	869,772
Balances with other banks		1,217,344	150,225
Due from financial institutions		500,000	4,029,000
Investments		5,629,443	1,627,737
Islamic financing and related services	A-I.1	4,547,562	1,599,074
Operating fixed assets		214,912	100,407
Deferred tax assets		-	-
Other assets		436,476	125,329
<b>TOTAL ASSETS</b>		<b>13,747,660</b>	<b>8,501,544</b>
<b>LIABILITIES</b>			
Bills payable		46,533	63,129
Due to financial institutions		-	264
Deposit and other accounts			
- Current accounts		4,709,967	3,250,964
- Saving accounts		6,477,449	3,916,827
- Term deposits		957,062	284,189
- Others		165,364	129,835
- Deposits from financial institutions - remunerative		-	-
- Deposits from financial institutions - non-remunerative		-	-
Due to head office		433,058	275,970
Other liabilities		348,040	28,781
		13,137,473	7,949,959
<b>NET ASSETS</b>		<b>610,187</b>	<b>551,585</b>
<b>REPRESENTED BY</b>			
Islamic banking fund		500,000	500,000
Reserves		-	-
Unappropriated profit		109,629	55,436
		609,629	555,436
Surplus on revaluation of assets		558	(3,851)
		610,187	551,585
Remuneration to shariah advisor / board		2,807	2,054
<b>CHARITY FUND</b>			
Opening balance		-	19
Additions during the year		3,318	1
Payments / utilization during the year		(1,447)	(20)
Closing balance		1,871	-

## Islamic Banking Business-Profit and Loss Account for the year ended December 31, 2015

Annexure I

	2015	2014
	Rupees in '000'	
<b>Profit/return earned on financing, investment and placements</b>	735,760	266,747
<b>Return on deposits and other dues expensed</b>	238,396	81,147
<b>Net spread earned</b>	497,364	185,600
Provision against non-performing advances	-	-
Provision against consumer financings	-	-
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	-	-
Income after provisions	497,364	185,600
<b>Other Income</b>		
Fee, commission and brokerage income	28,384	17,997
Dividend income	-	-
(Loss) / Income from dealing in foreign currencies	(455)	132
Gain on sale and redemption of securities	-	-
Unrealized (loss) / gain on revaluation of investments classified as held for trading	-	-
Other income	39,130	31,662
Total other income	67,059	49,791
	564,423	235,391
<b>Other expenses</b>		
Administrative expenses	510,213	193,050
Other provisions / write offs / reversals	-	-
Other charges	17	-
Total other expenses	510,230	193,050
	54,193	42,341
Extra ordinary / unusual items	-	-
<b>Profit before taxation</b>	54,193	42,341

## Islamic Banking Business-Cash Flow Statement for the year ended December 31, 2015

Annexure I

	2015	2014
	Rupees in '000'	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	54,193	42,341
Less: Dividend income	-	-
	54,193	42,341
Adjustments for:		
Depreciation / amortization - own assets	41,260	12,977
Depreciation on ijarah assets under IFAS - 2	56,670	28,219
Amortization of (discount) / premium on Government securities	37,344	3,237
Unrealized loss on revaluation of investments classified as held for trading	-	-
Provision / (Reversal of provision) against non-performing loans and advances - net	-	-
Bad debts written-off directly	-	-
Provision for diminution in the value of investments - net	-	-
(Reversal) / Charge of provision against other assets	-	-
Provision against off balance sheet obligations	-	-
Net profit on sale of property and equipment	-	-
Gain on sale and redemption of securities - net	-	-
Finance charges on leased assets	-	-
	135,274	44,433
	189,467	86,774
(Increase) / Decrease in operating assets:		
Lendings to financial institutions	3,529,000	(3,552,000)
Net investments in held for trading securities	-	-
Advances - net	(3,005,158)	(1,242,293)
Others assets - net	(311,147)	(85,129)
	212,695	(4,879,422)
Increase / (Decrease) in operating liabilities:		
Bills Payable	(16,596)	61,707
Borrowings	-	-
Deposits and other accounts	4,728,027	6,475,328
Other liabilities	476,347	189,402
	5,187,778	6,726,437
	5,589,940	1,933,789
Income tax paid	-	-
Net cash flow from operating activities	5,589,940	1,933,789
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	(4,034,641)	(1,008,382)
Net investments in held to maturity securities	-	-
Dividends received	-	-
Investments in operating fixed assets	(155,765)	(82,166)
Sale proceeds of property and equipment disposed-off	-	-
Net cash used in investing activities	(4,190,406)	(1,090,548)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of lease obligations	-	-
Net cash flow from financing activities	-	-
Net increase in cash and cash equivalents	1,399,534	843,241
Cash and cash equivalents at beginning of the year	1,019,733	176,492
Cash and cash equivalents at end of the year	2,419,267	1,019,733



## Notes to the Annexure I

Annexure I

	2015	2014
	Rupees in '000'	
<b>A-I.1 Islamic financing and related assets</b>		
Against murabaha	1,161,148	180,439
Against diminishing musharaka	2,709,553	1,009,628
Against ijarah	393,861	409,007
Against Istisna	283,000	-
	<b>4,547,562</b>	<b>1,599,074</b>
<b>A-I.1.1 Islamic mode of financing</b>		
Financings/Investments/Receivables	2,841,280	633,744
Advances	1,694,282	965,330
Assets/Inventories	12,000	-
	<b>4,547,562</b>	<b>1,599,074</b>
<b>A-I.1.2 Against murabaha</b>		
Financings/Investments/Receivables	1,055,148	173,439
Advances	106,000	7,000
Assets/Inventories	-	-
	<b>1,161,148</b>	<b>180,439</b>
<b>A-I.1.3 Diminishing musharakah</b>		
Financings/Investments/Receivables	1,284,352	242,745
Advances	1,425,201	766,883
Assets/Inventories	-	-
	<b>2,709,553</b>	<b>1,009,628</b>
<b>A-I.1.4 Against ijarah</b>		
Financings/Investments/Receivables	230,780	217,559
Advances	163,081	191,447
Assets/Inventories	-	-
	<b>393,861</b>	<b>409,006</b>
<b>A-I.1.5 Against Istisna</b>		
Financings/Investments/Receivables	271,000	-
Advances	-	-
Assets/Inventories	12,000	-
	<b>283,000</b>	<b>-</b>

**A-I.2** BOP TAQWA Islamic Banking Division is maintaining a following pools for profit declaration and distribution.

- i) General Pool
- ii) Special Pool-I
- iii) Special Pool-II

#### A-1.2.1 a) General Pool

The General Pool comprises of depositor's funds, Equity inclusive of Current Account Holders and Mudaraba Placements from BOP Head Office. The Bank acts as Manager (Mudarib) and invests the funds in Shariah Compliant modes of financings, Investments and Placements. The profit of the Pool is calculated on all the remunerative assets booked by the Bank and is shared amongst the members of the pool on pre-defined mechanism based on weightages announced before the profit calculation period.

The distributable profit of the pool is finalized after deduction of direct expenses only while indirect expenses including administrative and general expenses are borne by BOP-IBD as Mudarib.

#### b) Weightages for distribution of profit in general pool

Profit is calculated on daily product basis and paid as per pre defined weightages.

While considering weightages emphasis is given to the quantum, type and the period of risk assessed by following factors:

- Contracted period, nature and type of deposit/ fund
- Payment cycle of profit on such deposit/ fund, i.e. monthly, quarterly or on maturity
- Magnitude of risk

#### c) Identification and allocation of pool related income & expenses

The distributable profit of the pool is finalized after deduction of direct expenses only while indirect expenses including administrative and general expenses are borne by BOP-IBD as Mudarib.

#### d) Parameters associated with risk and rewards

Following are the consideration attached with risk & reward of general pool:

- Period, return, safety, security and liquidity of investment
- Financing proposals under process at various stages and likely to be extended in the near future.
- Expected withdrawals of deposits according to the maturities affecting the deposit base.
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah compliant organizations as regulated in Pakistan.
- Element of Risk attached to various types of investments.
- SBP rules & Shariah Clearance.

#### A-1.2.2 a) Special Pool-I & Special Pool II

The Special Pools comprises of depositor's funds and Bank's Participation as Equity. The Bank acts as Manager (Mudarib) and invests the funds in Shariah Compliant modes of financings, Investments and Placements. The profit of the Pool is calculated on all the remunerative assets booked by the Bank and is shared amongst the members of the pool on pre-defined mechanism based on weightages announced before the profit calculation period.

The distributable profit of the pool is finalized after deduction of direct expenses only while indirect expenses including administrative and general expenses are borne by BOP-TAQWA as Mudarib.

#### b) Weightages for distribution of profit in general pool

Profit is calculated on daily product basis and paid as per pre defined weightages.

While considering weightages emphasis is given to the quantum, type and the period of risk assessed by following factors:

- Contracted period, nature and type of deposit/ fund.
- Payment cycle of profit on such deposit/ fund, i.e. monthly, quarterly or on maturity
- Magnitude of risk

#### c) Identification and allocation of pool related income & expenses

The distributable profit of the pool is finalized after deduction of direct expenses only while indirect expenses including administrative and general expenses are borne by BOP-IBD as Mudarib.

## Annexure I

### d) Parameters associated with risk and rewards

Following are the consideration attached with risk & reward of general pool:

- Period, return, safety, security and liquidity of investment
- Financing proposals under process at various stages and likely to be extended in the near future.
- Expected withdrawals of deposits according to the maturities affecting the deposit base.
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah compliant organizations as regulated in Pakistan.
- Element of Risk attached to various types of investments.
- SBP rules & Shariah Clearance.

### A-I.3 Avenues / Sectors of economy/business where Mudaraba based deposits have been deployed:

	2015	2014
	Rupees in '000'	
Federal and provincial governments	792,000	126,000
Due from GOP-Bai Muajjal	5,791,920	-
GOP jara sukuk	125,558	1,621,149
Transport, storage, logistics and communication	426,109	472,529
Manufacturing and Trading of food items	37,000	21,312
Manufacture of pesticides and other agro-chemical product	4,500	20,128
Power Generation	1,783,024	737,423
Manufacture of paper, paperboard and products thereof	150,000	150,000
Consumer Car Ijarah	7,500	10,257
Others	3,064,773	4,240,650
	<b>12,182,384</b>	<b>7,399,448</b>

### A-I.4 Charging expenses

The direct expenses are being charged to the pool, while indirect expenses including the establishment cost is being borne by BOP IBD as Mudarib. The direct expenses to be charged to the pool may include cost of sales of inventories, insurance / Takaful expenses of pool assets, stamp fee or documentation charges, brokerage fee for purchase of securities/commodities etc.

#### Provisions

No provision was made in the year 2015.

### A-I.5 Mudarib share (in amount and percentage of distributable income):

	2015		2014	
	Rupees in '000'	Percentage %	Rupees in '000'	Percentage %
Rabbul Mal	221,279	58%	74,156	68%
Mudarib	160,107	42%	35,542	32%
Distributable income	<b>381,386</b>	<b>100%</b>	<b>109,698</b>	<b>100%</b>

### A-I.6 Amount & percentage of mudarib share transferred to depositors through Hiba:

	2015	2014
	Rupees in '000'	
Mudarib share	160,107	35,542
Hiba	74,616	8,337
Hiba percentage of mudarib share	46.60%	23.46%

This is not a special Hiba as such. This Hiba has been distributed across the board to all the investment account holders.

### Profit rate earned vs profit rate distributed to the depositors during the year:

	2015	2014
Profit rate earned	7.91%	9.39%
Profit rates distributed to depositors	4.14%	5.09%

I Ordinary shares / certificates of listed companies and modarabas

Name of company/modaraba	Number of shares		Cost		Market Value		Rating (where available)	
	2015	2014	2015	2014	2015	2014	2015	2014
			Rupees in '000		Rupees in '000			
<b>Held for trading:</b>								
Adamejee Insurance Company Limited	200,000	-	-	10,125	-	9,892	-	A
Allied Bank Limited	35,000	210,000	21,173	3,971	19,795	3,975	AA+A1+	AA+A1+
Atock Refinery Limited	10,000	-	-	1,975	-	1,877	-	AA+A1+
Nisat Mills Limited	-	160,000	16,015	-	15,179	-	AA+A1+	-
Hum Network Limited	-	3,000,000	44,977	-	39,420	-	A+A1	-
Engro Corporation Limited	25,000	-	-	5,512	-	5,538	-	AA-A1+
Faysal Bank Limited	50,000	-	-	900	-	910	-	AA+A1+
Pakistan State Oil Company Limited	25,000	-	-	9,129	-	8,948	-	AA+A1+
United Bank Limited	80,000	100,000	16,246	14,320	15,495	14,138	AA+A-1+	AA+A-1+
			<u>98,411</u>	<u>45,932</u>	<u>89,889</u>	<u>45,278</u>		
<b>Available for sale:</b>								
(Colony) Sarhad Textile Mills Limited	70,500	-	16	16	-	-	-	-
Abdullah Shah Ghazi Sugar Mills Limited	5,559,627	5,559,627	28,079	28,079	55,596	59,432	-	-
Atock Textile Mills Limited	98,000	-	59	59	-	-	-	-
AgriTech Limited	9,010,917	9,010,917	315,381	315,381	84,252	69,834	D	D
Al-Abid Silk Mills Limited	46,341	243,841	1,930	10,158	933	2,926	-	-
Allied Bank Limited	2,000,000	2,000,000	220,000	220,000	188,520	227,160	AA+A1+	AA+A1+
Amazai Textile Mills Limited	4,500	-	2	2	-	-	-	-
Asim Textile Mills Limited	109,000	-	283	283	665	1,134	-	-
Askari Bank Limited	575,000	-	12,865	-	12,501	-	AAA-A1+	-
Atock Refinery Limited	80,000	-	-	17,023	-	15,022	-	AA+A1+
Baluchistan Paritide Board Limited	167,500	-	184	184	-	-	-	-
Burshane LPG (Pakistan) Limited	230,000	-	11,166	11,166	18,009	13,970	-	-
Crescent Fibers Limited	371	-	-	5	-	12	-	-
Crescent Juice Products Limited	200,000	-	206	250	507	816	-	-
Dadabhy Construction Technology Limited	15,000	-	26	26	-	-	-	-
Data Textile Limited	50,000	-	21	21	25	25	-	-
Emco Industries Limited	45,000	-	-	200	-	182	-	-
English Leasing Limited	151,339	-	168	168	-	-	-	-
Engro Corporation Limited	-	125,000	40,311	-	34,924	-	AA+A1+	-
Engro Foods Limited	-	75,000	11,330	-	10,994	-	A+	-
Engro Fertilizer Limited	270,000	-	24,991	-	22,715	-	AA-A1+	-
Fateh Industries Limited	4,900	-	29	29	-	-	-	-
Fateh Textile Mills Limited	4,975	-	1,741	1,741	-	-	-	-
Fauji Fertilizer Bin Oasis	-	600,000	35,552	-	31,608	-	-	-
Fauji Fertilizer Company Limited	490,000	-	62,995	-	57,810	-	-	-
Fazal Textile Mills Limited	191	-	39	39	26	59	-	-
First Punjab Modaraba	13,320,694	13,320,694	164,942	164,942	93,011	69,134	-	-
Globe Textile Mills Limited	14,500	-	239	239	-	-	-	-
Gulistan Spinning Mills Limited	277,500	-	2,067	2,067	611	708	-	-
Gulistan Textile Mills Limited	470,000	-	11,537	11,650	-	7,050	-	-
Habib Bank Limited	20,000	-	4,104	-	4,002	-	AAA-A1+	-
Habib Metropolitan Bank Limited	400,021	-	25,624	15,180	21,756	14,921	AA+A1+	-
Hajra Textile Mills Limited	90,000	-	57	57	-	-	-	-
Hakkim Textile Mills Limited	55,500	-	49	49	-	-	-	-
Hashmi Can Company Limited	34,500	-	207	207	-	-	-	-
			<u>976,200</u>	<u>799,222</u>	<u>638,465</u>	<u>482,385</u>		
								Bal c/f

Name of company/modaraba	Number of shares		Cost		Market Value		Rating (where available)	
	2015	2014	2015	2014	2015	2014	2015	2014
Ittefaq Textile Mills Limited	35,500	35,500	976,200	799,222	638,465	482,385	-	-
J. A. Textile Mills Limited	434	17,435	34	34	-	-	-	-
Javed Omer Vohra And Company Limited	361,097	361,097	2	48	2	103	-	-
Kaytex (Saleem Denim Industries Limited)	34,700	34,700	2,820	2,820	-	-	-	-
Lafarge Pakistan Cement Limited	1,800,000	1,800,000	35	35	-	-	-	-
Leiner Pak Gelatine Limited	4,837	4,837	-	30,050	-	31,220	-	-
Lucky Cement Limited	60,000	-	121	-	29,702	-	-	-
MCB Bank Limited	100,000	-	30,842	-	21,685	-	-	-
Medi Glass Limited	63,000	-	22,571	-	-	-	AAA, A1+	-
Mirpurkhas Sugar Mills Limited	-	-	43	43	-	-	-	-
Moonlite (Pak) Limited	20,500	20,500	211	227	-	451	-	-
National Bank Of Pakistan Limited	188,000	325,000	-	21,423	-	22,575	AAA, A1+	AAA, A1+
Nishat Chunian Power Limited	670,000	670,000	10,958	34,114	10,349	33,199	A+A-2	A-; A-2
Nishat Mills Limited	150,000	-	16,607	-	14,231	-	AAA, A1+	-
Nishat Power Limited	654,000	-	38,452	-	35,107	-	A+A1	-
National Refinery Limited	-	133,500	-	31,045	-	24,677	-	AA+, A1+
Oil & Gas Development Company Limited	737,000	90,100	102,160	20,913	86,480	18,549	AAA, A-1+	AAA, A-1+
Pakgen Power Limited	-	2,613,000	-	59,453	-	70,629	-	AA, A1+
Pak Elektron Limited	-	-	37,941	-	32,834	-	A, A1	-
Pak Ghee Industries Limited	12,500	12,500	2	2	-	-	-	-
Pak Petroleum Limited	-	20,000	-	3,740	-	3,530	-	-
Pakistan Oilfield Limited	-	11,850	-	4,822	-	4,495	-	-
Pakistan Reinsurance Company Limited	657,500	-	22,578	-	22,256	-	AA	-
Pakistan Services Limited	26	26	3	3	14	13	-	-
Pakistan Telecommunication Company Limited	1,281,500	-	24,454	-	21,132	-	-	-
Pakistan Tobacco Company Limited	300	300	33	33	334	318	-	-
Pangro Sugar Mills Limited	100,365	100,365	602	602	289	302	-	-
Redco Textiles Limited	-	167,500	-	159	-	752	-	-
Ruby Textile Mills Limited	-	169	-	2	-	1	-	-
Saudi Pak Leasing Company Limited	-	885	-	1	-	2	-	-
Service Industries Textile Limited	35,000	35,000	26	26	-	-	-	-
Service Fabrics Limited	289,000	289,000	72	72	-	-	-	-
Service Industries Limited	1,300	17,000	405	5,285	1,105	16,568	-	-
Shahpur Textile Mills Limited	74,900	74,900	22	22	13	13	-	-
Shantaj Sugar Mills Limited	166,546	166,546	13,157	13,157	11,293	12,086	-	-
Shakerganj Mills Limited	-	143	-	1	-	2	-	-
Siemens (Pakistan) Engineering Company Limited	183,201	193,021	247,159	260,408	164,881	215,139	-	-
Sifag International Limited	23,500	23,500	24	24	-	-	-	-
Sindh Fine Textile Mills Limited	16,500	16,500	-	148	-	-	-	-
Sunshine Cloth Limited	94,300	94,300	29	29	-	-	-	-
Soneri Bank Limited	-	201	-	1	-	2	-	AA-, A1+
Sui Southern Gas Company Limited	125,000	-	5,231	-	4,669	-	-	-
Sunshine Cotton Mills Limited	91,500	91,500	139	139	-	-	-	-
Taj Textile Mills Limited	301,500	301,500	80	80	98	105	-	-
Tristar Polyester Limited	70,063	70,063	6	6	2	2	-	-
Trust Modaraba	500	500	6	6	-	-	-	-
United Bank Limited	520,000	825,000	82,269	130,570	80,574	145,839	AA+, A-1+	AA+, A-1+
Zephyr Textiles Limited	4,296,556	4,296,556	39,968	39,967	30,078	34,803	-	-
			1,675,256	1,458,847	1,205,593	1,117,770		
			1,773,667	1,504,779	1,295,482	1,163,048		

Note: Shares of companies with cost of Rs. Nil (2014: Nil) and having delisted status, have not been presented.

	Cost		Market Value		Rating (where available)	
	2015	2014	2015	2014	2015	2014
	Rupees in '000					
	15,454	15,454	-	-	-	-
	-	80,000	-	40,000	-	-
	75,000	75,000	22,650	22,650	-	-
	324,997	324,997	97,499	1,62,499	-	-
	415,451	495,451	120,149	225,149	-	-

\* Strategic Investment

Other particulars of preference shares are as follows:

Particulars	Nominal value per share		Profit rate per annum	Profit payment	Redemption terms
	2015	2014			

Azgard Nine Limited 10 Fixed dividend at 8.95% per annum to be declared within 3-months of close of financial year on a cumulative basis. Annually 50% of the issue amount at the end of 5th year of issuance/ allotment and remaining 50% at the end of 6th year subject to the provisions of Section 85 of the Companies Ordinance, 1984.

Pak Elektron Limited (PEL) 10 Fixed dividend of 9.50% per annum payable if and when declared by the Company on a cumulative basis. Annually Call option subject to maximum of 75% of the total issue within 90 days from the end of each financial year commencing from 3rd year and ending on 5th year and 100% of the issue size within 90 days of the end of each financial year commencing from 5th year by giving a notice of 30 days. 25% investment convertible at the option of investor exercisable after the 5th year in accordance with the formula mentioned in the prospectus.

Shakarganj Mills Limited 10 Preferred right of dividend at 8.50% per annum on a cumulative basis. Annually Principal will be redeemed at the end of 5th year from the issue date. Conversion option is exercisable at the end of every financial year from the date of issue at the option of holder in whole or in part or convertible by the Company in whole or part through tender. Conversion is set in the ratio of 167 ordinary shares for every 1,000 preference shares at face value of Rs. 10 each.

Agritech Limited 10 Fixed dividend of 11.00% per annum on annual basis by the company on a cumulative basis. Annually The company will have the option to redeem the preference shares in full or in part with in ninety days after the expiry of the each anniversary of the completion date by giving at least thirty days notice. Preference shares can be converted in to ordinary shares from the fifth anniversary of the completion date.

### 3 Ordinary shares of unlisted company

Particulars	Nominal value per share		Profit rate per annum	Profit payment	Redemption terms
	2015	2014			
	2,000,000	2,000,000	13.05%	13,051	13.05%
	Rupees in '000				
	25,000	25,000	13.05%	13,051	13.05%
	Rupees in '000				
	25,000	25,000	13.05%	13,051	13.05%

Bank Al Baraka (Formerly: Emirates Global Islamic Bank) (Chief Executive Officer: Shaifqat Ahmed)

AA-I AA-I

4 Mutual funds units

Annexure II

Number of Units	Name of fund	Cost		Market Value		Rating (where available)		
		2015	2014	2015	2014	2015	2014	
		Rupees in '000						
-	Open ended mutual funds	-	294,234	-	290,481	-	BBB+(f)	
-	United Growth & Income Fund (Income)	-	79,568	-	85,194	-	A-(f)	
		-	373,802	-	375,675			

5 Listed term finance certificates

Number of certificates	Name of company/modaraba	Nominal value per certificate	Cost		Market Value		Rating (where available)	
			2015	2014	2015	2014	2015	2014
			Rupees in '000					
10,000	Askari Bank Limited - 3rd issue	5	49,900	48,939	-	48,939	AA-	AA-
60,000	Askari Bank Limited - 5th issue	5	299,880	300,000	299,223	300,000	AA-	AA-
7,369	Azgard Nine Limited (TFC - II)	5	10,362	-	-	-	D	D
50,000	NIB Bank Limited	5	249,950	246,409	247,351	246,409	A+	A+
1,000	Summit Bank Limited	5	4,342	3,392	4,471	3,392	A(SO)	-
14,200	Bank Al-Falah Limited	5	71,641	71,808	72,936	71,305	AA-	AA-
-	Engro Fertilizer Limited	5	-	17,946	-	17,046	AA	AA-
5,500	Jahangir Siddiqui & Company Limited	5	21,562	24,062	21,581	24,821	AA+	-
5,000	World Call Telecom Limited	5	6,986	7,866	-	-	-	-
			664,623	736,008	645,562	711,912		

Other particulars of listed TFCs are as follows:

Particulars	Mark-up rate per annum	Mark-up payment	Redemption terms
Askari Bank Limited - 3rd issue	6 months KIBOR + 2.50 % without any floor or cap	Semi-annually	0.32% of principal in the first 96 months and remaining principal in four equal semi-annual instalment of 24.92% each starting from the 102nd from issue date.
Askari Bank Limited - 5th issue	6 months KIBOR + 1.20%	Semi-annually	Eighteen semi annual instalments of Rs.60,000 and remaining principal in two semi annual instalments.
Azgard Nine Limited (TFC - II)	6 months KIBOR + 1.25 %	Semi-annually	In nine unequal semi-annual instalments starting from September 20, 2013 and ending on September 20, 2017.
NIB Bank Limited	6 months KIBOR + 1.15 % without any floor or cap.	Semi-annually	15 equal semi annual instalments of 0.02% of the first 90 months followed by remaining 99.70% on maturity at the end of the 96th month.
Summit Bank Limited	6 months KIBOR + 3.25%	Semi-annually	Thirteen semi annual instalments of Rs.1,154 and remaining principal in onesemi annual instalment.

Particulars	Mark-up rate per annum	Redemption terms	Mark-up payment		Carrying Value		Rating (where available)	
			2014	2015	2014	2015	2014	2015
Bank Al-Falah Limited	6 months KIBOR + 1.25%	Fifteen semi annual installments of Rs.14,200 and remaining principal in onesemi annual installment	-	-	-	-	-	-
Engro Fertilizer Limited	6 months KIBOR + 2.40%	0.40% of principal in the first 72th month and remaining principal in two equal semi-annual installments of 30% each starting from 78th month from the issue date.	-	-	-	-	-	-
Jehangir Siddiqui & Company Limited	6 months KIBOR + 1.7%	TFC has a tenor of six years i.e 2007-2013 with a call option exercisable by the company any time after one year on a coupon date by giving 30 days notice at a premium of 1.00% on the outstanding face value.	-	-	-	-	-	-
World Call Telecom Limited	Floating rate of return at Base Rate+1.60% p.a. with no floor and cap.	Principal repayments of PKR 547,910,302/- each on October 07, 2014; April 07, 2015; and October 07, 2015.	-	-	-	-	-	-
<b>6 Unlisted term finance certificates</b>			Rupees in '000		Rupees in '000		Rupees in '000	
Number of certificates	Nominal value per certificate	Name of company	2015	2014	2015	2014	2015	2014
293,000	293,000	Agritech Limited - PPTFC	1,430,767	1,430,767	-	-	-	-
8,516	8,516	Agritech Limited - Sukuk	38,449	38,449	-	-	-	-
32,000	32,000	Arzoo Textile Mills Limited	160,000	160,000	-	-	-	-
106,000	106,000	Azgard Nine Limited TFC-V	229,798	229,798	-	-	-	-
36,428	36,428	Azgard Nine Limited PPTFC-VI	182,140	182,140	-	-	-	-
10,000	10,000	Bank Al-Falah Limited	49,880	49,900	49,880	49,900	AA-	AA-
80,000	80,000	Eden Housing (Sukuk)	46,502	46,502	46,502	46,502	-	-
12,521	12,521	Engro Chemical Pakistan Limited	48,832	48,832	48,832	48,832	-	-
23,951	23,951	Maple Leaf Cement Factory Limited	33,800	33,800	33,800	33,800	A	A
8,000	8,000	Pak Elektron Limited - Sukuk (1st Issue)	9,769	15,483	9,769	15,483	A	A
106,000	106,000	Pak Elektron Limited - Sukuk (2nd Issue)	454,493	520,743	454,492	520,743	A	A
50,000	50,000	Pak Elektron Limited - PPTFC	187,500	202,381	187,500	202,381	A	A
14,874	14,874	Pakistan International Airlines (PIA)	74,312	74,312	74,312	74,312	-	-
10,000	10,000	Security Leasing - Sukuk (2nd Issue)	11,893	11,893	-	8,920	-	-
15,000	15,000	Security Leasing - Sukuk (1st Issue)	15,014	15,014	-	11,260	-	-
60,000	60,000	Wapda Hydroelectric (Neelum Jhelum)	257,143	300,000	257,143	300,000	-	-
40,000	40,000	Independent Media Corporation	110,000	150,000	110,000	150,000	BBB-	A-
6,000	6,000	Al-Abbas Sugar Mills Limited	53	53	53	53	-	-
7,000	7,000	Al-Zamin Leasing Corporation Limited	7,500	7,500	-	-	-	-
1,493	1,493	Agritech Limited - PPTFC IV	7,465	7,465	-	-	-	-
2,000	2,000	Agritech Limited - TFC I	9,569	9,569	-	-	D	D
7,000	7,000	Agritech Limited - TFC III	31,429	31,429	-	-	D	D
2,000	2,000	Bank Al-Falah Limited	10,700	10,700	10,700	10,700	AA-	AA-
300	300	Pakistan Mobile Communication Limited	6	6	6	6	-	-
5,500	5,500	Jehangir Siddiqui & Company	323	323	323	323	-	-
18,000	18,000	New Allied Electronics Industries (Pvt) Limited	17,798	17,798	-	-	-	-
64,000	64,000	New Allied Electronics Industries (Pvt) Limited-Sukuk	10,064	10,064	-	-	-	-
8,000	8,000	Dewan Cement Limited (Pre IPO Investment)	20,000	20,000	-	-	-	-
			3,455,200	3,644,013	1,283,312	1,492,305		



## Other particulars of unlisted TFCs are as follows:

Particulars	Mark-up rate per annum	Mark-up payment	Redemption terms
AgriTech Limited - PPTFC	6 months KIBOR + 1.75 %	Semi-annually	In 13 unequal semi annual installments starting from July 14, 2013 and ending on July 14, 2019.
AgriTech Limited - Sukuk	6 months KIBOR + 2.00 % without any floor or cap	Semi-annually	The principal redemption of these certificates is structured to be in 15 unequal semi annual installments. First two installments were just token payments due on July 31, 2010 and August 31, 2010 which have been paid, remaining installments are starting from August 06, 2013 and ending on August 06, 2019.
Arzoo Textile Mills Limited	6 months KIBOR + 2.00 % for the first two year and 6 months KIBOR + 1.75 bps for the remaining period without any floor or cap	Quarterly	In ten equal semi-annual installments starting from 18th month from the drawdown date.
Azgard Nine Limited TFC-IV	6 months KIBOR + 1.25 %	Semi-annually	In nine semi annual installments starting from December 04, 2013 and ending on December 04, 2017.
Azgard Nine Limited PPTFC VI	Nil	Nil	In seven unequal semi annual installments starting from March 31, 2014 and ending on March 31, 2017.
Bank Alifiah Limited	6 months KIBOR + 2.50 % with a Floor of 7.00% . and Cap of 20.00%	Semi-annually	0.56% of principal in the first 84th month and remaining principal in four equal quarterly installments of 24.86% each starting from 87th month from the issue date.
Eden Housing (Sukuk)	6 months KIBOR + 300 bps with a Floor of 12.00% . and Cap of 20.00%	Semi-annually	Not less than 8 consecutive semiannual units, the first such unit falling due not later than 18th months from last drawdown.
Engro Chemical Pakistan Limited	6 months KIBOR + 1.55 % without any floor or cap	Semi-annually	0.28% of principal in the first 84th month and remaining principal in two equal semi-annual installments of 49.86% each starting from 90th month from the issue date.
Meaple Leaf Cement Factory Limited	3 months KIBOR + 1.00 % without any floor or cap	Quarterly	In 36 quarterly installments with first installment due on March 01, 2010.
Pak Elektron Limited - Sukuk (1st Issue)	3 months KIBOR (ask) + 1.25 % with a Floor of 10.00% and Cap of 25.00%	Quarterly	In quarterly installments with first installment due on 28 June 2013.
Pak Elektron Limited - Sukuk (2nd Issue)	3 months KIBOR (ask) + 1.00 % with a Floor of 8.00% and Cap of 16.00%	Quarterly	In quarterly installments with first installment due on 30 June 2013.
Pak Elektron Limited - PPTFC	3 months KIBOR (ask) + 3.00 % without any floor or cap	Semi-annually	In quarterly installments with first installment due on 30 June 2013.
Pakistan International Airlines (PIA)	SBP discount rate + 0.50 % with a Floor of 8.00% and Cap of 12.50%	Semi-annually	15.2% of principal in the first 48th month and remaining principal in six equal semi-annual installments of 14.13% each starting from 54th month from the issue date.
Security Leasing - Sukuk (2nd issue)	Nil	Semi-annually	Up to eight equal semi-annual installment starting from 18th month from first drawdown date.
Security Leasing - Sukuk (1st issue)	Nil	Semi-annually	In eight equal semi-annual installments starting from 18th month.

Particulars	Mark-up rate per annum	Mark-up payment	Redemption terms	Market Value		
				2015	2014	2015
Wapda Hydroelectric (Neelum Jhelum)	6 months KIBOR + 1.00 %	Semi-annually	Principal to be repaid in 14 equal semi annual installments starting from 27-03-2015.			
Independent Media Corporation	3 months KIBOR + 3.00 %	Quarterly	Principal to be repaid in 20 quarterly installments starting from 05-11-2013.			
At-Abbas Sugar Mills Limited	6 month KIBOR + 1.75%	Semi-annually	TFC will be redeemed in 10 equal bi-annual installments of Rs.75 million each commencing from May 2009.			
Al-Zamin Leasing Corporation Limited	Floating cut-off yield of last successful SBP auction of 5-year PIBs+200 bps.Floor 12% & Cap 15.75%	Semi-annually	Principal to be redeemed in 10 equal semi-annual installments commencing from the 6th month of issue date. Callable anytime in full after 18th month of issue.			
AgriTech Limited - PPTFC IV	11 % per annum	Semi-annually	A bullet repayment of principal at the maturity of PPTFCs which is due on January 01, 2017.			
AgriTech Limited - TFC I	6 month KIBOR + 1.75%	Semi-annually	In 13 unequal installments starting from November 29, 2013 and ending on November 29, 2019.			
AgriTech Limited - TFC III	3 months KIBOR + 3.25%	Quarterly	In 26 unequal installments starting from September 01, 2013 and ending on December 01, 2019.			
Bank Al-Falah- Fixed	Floating rate of return at Base Rate (6 months KIBOR)+2.50% p.a.	Semi-annually	3-equal semi annual installments commencing 84th month after the issue date.			
Pakistan Mobile Communication Limited	6 months KIBOR + 2.85 %	Semi-annually	0.02% of principal redeemed semi-annually in the first 48 months and remaining amount in 6 semi-annual installments.			
Jahangir Siddiqui & Company	6 months KIBOR + 1.7%	Semi-annually	TFC has a tenor of six years i.e 2007-2013 with a call option exercisable by the company any time after one year on a coupon date by giving 30 days notice at a premium of 1.00% on the outstanding face value.			
New Allied Electronics Industries (Pvt) Limited	3 months Kibor + 2.20 % with floor of 7% and Cap of 20%	Semi-annually	Maturity date is November 01, 2012.			
New Allied Electronics Industries (Pvt) Limited Sukuk	3 months Kibor + 2.20 %	Semi-annually	Based on diminishing musharaka mechanism with maturity in December 2012.			
Dewan Cement Limited	6 months KIBOR + 2 % p.a.	Semi-annually	9- equal semi annual installments starting from the twenty fourth month of the issue.			
<b>7 Federal government securities</b>				<b>Cost</b>	<b>Market Value</b>	
Available for sale:				2015	2014	2015
Market treasury bills				Rupees in '000		
Pakistan investment bonds				73,644,344	86,783,998	73,682,397
Government of Pakistan ijara sukuk bonds				76,338,624	44,708,426	78,172,178
				200,004	1,706,588	200,862
				150,182,972	133,199,012	152,055,437
						135,871,977

Statement showing written - off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2015

Sr.No	Name and address of the borrower	Name of Individuals/Partners/Directors with CNIC No.	Father's/Husband's name	Branch name	Region	Outstanding liabilities at beginning of year				Principal written-off	Interest/Mark-up/Other charges capitalized written-off	Interest/Mark-up/Other charges capitalized	Interest/Mark-up/Other charges written off	Other financial relief provided	Total
						Principal	Interest/Mark-up/Other charges capitalized	Others	Total						
1	Best Brands Inc. 181 CC, Phase-IV, DHA, Lahore.	Nadeem Ahmed Khan (35201-0135872-3)	Ahmed Khan	52- LHR/MI TOWER	Lahore	-	97,916	-	97,916	-	-	46,754	-	-	46,754
2	AK Exports (Pvt) Limited Sargodha Road Small Industrial Estate Faisalabad. Office, Regency The Mall Faisalabad	Khurshid Anwar (33100-0853027-9) Khawaja Asem Khurshid (33102-1773118-1) Khawaja Amer Khurshid (33100-4420114-9)	Muhammad Gul Khawaja Khurshid Anwar Khawaja Khurshid Anwar	10- Small D/Ground Faisalabad	Faisalabad	81,691	-	-	85,992	-	-	3,422	-	-	3,422
3	Khurshid Spinning Mills Limited 133, 134, Regency Plaza, The Mall Faisalabad	Khawaja Asem Khurshid (33102-1773118-1) Khawaja Amer Khurshid (33100-4420114-9) Khawaja Shahid Ameen Sethi (42301-5521796-5) Muhammad Faheem (33100-062353-3) Muhammad Khalid Sajf Ullah Shah (33202-1373233-7) Muhammad Iqbal (33100-0720110-1) Zeeshan Saeed (33101-7770044-3)	Khawaja Khurshid Anwar Khawaja Khurshid Anwar Yousaf Sethi Muhammad Laeeq Khan Muhammad Shah Sper Muhammad Saeed Akhter	10- Small D/Ground Faisalabad	Faisalabad	46,714	-	-	63,921	-	-	3,192	-	-	3,192
4	Husain Cotex Ltd 242-Ahmad Block, New Garden Town, Lahore	Dilhad Begum (35201-0307899-6) Muhammad Yaqub Sheikh (35201-9482496-5) Muhammad Ramzan Sheikh (35201-19041208-1) Sheikh Hussain Haider (35201-9999182-3) Muhammad Ayub Sheikh (35201-154971-3) Sheikh Mian Muhammad Younis (35202-0624157-7) Adnan Yousaf Sheikh (35201-7360083-9) Raza Yousaf (35202-6312974-4)	Muhammad Yousaf Sheikh Haji Sheikh Muhammad Yousaf Muhammad Yousaf Sheikh Muhammad Yousaf Muhammad Yousaf Sheikh Sheikh Muhammad Yousaf Muhammad Yousaf Sheikh Sheikh Muhammad Yousaf	52- LHR/MI TOWER	Lahore	38,643	-	-	130,253	-	-	80,952	-	-	80,952
5	Imtiaz Rafi Butt. Empire Centre, Main Boulevard Gulberg III, Lahore	Imtiaz Rafi Butt. (35201-2361943-7)	M Rafi Butt.	52- LHR/MI TOWER	Lahore	36,714	-	-	44,166	-	-	10,277	-	-	10,277
6	Flying Cement Company, Limited 103-Fazal Road St. Johana Park Lahore Cantt.	Kamran Khan (35201-5564391-1-7) Momin Qamar (35201-825551-2-7) Saima Kamran (35201-5658600-2) Salma Imran (35201-9985107-8) Yousaf Kamran Khan (35201-2109195-7) Qasim Khan (35201-1848796-5) Asim Qamar (35201-0949909-1) Muhammad Tawassul Majid (35401-1656385-5)	Qamar Uz Zaman Qamar Uz Zaman Kamran Khan Imran Qamar Kamran Khan Kamran Khan Imran Qamar Sheikh Fazal Majid	02- LHR/MI MAIN BRANCH	Lahore	47,375	-	-	38,896	-	-	18,610	-	-	18,610
7	Banker Avenue Cooperative Housing Society Bedian Road, Dera Chahal, Near The Bank of Punjab, Across Hadyara Dera, LHR Cantt.	Management Committee		02- LHR/MI MAIN BRANCH	Lahore	-	-	-	116,532	-	-	91,321	-	-	91,321
8	Tricon Developers Ltd. 13K, Main Boulevard, Gulberg-II, Lahore.	Asif Kamal (35202-2550469-9) Zahid Raftiq (35202-2860883-1) Anmad Khalil (35202-7577418-5)	Muhammad Azam Muhammad Rafiq Khalil Ur Rahman	02- LHR/MI MAIN BRANCH	Lahore	-	-	-	80,309	-	-	55,224	-	-	55,224
9	Honda Point (Pvt) Ltd. Honda Point Complex, Main Defence Road, Opposite Divine Centre, Lahore Cantt.	Khawaja Mansoor Mazhar (35201-2126675-7) Muhammad Amjad Aziz (35201-7413466-7) Hasan Farooq Malik (35201-1424294-3)	Khawaja Mahimood Mazhar Abdul Aziz Farooq Ali Malik	52- LHR/MI TOWER	Lahore	86,243	-	-	90,469	-	-	29,807	-	-	29,807
10	PAKISTANI TRACTOR HOUSE Fatmahan Jinnah Road, Sargodha	Chaudhary Shamsher Ali (38403-1083665-7)	Haji Ali Sher Chaudhary	02- LHR/MI MAIN BRANCH	Lahore	49,979	-	-	47,277	-	-	29,462	-	-	29,462
11	S.H.ZEE GAS (PVT) LTD Liberty Town, 12.5 KM Lahore Sheikhpura Road, Lahore	Syed Sohail Hashmi (35201-9003038-9) Zohar Hashmi (35201-2796939-5) Hamza Hashmi (35201-8626436-9)	Syed Shakeel Akhtar Hashmi Syed Sohail Hashmi Syed Sohail Hashmi	80- LHR/MI ABDULMALIK	Lahore	37,876	-	-	36,033	-	-	16,671	-	-	16,671

Rs. In thousand

Statement showing written - off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2015

Sr.No	Name and address of the borrower	Name of Individuals/Partners/Directors with CNIC No.	Father's/Husband's name	Branch name	Region	Outstanding liabilities at beginning of year				Principal written-off	Interest/Mark-up/Other charges capitalized written-off	Interest/Mark-up written off	Other financial relief provided	Total	
						Principal	Interest/Mark-up/Other charges capitalized	Interest/Mark-up	Others						Total
12	MONA TRADING COMPANY 24-M Gubergill Lahore	Tanvir Ahmad Pal (35200-1560594-9)	Abdul Aziz Pal	02- LHR (MAIN BRANCH)	Lahore	10,166	-	9,140	-	19,306	-	5,165	-	5,165	
13	PAK POLY PRODUCTS 24-M Gubergill Lahore	Tanvir Ahmad Pal (35200-1560594-9)	Abdul Aziz Pal	02- LHR (MAIN BRANCH)	Lahore	4,424	-	3,778	-	8,202	-	2,247	-	2,247	
14	KHURRAM KHALIQ KHAN & MRS. KAUSAR SAEED 28-E, Phase-V, DHA, Lahore Cantt.	Khurram Khalig Khan (35201-3479263-5) Kausar Saeed (35201-1099707-2)	W/o Abdul Khalig	02- LHR (MAIN BRANCH)	Lahore	5,205	-	6,223	-	11,428	-	3,099	-	3,099	
15	BISWILLAH TRADERS Kot Dood Chana, near Adda Chabeel *Sabli, G. T. Road, Daroghawala, Lahore	Muhammad Kabir (Deceased) (35201-1705494-1)	Muhammad Bashir	47- LHR (BAGH BANPUR A)	Lahore	2,135	-	1,915	-	4,050	-	1,441	-	1,441	
16	PAK CHINA CROCKERY Property # BX-25-17, Rathor Market, Gali Thathairanwalli Kaseria Bazar, Gujranwala	Masood Anjad Rathor (3410-12438031-1)	Muhammad Anjad Rathor	06- GLURANWALA (TRU ST PLAZA)	Gujranwala	1,537	-	2,431	-	3,968	-	1,355	-	1,355	
17	SOFT KNOT 17-KM Ferozpur Road, Lahore	Syed Iqbal Haider Kazmi (35202-6259565-5) Yasir Gul Caudhry (27077-585740)	Syed Rasheed Ahmed Shah Kazmi Muhammad Latif	85- LHR (Main Boulevard Guberg)	Lahore	1,844	-	2,167	-	4,011	-	710	-	710	
18	LIQAT BHOSA FAROSH & GENERAL STORE Nawan Shehar Choti Zerein, D.G. Khan	Leqat Ali Khan Laghari (42000-9563675-3)	Ghulam Hussain Khan	78- D.G. KHAN (KUTCHERY ROAD)	Multan	4,524	-	4,315	-	8,839	-	657	-	657	
19	HIM TRADERS 41/1, Nishtar Road, Lahore	Shahzadur-Rehman (35202-0225485-5)	Ghulam Hassan	182- LHR (RANG MAHAL)	Lahore	1,684	-	1,470	-	3,154	-	654	-	654	
20	ASIF CROCKERY STORE Khasra # 2487/60/42/1 Muhalla Pak Rehman Cainchi Ferozpur Road, Lahore (Near Akhtar Market)	Muhammad Asif (35201-1680845-7)	Muhammad Shafi	60- LHR (KARIM BLOCK)	Lahore	2,002	-	1,888	-	3,890	-	654	-	654	
21	MASHALLAH FABRICS Shop Bearing # 22, R.A. Bazar, Lahore Cantt.	Sheikh Muhammad Adeel (35201-1205551-1)	Haji Muhammad Fayyaz	69- LHR (JAFAL ROAD CANTT.)	Lahore	1,266	-	1,169	-	2,435	-	577	-	577	
22	ABDUL GHANI HOSPITAL 59-Riwaz Garden Sanda Road, Lahore.	Leqat Ghani Bhatti (Deceased) (35202-7551289-9)	Abdul Ghani	178- LHR (SILAMPURA)	Lahore	2,153	-	1,585	-	3,738	-	527	-	527	
	Total					462,175	-	867,845	-	1,330,020	-	402,778	-	402,778	

## Detail of disposal of property and equipment:

Particulars	Cost/ Revalued amount	Book value	Sale price	Profit/ (loss)	Mode of disposal	Particulars of purchasers
Rupees in '000						
<b>Buildings :</b>						
GT Road Gujar Khan	8,265	7,584	3,900	(3,684)	Negotiation	Mr. Khayyam Zaman
<b>Vehicles :</b>						
Toyota Altis	2,040	170	170	-	As per policy	Mr Khalid Tirmizey- Deputy CEO
Honda Civic	2,453	954	954	-	As per policy	Mr Naeemuddin Khan - Chief Executive Office
Honda Civic	1,868	-	-	-	As per policy	Mr.Abdul Ghafoor Mirza - Chiarman
Honda Civic	1,752	-	1,139	1,139	Auction	Mr Adnan Naseer
Toyota Altis	1,809	-	1,007	1,007	Auction	Mr Adnan Naseer
Toyota Altis	1,889	-	1,166	1,166	Auction	Mr Adnan Naseer
Honda City	1,232	-	1,089	1,089	Auction	Mr Kamran Rasool
Honda City	1,312	-	930	930	Auction	Mr. Adnan Naseer
Toyota Corolla	1,310	-	1,000	1,000	Auction	Mr. Adnan Naseer
Toyota Corolla	1,310	-	990	990	Auction	Mr. Adnan Naseer
Toyota Corolla	1,269	-	830	830	Auction	Mr. Adnan Naseer
Toyota Corolla	1,299	-	957	957	Auction	Mr. Abid Ansar
Toyota Corolla	1,310	-	737	737	Auction	Mr. Abid Ansar
Toyota Corolla	1,310	-	1,052	1,052	Auction	Mr. Abid Ansar
Toyota Corolla	1,310	-	985	985	Auction	Mr. Javed Iqbal
Toyota Corolla	1,364	-	985	985	Auction	Mr. Javed Iqbal
Toyota Corolla	1,263	-	1,025	1,025	Auction	Ms. Noshaba Ilyas
Toyota Corolla	1,239	-	890	890	Auction	Mr. M.Tahir - Employee
Toyota Corolla	1,310	-	1,075	1,075	Auction	Mr.Habib Ul Haq
Toyota Corolla	1,440	-	1,230	1,230	Auction	Mr.Saad Qazi - Employee
	38,354	8,708	22,111	13,403		
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	54,199	3,606	11,327	7,721		
<b>2015</b>	<b>92,553</b>	<b>12,314</b>	<b>33,438</b>	<b>21,124</b>		
<b>2014</b>	<b>101,449</b>	<b>37,535</b>	<b>58,994</b>	<b>21,459</b>		

## Pattern of Shareholding of Shares

As on 31-12-2015

No. of Shareholders			Shareholding				Total Shares Held			Percentage
Physical	CDC	Total				Physical	CDC	Total		
1058	1258	2316	FROM	1	TO	100	38,685	50,491	89,176	0.0057
1522	2004	3526	FROM	101	TO	500	400,422	748,061	1,148,483	0.0739
639	1886	2525	FROM	501	TO	1000	474,477	1,718,205	2,192,682	0.1410
992	4437	5429	FROM	1001	TO	5000	2,112,484	12,745,836	14,858,320	0.9554
151	1786	1937	FROM	5001	TO	10000	1,032,687	14,354,113	15,386,800	0.9894
51	774	825	FROM	10001	TO	15000	617,980	9,955,854	10,573,834	0.6799
38	546	584	FROM	15001	TO	20000	668,672	10,115,015	10,783,687	0.6934
20	408	428	FROM	20001	TO	25000	434,317	9,544,611	9,978,928	0.6417
55	254	309	FROM	25001	TO	30000	1,448,116	7,252,678	8,700,794	0.5595
8	159	167	FROM	30001	TO	35000	254,670	5,242,685	5,497,355	0.3535
5	189	194	FROM	35001	TO	40000	189,771	7,298,739	7,488,510	0.4815
5	103	108	FROM	40001	TO	45000	215,139	4,418,284	4,633,423	0.2979
2	255	257	FROM	45001	TO	50000	97,708	12,552,112	12,649,820	0.8134
8	82	90	FROM	50001	TO	55000	418,495	4,344,636	4,763,131	0.3063
2	91	93	FROM	55001	TO	60000	113,377	5,325,555	5,438,932	0.3497
2	59	61	FROM	60001	TO	65000	122,497	3,733,539	3,856,036	0.2480
	53	53	FROM	65001	TO	70000	-	3,635,841	3,635,841	0.2338
	63	63	FROM	70001	TO	75000	-	4,658,866	4,658,866	0.2996
1	48	49	FROM	75001	TO	80000	79,812	3,763,341	3,843,153	0.2471
	35	35	FROM	80001	TO	85000	-	2,915,022	2,915,022	0.1874
1	38	39	FROM	85001	TO	90000	89,220	3,361,027	3,450,247	0.2219
1	21	22	FROM	90001	TO	95000	91,457	1,942,285	2,033,742	0.1308
	138	138	FROM	95001	TO	100000	-	13,742,670	13,742,670	0.8837
1	33	34	FROM	100001	TO	105000	101,710	3,380,129	3,481,839	0.2239
	28	28	FROM	105001	TO	110000	-	3,040,200	3,040,200	0.1955
1	27	28	FROM	110001	TO	115000	114,528	3,043,540	3,158,068	0.2031
	14	14	FROM	115001	TO	120000	-	1,662,020	1,662,020	0.1069
	26	26	FROM	120001	TO	125000	-	3,213,409	3,213,409	0.2066
1	22	23	FROM	125001	TO	130000	127,406	2,830,284	2,957,690	0.1902
	10	10	FROM	130001	TO	135000	-	1,332,124	1,332,124	0.0857
	18	18	FROM	135001	TO	140000	-	2,490,308	2,490,308	0.1601
	11	11	FROM	140001	TO	145000	-	1,580,500	1,580,500	0.1016
	41	41	FROM	145001	TO	150000	-	6,119,651	6,119,651	0.3935
	7	7	FROM	150001	TO	155000	-	1,069,452	1,069,452	0.0688
	18	18	FROM	155001	TO	160000	-	2,849,227	2,849,227	0.1832
	7	7	FROM	160001	TO	165000	-	1,146,281	1,146,281	0.0737
	4	4	FROM	165001	TO	170000	-	676,417	676,417	0.0435
	8	8	FROM	170001	TO	175000	-	1,378,246	1,378,246	0.0886
	9	9	FROM	175001	TO	180000	-	1,608,964	1,608,964	0.1035
	10	10	FROM	180001	TO	185000	-	1,834,205	1,834,205	0.1179
1	6	7	FROM	185001	TO	190000	189,640	1,124,362	1,314,002	0.0845
	10	10	FROM	190001	TO	195000	-	1,932,341	1,932,341	0.1243
	54	54	FROM	195001	TO	200000	-	10,790,850	10,790,850	0.6939
	4	4	FROM	200001	TO	205000	-	811,541	811,541	0.0522
	10	10	FROM	205001	TO	210000	-	2,088,054	2,088,054	0.1343
	4	4	FROM	210001	TO	215000	-	860,000	860,000	0.0553
	7	7	FROM	215001	TO	220000	-	1,532,989	1,532,989	0.0986
	10	10	FROM	220001	TO	225000	-	2,232,550	2,232,550	0.1436
	6	6	FROM	225001	TO	230000	-	1,368,624	1,368,624	0.0880
	4	4	FROM	230001	TO	235000	-	935,216	935,216	0.0601
	8	8	FROM	235001	TO	240000	-	1,903,000	1,903,000	0.1224
	3	3	FROM	240001	TO	245000	-	725,767	725,767	0.0467
	19	19	FROM	245001	TO	250000	-	4,737,567	4,737,567	0.3046
	4	4	FROM	250001	TO	255000	-	1,008,033	1,008,033	0.0648

No. of Shareholders			Shareholding			Total Shares Held			Percentage	
Physical	CDC	Total				Physical	CDC	Total		
	5	5	FROM	255001	TO	260000	-	1,289,887	1,289,887	0.0829
	3	3	FROM	260001	TO	265000	-	790,096	790,096	0.0508
	6	6	FROM	265001	TO	270000	-	1,610,388	1,610,388	0.1036
	3	3	FROM	270001	TO	275000	-	821,103	821,103	0.0528
	6	6	FROM	275001	TO	280000	-	1,669,245	1,669,245	0.1073
	8	8	FROM	280001	TO	285000	-	2,262,044	2,262,044	0.1455
	7	7	FROM	285001	TO	290000	-	2,011,115	2,011,115	0.1293
	2	2	FROM	290001	TO	295000	-	588,000	588,000	0.0378
	15	15	FROM	295001	TO	300000	-	4,496,500	4,496,500	0.2891
	5	5	FROM	300001	TO	305000	-	1,513,859	1,513,859	0.0973
	3	3	FROM	305001	TO	310000	-	925,235	925,235	0.0595
	1	1	FROM	310001	TO	315000	-	314,474	314,474	0.0202
	1	1	FROM	315001	TO	320000	-	320,000	320,000	0.0206
	4	4	FROM	320001	TO	325000	-	1,291,500	1,291,500	0.0830
	3	3	FROM	325001	TO	330000	-	988,056	988,056	0.0635
	4	4	FROM	330001	TO	335000	-	1,333,500	1,333,500	0.0857
	1	1	FROM	340001	TO	345000	-	345,000	345,000	0.0222
	7	7	FROM	345001	TO	350000	-	2,444,664	2,444,664	0.1572
	3	3	FROM	350001	TO	355000	-	1,057,113	1,057,113	0.0680
	2	2	FROM	355001	TO	360000	-	717,500	717,500	0.0461
	1	1	FROM	360001	TO	365000	-	362,000	362,000	0.0233
	1	1	FROM	365001	TO	370000	-	367,000	367,000	0.0236
	4	4	FROM	370001	TO	375000	-	1,495,530	1,495,530	0.0962
	2	2	FROM	375001	TO	380000	-	757,066	757,066	0.0487
	4	4	FROM	380001	TO	385000	-	1,524,805	1,524,805	0.0981
	2	2	FROM	390001	TO	395000	-	785,276	785,276	0.0505
	11	11	FROM	395001	TO	400000	-	4,399,500	4,399,500	0.2829
	2	2	FROM	400001	TO	405000	-	806,000	806,000	0.0518
	1	1	FROM	405001	TO	410000	-	409,553	409,553	0.0263
	1	1	FROM	410001	TO	415000	-	411,532	411,532	0.0265
	2	2	FROM	415001	TO	420000	-	838,428	838,428	0.0539
	1	1	FROM	420001	TO	425000	-	425,000	425,000	0.0273
	1	1	FROM	425001	TO	430000	-	428,500	428,500	0.0276
	1	1	FROM	430001	TO	435000	-	433,303	433,303	0.0279
	4	4	FROM	435001	TO	440000	-	1,753,399	1,753,399	0.1128
	1	1	FROM	440001	TO	445000	-	445,000	445,000	0.0286
	4	4	FROM	445001	TO	450000	-	1,795,500	1,795,500	0.1155
	1	1	FROM	450001	TO	455000	-	451,104	451,104	0.0290
	1	1	FROM	455001	TO	460000	-	460,000	460,000	0.0296
	2	2	FROM	460001	TO	465000	-	926,000	926,000	0.0595
	2	2	FROM	475001	TO	480000	-	957,021	957,021	0.0615
	1	1	FROM	480001	TO	485000	-	482,000	482,000	0.0310
	1	1	FROM	490001	TO	495000	-	494,776	494,776	0.0318
	16	16	FROM	495001	TO	500000	-	7,996,000	7,996,000	0.5142
	3	3	FROM	500001	TO	505000	-	1,506,940	1,506,940	0.0969
	4	4	FROM	510001	TO	515000	-	2,053,816	2,053,816	0.1321
	1	1	FROM	515001	TO	520000	-	520,000	520,000	0.0334
	3	3	FROM	520001	TO	525000	-	1,573,961	1,573,961	0.1012
	2	2	FROM	530001	TO	535000	-	1,069,000	1,069,000	0.0687
	2	2	FROM	535001	TO	540000	-	1,080,000	1,080,000	0.0694
	4	4	FROM	545001	TO	550000	-	2,200,000	2,200,000	0.1415
	1	1	FROM	550001	TO	555000	-	552,197	552,197	0.0355
	1	1	FROM	560001	TO	565000	-	563,000	563,000	0.0362
	1	1	FROM	565001	TO	570000	-	570,000	570,000	0.0367

No. of Shareholders			Shareholding				Total Shares Held			Percentage
Physical	CDC	Total					Physical	CDC	Total	
	1	1	FROM	580001	TO	585000	-	585,000	585,000	0.0376
	1	1	FROM	585001	TO	590000	-	585,100	585,100	0.0376
	1	1	FROM	590001	TO	595000	-	595,000	595,000	0.0383
	2	2	FROM	595001	TO	600000	-	1,200,000	1,200,000	0.0772
	1	1	FROM	600001	TO	605000	-	601,326	601,326	0.0387
	2	2	FROM	615001	TO	620000	-	1,234,000	1,234,000	0.0794
	2	2	FROM	620001	TO	625000	-	1,250,000	1,250,000	0.0804
	1	1	FROM	625001	TO	630000	-	629,358	629,358	0.0405
	1	1	FROM	630001	TO	635000	-	635,000	635,000	0.0408
	1	1	FROM	635001	TO	640000	-	638,000	638,000	0.0410
	1	1	FROM	640001	TO	645000	-	642,000	642,000	0.0413
	1	1	FROM	645001	TO	650000	-	650,000	650,000	0.0418
	3	3	FROM	660001	TO	665000	-	1,994,500	1,994,500	0.1283
	1	1	FROM	665001	TO	670000	-	666,818	666,818	0.0429
	2	2	FROM	670001	TO	675000	-	1,346,027	1,346,027	0.0866
	2	2	FROM	675001	TO	680000	-	1,354,500	1,354,500	0.0871
	1	1	FROM	685001	TO	690000	-	689,000	689,000	0.0443
	3	3	FROM	695001	TO	700000	-	2,100,000	2,100,000	0.1350
	1	1	FROM	700001	TO	705000	-	700,014	700,014	0.0450
	2	2	FROM	705001	TO	710000	-	1,413,000	1,413,000	0.0909
	2	2	FROM	715001	TO	720000	-	1,437,037	1,437,037	0.0924
	1	1	FROM	735001	TO	740000	-	737,000	737,000	0.0474
	3	3	FROM	745001	TO	750000	-	2,250,000	2,250,000	0.1447
	1	1	FROM	755001	TO	760000	-	755,020	755,020	0.0486
	1	1	FROM	770001	TO	775000	-	775,000	775,000	0.0498
	1	1	FROM	775001	TO	780000	-	778,500	778,500	0.0501
	1	1	FROM	790001	TO	795000	-	790,500	790,500	0.0508
	2	2	FROM	795001	TO	800000	-	1,600,000	1,600,000	0.1029
	1	1	FROM	815001	TO	820000	-	818,004	818,004	0.0526
	2	2	FROM	830001	TO	835000	-	1,666,000	1,666,000	0.1071
	1	1	FROM	845001	TO	850000	-	850,000	850,000	0.0547
	1	1	FROM	850001	TO	855000	-	855,000	855,000	0.0550
	1	1	FROM	895001	TO	900000	-	900,000	900,000	0.0579
	1	1	FROM	920001	TO	925000	-	920,157	920,157	0.0592
	2	2	FROM	925001	TO	930000	-	1,854,000	1,854,000	0.1192
	1	1	FROM	935001	TO	940000	-	936,958	936,958	0.0603
	1	1	FROM	945001	TO	950000	-	948,000	948,000	0.0610
	6	6	FROM	995001	TO	1000000	-	6,000,000	6,000,000	0.3858
	1	1	FROM	100001	TO	1005000	-	1,000,212	1,000,212	0.0643
	1	1	FROM	1010001	TO	1015000	-	1,012,000	1,012,000	0.0651
	1	1	FROM	1025001	TO	1030000	-	1,027,706	1,027,706	0.0661
	1	1	FROM	1030001	TO	1035000	-	1,034,000	1,034,000	0.0665
	1	1	FROM	1045001	TO	1050000	-	1,048,512	1,048,512	0.0674
	1	1	FROM	1055001	TO	1060000	-	1,059,061	1,059,061	0.0681
	1	1	FROM	1065001	TO	1070000	-	1,070,000	1,070,000	0.0688
	1	1	FROM	1075001	TO	1080000	-	1,080,000	1,080,000	0.0694
	3	3	FROM	1095001	TO	1100000	-	3,300,000	3,300,000	0.2122
	1	1	FROM	1130001	TO	1135000	-	1,132,605	1,132,605	0.0728
	1	1	FROM	1135001	TO	1140000	-	1,137,509	1,137,509	0.0731
	1	1	FROM	1145001	TO	1150000	-	1,150,000	1,150,000	0.0739
	1	1	FROM	1170001	TO	1175000	-	1,175,000	1,175,000	0.0756
	1	1	FROM	1180001	TO	1185000	-	1,183,500	1,183,500	0.0761
	1	1	FROM	1215001	TO	1220000	-	1,217,000	1,217,000	0.0783
	1	1	FROM	1235001	TO	1240000	-	1,239,500	1,239,500	0.0797



No. of Shareholders			Shareholding			Total Shares Held			Percentage
Physical	CDC	Total				Physical	CDC	Total	
1		1	FROM 1240001	TO 1245000		-	1,244,800	1,244,800	0.0800
1		1	FROM 1295001	TO 1300000		-	1,300,000	1,300,000	0.0836
2		2	FROM 1320001	TO 1325000		-	2,645,479	2,645,479	0.1701
1		1	FROM 1400001	TO 1405000		-	1,404,000	1,404,000	0.0903
1		1	FROM 1425001	TO 1430000		-	1,429,850	1,429,850	0.0919
1		1	FROM 1485001	TO 1490000		-	1,485,500	1,485,500	0.0955
1		1	FROM 1495001	TO 1500000		-	1,500,000	1,500,000	0.0965
2		2	FROM 1570001	TO 1575000		-	3,145,271	3,145,271	0.2023
1		1	FROM 1665001	TO 1670000		-	1,666,336	1,666,336	0.1072
2		2	FROM 1695001	TO 1700000		-	3,400,000	3,400,000	0.2186
1		1	FROM 1705001	TO 1710000		-	1,710,000	1,710,000	0.1100
1		1	FROM 1720001	TO 1725000		-	1,723,000	1,723,000	0.1108
1		1	FROM 1740001	TO 1745000		-	1,743,000	1,743,000	0.1121
2		2	FROM 1795001	TO 1800000		-	3,600,000	3,600,000	0.2315
2		2	FROM 1870001	TO 1875000		-	3,746,000	3,746,000	0.2409
4		4	FROM 1995001	TO 2000000		-	8,000,000	8,000,000	0.5144
1		1	FROM 2010001	TO 2015000		-	2,012,105	2,012,105	0.1294
1		1	FROM 2090001	TO 2095000		-	2,092,500	2,092,500	0.1346
1		1	FROM 2390001	TO 2395000		-	2,390,500	2,390,500	0.1537
1		1	FROM 2420001	TO 2425000		-	2,422,000	2,422,000	0.1557
1		1	FROM 2440001	TO 2445000		-	2,441,500	2,441,500	0.1570
1		1	FROM 2515001	TO 2520000		-	2,516,166	2,516,166	0.1618
1		1	FROM 2745001	TO 2750000		-	2,750,000	2,750,000	0.1768
1		1	FROM 2780001	TO 2785000		-	2,782,500	2,782,500	0.1789
1		1	FROM 2810001	TO 2815000		-	2,810,500	2,810,500	0.1807
1		1	FROM 2995001	TO 3000000		-	2,998,000	2,998,000	0.1928
1		1	FROM 3060001	TO 3065000		-	3,062,039	3,062,039	0.1969
1		1	FROM 3090001	TO 3095000		-	3,095,000	3,095,000	0.1990
1		1	FROM 3230001	TO 3235000		-	3,233,239	3,233,239	0.2079
1		1	FROM 3395001	TO 3400000		-	3,400,000	3,400,000	0.2186
1		1	FROM 4080001	TO 4085000		-	4,081,000	4,081,000	0.2624
1		1	FROM 4295001	TO 4300000		-	4,300,000	4,300,000	0.2765
1		1	FROM 4690001	TO 4695000		-	4,690,600	4,690,600	0.3016
1		1	FROM 5000001	TO 5005000		-	5,004,445	5,004,445	0.3218
1		1	FROM 5335001	TO 5340000		-	5,335,376	5,335,376	0.3431
1		1	FROM 5485001	TO 5490000		-	5,489,500	5,489,500	0.3530
1		1	FROM 5665001	TO 5670000		-	5,665,500	5,665,500	0.3643
1		1	FROM 6315001	TO 6320000		-	6,320,000	6,320,000	0.4064
1		1	FROM 7995001	TO 8000000		-	8,000,000	8,000,000	0.5144
1		1	FROM 8095001	TO 8100000		-	8,100,000	8,100,000	0.5209
1		1	FROM 8425001	TO 8430000		-	8,427,434	8,427,434	0.5419
1		1	FROM 8925001	TO 8930000		-	8,928,383	8,928,383	0.5741
1		1	FROM 9640001	TO 9645000		-	9,640,400	9,640,400	0.6199
1		1	FROM 9650001	TO 9655000		-	9,655,000	9,655,000	0.6209
1		1	FROM 10420001	TO 10425000		-	10,420,500	10,420,500	0.6701
1		1	FROM 10845001	TO 10850000		-	10,845,724	10,845,724	0.6974
1		1	FROM 12050001	TO 12055000		-	12,052,000	12,052,000	0.7750
1		1	FROM 29855001	TO 29860000		-	29,855,500	29,855,500	1.9198
1		1	FROM 70695001	TO 70700000		-	70,697,465	70,697,465	4.5461
1		1	FROM 893765001	TO 893770000		-	893,767,556	893,767,556	57.4728
4566	15441	20007				903,200,826	651,912,339	1,555,113,165	100.0000

## Categories of Shareholders

As on 31-12-2015

Shareholder Category	No. of Shareholders			Total No. of Shares Held			Percentage
	Physical	CDC	Total	Physical	CDC	Total	
DIRECTORS	2	2	4	5,004	11,821	16,825	0.0011%
PROVINCIAL GOVERNMENT	1	0	1	893,767,556	0	893,767,556	57.4728%
ASSOCIATED COMPANIES	0	0	0	0	0	0	0.0000%
FOREIGN FUNDS	30	9	39	78,469	16,371,783	16,450,252	1.0578%
INDIVIDUALS (FOREIGN)	0	7	7	0	30,597	30,597	0.0020%
INDIVIDUALS (LOCAL)	4,495	15,212	19,707	9,100,337	443,465,191	452,565,528	29.1018%
BANK/NBFI/FIN.INST./ INSURANCE CO./ MODARABAS MUTUAL FUNDS	20	28	48	98,557	45,640,455	45,739,012	2.9412%
LEASING COMPANIES	0	2	2	0	3,175	3,175	0.0002%
CHARITABLE TRUSTS	0	6	6	0	759,480	759,480	0.0488%
COOPERATIVE SOCIETITES	0	0	0	0	0	0	0.0000%
NIT	0	0	0	0	0	0	0.0000%
ICP	1	1	2	975	2,699	3,674	0.0002%
JOINT STOCK COMPANIES	17	159	176	149,928	71,795,301	71,945,229	4.6264%
OTHERS	0	15	15	0	73,831,837	73,831,837	4.7477%
<b>TOTAL</b>	<b>4,566</b>	<b>15,441</b>	<b>20,007</b>	<b>903,200,826</b>	<b>651,912,339</b>	<b>1,555,113,165</b>	<b>100.0000%</b>

## Catagories of Shareholding required under Code of Coprorate Governance (CCG)

As on December 31, 2015

Sr. No.	Name	No. of Shares Held	Percentage
Associated Companies, Undertakings and Related Parties (Name Wise Detail):			
Mutual Funds (Name Wise Detail):			
1	GROWTH MUTUAL FUND LIMITED	3,061	0.0002%
2	CDC - TRUSTEE AKD AGGRESSIVE INCOME FUND - MT	64,000	0.0041%
3	CDC - TRUSTEE AKD INDEX TRACKER FUND	130,159	0.0084%
4	CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	100,000	0.0064%
5	CDC - TRUSTEE ASKARI EQUITY FUND	100,000	0.0064%
6	CDC - TRUSTEE FAYSAL INCOME & GROWTH FUND - MT	1,871,000	0.1203%
7	CDC - TRUSTEE FAYSAL SAVING GROWTH FUND	9,640,400	0.6199%
8	CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND LIMITED	47,180	0.0030%
9	CDC - TRUSTEE FIRST HABIB INCOME FUND - MT	23,500	0.0015%
10	CDC - TRUSTEE ASKARI HIGH YIELD SCHEME - MT	4,690,600	0.3016%
11	CDC - TRUSTEE PICIC INCOME FUND - MT	642,000	0.0413%
Directors and their Spouse and Minor Children (Name Wise Detail):			
1	MR. MOHAMMAD AFZAL BHATTI	2,504	0.0002%
2	MR. SAEED ANWAR (CDC)	3,000	0.0002%
3	KH. FAROOO SAEED (CDC)	8,821	0.0006%
4	MR. OMER SAEED	2,500	0.0002%
Executives: - -			
Public Sector Companies & Corporations (Government Holding):		893,767,556	57.4728%
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:		28,430,287	1.8282%
Shareholders holding five percent or more voting intrest in the listed company (Name Wise Detail)			
1	GOVERNMENT OF THE PUNJAB	893,767,556	57.4728%
All trades in the shares of the listed company, carries out by its Directors, Executives and their spouses and minor children shall also be disclosed:			
S. No.	NAME	Purchase	SALE
1	MR. MOHAMMAD AFZAL BHATTI	2,504	-

## List of Foreign Correspondent Banks

### AUSTRALIA

Australia & New Zealand Banking Group Ltd  
JP Morgan Chase Bank N.A.  
Bank Of America, N.A. Sydney

### AUSTRIA

Bank Austria AG  
UniCredit Bank Austria AG  
Raiffeisenland Bank Niederoesterreich  
Raiffeisen Central Bank Oesterreich  
Raiffeisenland Bank Oberoesterreich

### BAHRAIN

United Bank Limited  
Bank Al Habib Limited (OBU)  
Mashreq Bank  
Al Baraka Islamic Bank

### BANGLADESH

Habib Bank Limited  
Social Investment Bank Limited  
Woori Bank Dhaka  
Prime Bank Dhaka

### BELGIUM

BNP Paribas S.A. Belgium - Belgium Branch  
Citi Bank Belgium NV/SA  
Commerzbank AG, The, Brussels Branch  
Credit Europe Bank N.V. Antwerp Branch  
Dexia Bank SA  
Habib Bank Limited  
KBC Bank NV  
CBC BANQUE S.A.

### BRAZIL

Deutsche Bank S.A. - Banco Alemão

### BULGARIA

United Bulgarian Bank

### CANADA

Habib Canadian Bank  
Royal Bank Of Canada

### CHINA

Agricultural Bank of china  
Bank Of China (Head Office)  
Bank of Communications  
Bank Of Jiangsu Co Ltd  
Bank Of New York Shanghai Branch  
Bank of Tokyo Mitsubishi Limited  
China Construction Bank Corporation  
China Merchants Bank  
Citi Bank, N.A.  
Citibank N.A.  
China Citic Bank  
Deutsche Bank AG  
Guangdong Development Bank  
Industrial and Commercial Bank of China  
JP Morgan Chase Bank N.A.  
Laiwu City Commercial Bank  
Mashreq Bank  
Nanjing City Commercial Bank  
National Bank of Pakistan  
Ping An Bank Limited  
Standard Chartered Bank  
The Bank of Nova Scotia  
Habib Bank Limited  
Wing Hang Bank Limited  
Yinzhou Bank  
Bank Of Ningbo  
Intesa Sanpaolo Spa Hong Kong  
BNP Paribas

Bank Of America, N.A. Hong Kong  
KBC Bank Nv, Hong Kong  
Sumitomo Mitsui Banking Corporation

### CYPRUS

Bank of Cyprus Limited  
National Bank Of Greece (Cyprus) LTD.  
Hellenic Bank Public Company Ltd

### CROATIA

Zagrebacka Banka DD

### CZECH REPUBLIC

Citi Bank  
HVB Bank Czech Republic A.S.  
Commerzbank AG  
Raiffeisenbank A.S.

### DENMARK

Amagerbanken A/S  
Danske Bank  
SYD Bank A/S

### EGYPT

Mashreq Bank  
National Bank of Egypt

### ETHIOPIA

Dashen Bank

### ERITREA

Commercial Bank of Eritrea

### FINLAND

Danske Bank  
OKO Osuuspankkien Keskuspankki OYJ  
Skandinaviska Enskilda Bank

#### FIJI

Bank of South Pacific Limited

#### FRANCE

BNP-Paribas SA Bank

Commerz Bank AG

Credit Industriel ET Commercial

Habib Bank Limited UK-PLC

National Bank of Pakistan

#### GERMANY

American Express Bank

Bank Of America, N.A.

Bank of Tokyo Mitsubishi Limited

Bayerische Hypovereins Bank

Commerz Bank AG

Commerzbank Ag

Deutsche Bank AG

Deutsche Bank AG

Deutsche Bank Privat-Und Geschaefskunden Ag

Commerzbank AG (formerly Dresdner Bank AG)

HSH Nordbank AG

Kreissparkasse Koeln

Landesbank Baden-Wuerttemberg

JP Morgan Frankfurt

M.M.warburg

National Bank AG

National Bank of Pakistan

SEB AG (Skandinaviska Enskilda Bank)

Sparkasse Pforzheim Calw

Sparkasse Westmunsterland

Standard Chartered Bank Limited

Suedwest Bank

Westlb AG

#### GREECE

Alpha Bank

National Bank of Greece

Bank Of Cyprus Public Company Limited

#### HUNGARY

Citi Bank

Unicredit Bank Hungary Zrt.

Raiffisen Bank ZRT.

Central-European International Bank Ltd.

#### ICE LAND

Landsbanki Islands

#### INDIA

Bank of Tokyo Mitsubishi Limited

Central Bank of India

Citibank N.A

Deutsche Bank AG

JP Morgan Chase Bank N.A

Mashreq Bank

Punjab National Bank

Standard Chartered Bank

#### INDONESIA

Bank Mandiri

JP Morgan Chase Bank N.A

Standard Chartered Bank

Woori Bank, Indonesia P.T

Bank Sinarmas

CITIBANK, N.A.

Bank Mandiri (PERSERO),PT

#### IRELAND

Citi Bank

Bank of Scotland

#### ITALY

Veneto Banca Holding

Banca Agricola Mantovana SPA

Banca Antonveneta Spa

Banca Di Roma S.P.A.

Banca Intesa SPA

Banca Monte Dei Paschi Di Siena S.P.A.

Banca Popolare Di Milano S.C.A.R.L.

Banca Popolare Di Vicenza

Banca Toscana S.P.A

Banca Ubae Spa

Banco Poplare Di Verona E Novera

Banco Popolare

Bayerische Hypo Und Vereinsbank

Bipop-Carire SPA

Capitalia SPA (Banca De Roma S.P.A)

Cassa Di Risparmio Di Firenze S.P.A.

Commerzbank AG

Credito bergamasco S.P.A

Banca Popolare di Sondrio

Credit Emlliano SPA

Iccrea Banca, Milano Branch

Iccrea Banca-Istituto Centrale Del Credito

Intesa Sanpaolo SPA (Formerly Banca Intesa SPA)

Sanpaolo Banco Di Napoli Spa

UBI Banca

Unicredit Banca D'impresa Spa

Unicredit Private Banking Spa

Unicredito Italiano

Veneto Banca S.C.A.R.L.

Credito Valtellinese

BANCA NUOVA SPA (BANCA POPOLARE DI

VICENZA GROUP

Iccrea Banca Firenze Branch

#### JAPAN

Bank of Tokyo Mitsubishi Limited  
National Bank of Pakistan  
Standard Chartered Bank  
Sumitomo Mitsui Banking

#### KENYA

Habib Bank Ltd.

#### KAZAKHSTAN

Citi Bank  
Bank Turanalem

#### KUWAIT

Commercial Bank of Kuwait SAK  
National Bank of Kuwait

#### KOREA

JP Morgan Chase Bank N.A  
Kookmin Bank  
Korea Development Bank  
Korea Exchange Bank  
National Bank of Pakistan  
Pusan Bank  
Shinhan Bank  
Standard Chartered Bank  
Woori Bank  
Bank Of Tokyo-Mitsubishi UFJ, Ltd.,  
The Bank Of New York Mellon, Seoul Branch  
Daegu Bank, Ltd.,The

#### LEBANON

Citi Bank  
Credit Libanais S.A.L.  
Habib Bank Limited

#### MACAO

BNP Paribas Macau Branch

#### MALAYSIA

JP Morgan Chase Bank N.A  
Standard Chartered Bank  
Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad

#### MALTA

Credit Europe Bank N.V. Malta Branch

#### MAURITIUS

Mauritius Commercial Bank  
Mauritius Post&Co-operative Bank

#### MOROCCO

Attijariwafa Bank(Formerly Banque Comm.  
DU Maroc)  
Citi Bank

#### NORWAY

Den Norske Bank  
Fokus Bank, Part Of Danske Bank Group

#### NETHERLANDS

Abn Amro Bank  
Citi Bank  
Commerz Bank AG  
Credit Europe Bank NV  
Habib Bank Limited UK PLC  
Hollandsche Bank  
Korea Exchange Bank, Amsterdam Branch

#### NEWZEALAND

Australia and New Zealand Bank

#### OMAN

Bank Muscat SAOG  
Bank Nizwa Oman  
Habib Bank Ltd

#### ROMANIA

HVB Bank Romania SA

#### PAKISTAN

Allied Bank Limited  
Askari Commercial Bank Ltd  
Bank Al Falah Limited  
Bank Al Habib Limited  
Bunj Bank Limited  
Bank Islami Pakistan Limited  
Bank of Tokyo-Mitsubishi UFJ Ltd.  
Citi Bank  
Deutsche Bank AG  
Dubai Islamic Bank Pakistan Limited  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Ltd.  
JS Bank Limited  
KASB Bank Limited  
Meezan Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
NIB Bank Limited  
Silk Bank Limited  
Sindh Bank Limited  
Soneri Bank Limited  
Summit Bank Limited  
Standard Chartered Bank  
The Bank Of Khyber  
United Bank Limited  
Albaraka Islamic Bank  
First Women Bank Limited

Industrial And Commercial Bank Of China,  
Karachi Branch

#### PERU

Banco Continental  
Banco Internacional Del Peru (Interbank)

#### PHILIPPINES

Banco De Oro Universal Bank  
Asian Development Bank

#### PORTUGAL

Banco Comercial Portugues  
Fortis Bank

#### POLAND

Nordea Bank Polska S.A.

#### PAPUA NEW GUINEA

Bank Of South Pacific Limited

#### QATAR

United Bank Limited  
Doha Bank  
Standard Chartered Bank  
Mashreq Bank

#### RUSSIA

Citi Bank  
MDM Bank (Open Joint-Stock Company)  
Unicredit Bank

#### SAUDI ARABIA

Alinma Bank  
Bank Al-Jazira  
Banque Saudi Fransi

Islamic Development Bank  
Samba Financial Group  
JP Morgan Chase  
Saudi Hollandi Bank  
Bank Al Bilad  
National Bank of Pakistan

#### SINGAPORE

Bank Mandiri(Persero) PT  
Bank of America  
Bank of Tokyo Mitsubishi Limited  
Bayerische Hypo-Und Vereinsbank  
Citi Bank  
Commerz Bank AG  
Deutsche Bank AG  
Fortis Bank  
Habib Bank Limited  
JP Morgan Chase Bank N.A.  
KBC Bank Singapore Branch  
Shinan Bank  
Skandinaviska Enskilda  
Standard Chartered Bank

#### SPAIN

Bankinter, S.A  
Bankia Spain  
Caixa D'Estalvis De Catalunya  
Caixa D'Estalvis I Pensions De Barcelona  
Caja de Ahorros de Galicia  
Citi Bank International PLC  
Banco Bilbao Vizcaya Argentaria S.A.  
Bank Of Tokyo-Mitsubishi Uj, Ltd., The  
Commerz Bank AG

#### SRI LANKA

NDB Bank Limited

Hatton National Bank Limited  
Habib Bank Limited  
Bank of Ceylon

#### SOUTH AFRICA

First Rand Bank  
HBZ Bank Limited

#### SWEDEN

Citi Bank  
Skandinaviska Enskilda  
Svenska Handelsbanken

#### SWITZERLAND

Abn Amro Bank (Switzerland) A.G.  
Banque Cantonale Vaudoise  
Banque De Commerce Et De Placements S.A.  
Commerz Bank AG  
HSBC Guyerzeller Bank AG  
United Bank Limited  
Zuercher Kantonal Bank  
Habibsons Bank Limited  
Habib Bank AG Zurich

#### SCOTLAND

Bank of Scotland  
Citibank Europe PLC

#### SLOVAKIA

Unibanka, A.S.,(Unicredito Italiano Group)  
Commerzbank AG

#### TAIWAN

Bank Of New York  
Bank of Tokyo Mitsubishi Limited  
Citibank N.A., Taipei Branch

JP Morgan Chase Bank N.A

Standard Chartered Bank

Sumitomo Mitsui Banking Corporation

Taichung Commercial Bank

#### TUNISIA

Arab Banking Corporation

Banque International Arabe De Tunisie

#### THAILAND

Bank of Tokyo Mitsubishi Limited

Export-Import Bank of Thailand

JP Morgan Chase Bank N.A

Standard Chartered Bank

Sumitomo Mitsui Banking Corporation

#### TURKEY

HBL Turkey

Oyak Bank A.S.

ICBC Turkey formerly Tekstil Bankası A.S.

Turkiye Garanti Bankası

Kuwait Turkish Participation Bank Inc

Turkiye IS Bankası

Yapi Ve kredi bankası

Denizbank Turkey

T Bank-Turk land Bank A.S.

Fortis Bank A.S.

Turkiye Finans Katilim Bankası A.S

#### UNITED ARAB EMIRATES

Citi Bank

Commercial Bank of Dubai

Doha Bank

Emirates Bank International PJSC

Emirates Islamic Bank

First Gulf Bank

Habib Bank A.G. Zurich

Mashreq Bank

National Bank of Fujairah

Standard Chartered Bank

Union National Bank

United Bank Limited

Habib Bank Limited

China Construction Bank (Dubai) Ltd

#### UNITED KINGDOM

Bank Leumi UK-PLC

Bank Of America, N.A.

Bank Of Cyprus UK

Bank of Tokyo Mitsubishi Limited

Citi Bank

Commerz Bank AG

Habib Bank AG Zurich

Habib Bank UK-PLC

JP Morgan Chase Bank

KBC Bank NV

Landsbanki Islands Hf, London Branch

Mashreq Bank

Northern Bank (Part Of Danske Bank Group)

Shinhan Bank London Branch

Standard Chartered Bank

United National Bank

Habibsons Bank Ltd

#### UNITED STATES

American Express Bank

Bank Of America, N.A.

Bank of Newyork

Bank of Tokyo Mitsubishi Limited

BNP Paribas U.S.A

Citi Bank

Commerce Bank N.A

Commerz Bank AG

Credit Suisse Bank

Deutsche Bank Trust Company Americas

Doha Bank

Habib American Bank

Habib Bank Limited

JP Morgan Chase Bank

Keybank National Association

Mashreq Bank

National Bank of Pakistan

National City Bank Cleveland

Regions Bank

Standard Chartered Bank

State Bank of India(California)

Sumitomo Mitsui Banking Corporation

Sterling National Bank

U.S Bank

UMB Bank, N.A.

United Bank Limited

Washington Mutual Bank

Wells Fargo Bank

Woori Bank

China Construction Bank New York Branch

Wells Fargo Bank, N.A.

#### VIETNAM

Shinhan Bank



## Form of Proxy

I/We \_\_\_\_\_  
(Name and Folio No./Participant Account No. & Sub-Account No.)

of \_\_\_\_\_  
(Place)  
being a member(s) of THE BANK OF PUNJAB hereby appoint

\_\_\_\_\_

(Name and Folio No./Participant Account No. & Sub-Account No.)

of \_\_\_\_\_  
(Place)

another member of the Bank as my / our proxy to attend, speak and vote on my / our behalf at the 25<sup>th</sup> Annual General Meeting of the Bank to be held on Monday, 30<sup>th</sup> May, 2016 at 9:30 a.m. at Sapphire Banquet Hall, New Garden Town, Lahore and at any adjournment thereof.

Signed this \_\_\_\_\_ Day \_\_\_\_\_ 2016.

Signature of  
Member(s)

Five Rupees  
Revenue Stamp

### WITNESSES:

1. Signature: \_\_\_\_\_

2. Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

CNIC or  
Passport No. \_\_\_\_\_

\_\_\_\_\_

CNIC or  
Passport No. \_\_\_\_\_

### NOTE:

This form of proxy duly completed must be deposited at Corporate Affairs Department of the Bank at BOP Tower, 10-B, Block-E-II, Main Boulevard, Gulberg-III, Lahore by not less than 48 hours before the time fixed for the Meeting.

The Company Secretary

**THE BANK OF PUNJAB**  
BOP Tower, 10-B, Block-E-II,  
Main Boulevard, Gulberg-III,  
Lahore.  
Ph: 35783700-10

AFFIX  
CORRECT  
POSTAGE

Head Office:  
BOP Tower, 10-B Block E/II,  
Main Boulevard,  
Gulberg-III, Lahore  
UAN: 111-200-100  
[www.bop.com.pk](http://www.bop.com.pk)

