

10 Unconsolidated Financial Statements of SBP

A. F. FERGUSON & CO.

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INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS

We have audited the accompanying unconsolidated financial statements of the State Bank of Pakistan ("the Bank"), which comprise the unconsolidated balance sheet as at June 30, 2016, and the unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes (here-in-after referred to as the "unconsolidated financial statements").

Management's responsibility for the unconsolidated financial statements

Management of the Bank is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these unconsolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the unconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the unconsolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the unconsolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the unconsolidated financial statements.

A. F. FERGUSON & CO.

Chartered Accountants

EY FORD RHODES

Chartered Accountants

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the unconsolidated financial statements give a true and fair view of the financial position of the Bank as at June 30, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A. F. Ferguson & Co.

Chartered Accountants
Karachi

Salman Hussain

Audit Engagement Partner

EY Ford Rhodes

Chartered Accountants
Karachi

Omer Chughtai

Audit Engagement Partner

STATE BANK OF PAKISTAN
UNCONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2016

	Note	2016	2015
		(Rupees in '000)	
ASSETS			
Gold reserves held by the Bank	5	287,170,323	247,150,713
Local currency - coins	6	488,198	365,231
Foreign currency accounts and investments	7	1,977,084,370	1,443,289,097
Earmarked foreign currency balances	8	5,147,596	1,274,786
Special Drawing Rights of the International Monetary Fund	9	67,656,236	72,229,419
Reserve tranche with the International Monetary Fund under quota arrangements	10	17,455	17,052
Securities purchased under agreement to resell	11	1,533,574,159	662,579,848
Current accounts of Governments	20.2	955,474	3,048,507
Current account with National Institute of Banking and Finance (Guarantee) Limited - a subsidiary		-	56,381
Investments - local	12	2,147,804,015	2,415,886,819
Loans, advances and bills of exchange	13	339,717,748	338,500,048
Assets held with the Reserve Bank of India	14	6,012,137	5,450,937
Balances due from the Governments of India and Bangladesh (former East Pakistan)	15	9,214,881	8,561,790
Property and equipment	16	59,570,692	20,515,069
Intangible assets	17	3,833	4,149
Other assets	18	4,129,946	3,992,076
Total assets		6,438,547,063	5,222,921,922
LIABILITIES			
Bank notes in circulation	19	3,554,922,057	2,707,258,012
Bills payable		598,142	643,121
Current accounts of Governments	20.1	606,657,778	394,020,378
Current account with SBP Banking Services Corporation - a subsidiary		47,810,651	40,635,754
Current account with National Institute of Banking and Finance (Guarantee) Limited - a subsidiary		22,818	-
Payable to Islamic Banking Institutions against Bai Muajjal transactions	21	44,952,938	189,919,121
Payable under bilateral currency swap agreement	22	158,507,631	164,867,890
Deposits of banks and financial institutions	23	391,760,469	413,234,045
Other deposits and accounts	24	161,460,194	147,177,988
Payable to the International Monetary Fund	25	778,739,505	554,172,982
Other liabilities	26	44,384,298	56,402,898
Deferred liability - unfunded staff retirement benefits	27	28,872,260	25,229,160
Total liabilities		5,818,688,741	4,693,561,349
Net assets		619,858,322	529,360,573
REPRESENTED BY			
Share capital	28	100,000	100,000
Reserves	29	175,919,871	175,919,871
Unappropriated profit		3,620,167	-
Unrealised appreciation on gold reserves held by the Bank	30	283,342,601	243,367,310
Unrealised appreciation on remeasurement of investments - local	12.4	91,386,276	83,994,988
Surplus on revaluation of property and equipment		65,489,407	25,978,404
Total equity		619,858,322	529,360,573

CONTINGENCIES AND COMMITMENTS

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Pursuant to the requirements of section 26 (1) of SBP Act, 1956, the assets of the Bank specifically earmarked against the liabilities of the issue department have been detailed in note 19.1 to these financial statements.

The annexed notes from 1 to 50 form an integral part of these unconsolidated financial statements.

Ashraf Mahmood Wathra
Governor

Riaz Riazuddin
Deputy Governor

Muhammad Haroon Rasheed
Executive Director

STATE BANK OF PAKISTAN
UNCONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 ------(Rupees in '000)-----	2015 ------(Rupees in '000)-----
Discount, interest / mark-up and / or profit earned	32	252,789,943	304,300,521
Less: interest / mark-up expense	33	(25,454,480)	(21,000,191)
		<u>227,335,463</u>	<u>283,300,330</u>
Commission income	34	1,909,180	1,628,668
Exchange gain - net	35	25,779,375	36,418,489
Dividend income		12,226,343	15,429,445
Other operating income - net	36	2,756,112	103,343,486
Other income - net	37	129,166	383,381
		<u>270,135,639</u>	<u>440,503,799</u>
Less: Operating expenses			
- Bank notes printing charges	38	7,730,740	6,690,484
- Agency commission	39	8,968,647	7,242,672
- General administrative and other expenses	40	24,268,793	23,949,202
(Reversal of provision against) / Provision for / write-off:			
- loans and advances		-	926,437
- claims	26.3.2	(232)	(1,489)
- other doubtful assets	26.3.1.1	(86,213)	(55,071)
- others		(7,338)	-
		<u>(93,783)</u>	<u>869,877</u>
		<u>40,874,397</u>	<u>38,752,235</u>
Profit for the year		<u><u>229,261,242</u></u>	<u><u>401,751,564</u></u>

The annexed notes from 1 to 50 form an integral part of these unconsolidated financial statements.

Ashraf Mahmood Wathra
Governor

Riaz Riazuddin
Deputy Governor

Muhammad Haroon Rasheed
Executive Director

STATE BANK OF PAKISTAN
UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2016

	<i>Note</i>	2016 ----- (Rupees in '000) -----	2015 ----- (Rupees in '000) -----
Profit for the year		229,261,242	401,751,564
Other comprehensive income			
Items that may be reclassified subsequently to the profit and loss account:			
Unrealised appreciation / (diminution) on remeasurement of investments - local			
- Appreciation / (diminution) during the year	12.4	7,391,288	(14,462,606)
- Reclassified to profit and loss account		-	(122,710,640)
		7,391,288	(137,173,246)
Unrealised appreciation / (diminution) on gold reserves held by the Bank	5	39,975,291	(22,272,338)
		47,366,579	(159,445,584)
Items that will not be reclassified subsequently to the profit and loss account:			
Remeasurements of staff retirement defined benefit plans - SBP	40.6.3.1	(3,153,251)	(1,986,999)
Remeasurements of Property and equipment - SBP		39,511,003	-
Remeasurements of staff retirement defined benefit plans allocated by - SBP			
Banking Services Corporation - a subsidiary	40.6.3.1	(12,173,824)	(2,073,949)
		24,183,928	(4,060,948)
Total comprehensive income for the year		300,811,749	238,245,032

The annexed notes from 1 to 50 form an integral part of these unconsolidated financial statements.

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Governor

Riaz Riazuddin
Deputy Governor

Muhammad Haroon Rasheed
Executive Director

STATE BANK OF PAKISTAN
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2016

Share capital	Reserves							Unrealised (diminution) / appreciation on gold reserves held by the Bank	Unrealised (diminution) / appreciation on remeasurement of investments - local	Surplus on revaluation of property and equipment	Total	
	Reserve fund	Rural credit fund	Industrial credit fund	Export credit fund	Loans guarantee fund	Housing credit fund	Unappropriated profit / (loss)					
(Rupees in '000)												
Balance as at July 1, 2014	100,000	164,619,871	2,600,000	1,600,000	1,500,000	900,000	4,700,000	-	265,639,648	221,168,234	25,978,404	688,806,157
Total comprehensive income for the year												
Profit for the year	-	-	-	-	-	-	-	401,751,564	-	-	-	401,751,564
Other comprehensive income												
Unrealised diminution on remeasurement of investments - local (note 12.4)	-	-	-	-	-	-	-	-	-	(137,173,246)	-	(137,173,246)
Unrealised diminution on gold reserves held by the Bank (note 5)	-	-	-	-	-	-	-	-	(22,272,338)	-	-	(22,272,338)
Remeasurements of staff retirement defined benefit plans - SBP	-	-	-	-	-	-	-	(1,986,999)	-	-	-	(1,986,999)
Remeasurements of staff retirement defined benefit plans allocated by - SBP	-	-	-	-	-	-	-	(2,073,949)	-	-	-	(2,073,949)
Banking Services Corporation - a subsidiary (note 40.6.3.1)	-	-	-	-	-	-	-	397,690,616	(22,272,338)	(137,173,246)	-	238,245,032
Transactions with owners												
Dividend	-	-	-	-	-	-	-	(10,000)	-	-	-	(10,000)
Profit transferred to the Government of Pakistan	-	-	-	-	-	-	-	(397,680,616)	-	-	-	(397,680,616)
	-	-	-	-	-	-	-	(397,690,616)	-	-	-	(397,690,616)
Balance as at June 30, 2015	100,000	164,619,871	2,600,000	1,600,000	1,500,000	900,000	4,700,000	-	243,367,310	83,994,988	25,978,404	529,360,573
Total comprehensive income for the year												
Profit for the year	-	-	-	-	-	-	-	229,261,242	-	-	-	229,261,242
Other comprehensive income												
Unrealised appreciation on remeasurement of investments - local (note 12.4)	-	-	-	-	-	-	-	-	-	7,391,288	-	7,391,288
Unrealised appreciation on gold reserves held by the Bank (note 5)	-	-	-	-	-	-	-	-	39,975,291	-	-	39,975,291
Remeasurements of staff retirement defined benefit plans - SBP	-	-	-	-	-	-	-	(3,153,251)	-	-	-	(3,153,251)
Remeasurements of Property and equipment - SBP	-	-	-	-	-	-	-	-	-	-	39,511,003	39,511,003
Remeasurements of staff retirement defined benefit plans allocated by - SBP	-	-	-	-	-	-	-	(12,173,824)	-	-	-	(12,173,824)
Banking Services Corporation - a subsidiary (note 40.6.3.1)	-	-	-	-	-	-	-	213,934,167	39,975,291	7,391,288	39,511,003	300,811,749
Transactions with owners												
Dividend	-	-	-	-	-	-	-	(10,000)	-	-	-	(10,000)
Profit transferred to the Government of Pakistan	-	-	-	-	-	-	-	(210,304,000)	-	-	-	(210,304,000)
	-	-	-	-	-	-	-	(210,314,000)	-	-	-	(210,314,000)
Balance as at June 30, 2016	100,000	164,619,871	2,600,000	1,600,000	1,500,000	900,000	4,700,000	3,620,167	283,342,601	91,386,276	65,489,407	619,858,322

The annexed notes from 1 to 50 form an integral part of these unconsolidated financial statements.

Ashraf Mahmood Wathra
Governor

Riaz Riazuddin
Deputy Governor

Muhammad Haroon Rasheed
Executive Director

STATE BANK OF PAKISTAN
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 ------(Rupees in '000)-----	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year after non-cash and other items	41	273,808,937	313,587,343
(Increase) / decrease in assets:			
Foreign currency investments and placements		(72,996,950)	(59,716,485)
Reserve tranche with the International Monetary Fund under quota arrangements		(403)	1,142
Securities purchased under agreement to resell		(870,994,311)	(662,579,848)
Current account of National Institute of Banking and Finance (Guarantee) Limited - a subsidiary		79,199	110,620
Investments - local		275,474,092	592,722,862
Securities given as collateral under repurchase agreements		-	18,064,500
Loans, advances and bills of exchange		(1,217,700)	(41,452,226)
Assets held with the Reserve Bank of India and balances due from Governments of India and Bangladesh (former East Pakistan)		(566,878)	(549,061)
Other assets		(137,870)	2,571,800
		<u>(670,360,821)</u>	<u>(150,826,696)</u>
		(396,551,884)	162,760,647
Increase / (decrease) in liabilities:			
Bank notes issued - net		847,664,045	398,130,989
Bills payable		(44,979)	1,019
Current accounts of Governments		214,686,114	(140,147,478)
Current account with SBP Banking Services Corporation - a subsidiary		(11,681,745)	(6,620,817)
Securities sold under agreement to repurchase		-	(17,194,695)
Payable to Islamic Banking Institutions against Bai Muajjal transactions		(144,966,183)	189,919,121
Payable under bilateral currency swap agreement		(6,360,259)	59,619,093
Deposits of banks and financial institutions		(21,473,576)	(117,512,311)
Payment of retirement benefits and employees' compensated absences		(2,774,862)	(2,192,861)
Other deposits and accounts		14,282,206	1,768,006
Other liabilities		4,987,837	723,070
		<u>894,318,598</u>	<u>366,493,136</u>
Net cash generated from operating activities		497,766,714	529,253,783
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investments		-	111,664,408
Dividend received		12,226,343	15,429,445
Capital expenditure		(901,270)	(592,256)
Proceeds from disposal of property and equipment		13,712	3,913
Net cash generated from investing activities		11,338,785	126,505,510
CASH FLOWS FROM FINANCING ACTIVITIES			
Profit paid to the Federal Government of Pakistan		(227,895,141)	(399,000,180)
Receipts from International Monetary Fund		224,566,523	264,797,431
Payments made to International Monetary Fund		-	(95,619,191)
Dividend paid		(10,000)	(10,000)
Net cash used in financing activities		(3,338,618)	(229,831,940)
Increase in cash and cash equivalents during the year		<u>505,766,881</u>	<u>425,927,353</u>
Cash and cash equivalents at the beginning of the year		1,350,924,757	942,045,632
Effect of exchange gain on cash and cash equivalents		(45,545,964)	(17,048,228)
Cash and cash equivalents at the end of the year	42	<u><u>1,811,145,674</u></u>	<u><u>1,350,924,757</u></u>

The annexed notes from 1 to 50 form an integral part of these unconsolidated financial statements.

Ashraf Mahmood Wathra
Governor

Riaz Riazuddin
Deputy Governor

Muhammad Haroon Rasheed
Executive Director

STATE BANK OF PAKISTAN

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

1. STATUS AND NATURE OF OPERATIONS

1.1 State Bank of Pakistan ("the Bank") is the central bank of Pakistan and is incorporated under the State Bank of Pakistan Act, 1956. The Bank is primarily responsible for monitoring of credit and foreign exchange, management of currency and also acts as the banker to the Government. The activities of the Bank include:

- formulating and implementing the monetary policy;
- facilitating free competition and stability in the financial system;
- licensing and supervision of banks including micro finance banks, development financial institutions and exchange companies;
- organising and managing the inter-bank settlement system and promoting smooth functioning of payment systems;
- providing of loans and advances to the Governments, banks, financial institutions and local authorities under various facilities;
- purchasing, holding and selling of shares of banks and financial institutions on the directives of the Federal Government; and
- acting as a depository of the Government under specific arrangements between the Government and certain institutions.

1.2 The head office of the Bank is situated at I.I.Chundrigar Road, Karachi, in the province of Sindh, Pakistan.

1.3 These financial statements are unconsolidated (separate) financial statements of the Bank in which investments in subsidiaries are carried at cost. The consolidated financial statements of the Bank and its subsidiaries are presented separately.

The subsidiaries of the Bank and the nature of their respective activities are as follows:

a) SBP Banking Services Corporation - wholly owned subsidiary:

SBP Banking Services Corporation was established in Pakistan under the SBP Banking Services Corporation Ordinance, 2001 ("the Ordinance") and commenced its operations with effect from January 2, 2002. It is responsible for carrying out certain statutory and administrative functions and activities on behalf of the State Bank of Pakistan, as transferred or delegated by the Bank under the provisions of the Ordinance.

The head office of the Banking Services Corporation (BSC) is situated at I.I.Chundrigar Road, Karachi, in the province of Sindh, Pakistan.

b) National Institute of Banking and Finance (Guarantee) Limited - wholly owned subsidiary:

National Institute of Banking and Finance (Guarantee) Limited was incorporated in Pakistan under the Companies Ordinance, 1984 as a company limited by guarantee. It is engaged in providing education and training in the field of banking, finance and allied areas.

The head office of the Institute is situated at Pitras Bukhari Road Islamabad, Pakistan.

2. STATEMENT OF COMPLIANCE

These unconsolidated financial statements have been prepared in accordance with the requirements of the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

3. BASIS OF MEASUREMENT

3.1 These unconsolidated financial statements have been prepared under the historical cost convention, except that gold reserves, certain foreign currency accounts and investments, certain local investments and certain items of property as referred to in their respective notes have been included at revalued amounts and certain staff retirement benefits have been carried at present value of defined benefit obligations.

3.2 The unconsolidated financial statements ('the financial statements') are presented in Pakistani Rupees (PKR), which is the Bank's functional and presentation currency.

3.3 Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about the carrying values of assets and liabilities and income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. Judgments made by the management in the application of IFRS and estimates that have a significant risk of material adjustment to the carrying amounts of assets and liabilities are as follows:

3.3.1 Impairment against loans and advances

The Bank reviews its loan portfolio to assess recoverability of loans and advances and impairment allowance required there against on a continuous basis. While assessing this requirement, various factors including the delinquency in the account, financial position of the borrower, quality of collateral and other relevant factors are considered. The amount of impairment may require adjustment in case borrowers do not perform according to the expectations.

3.3.2 Impairment of available-for-sale investments

The Bank determines that available-for-sale investments are impaired when there is a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in security price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

3.3.3 Retirement benefits

The key actuarial assumptions concerning the valuation of defined benefit plans and the sources of estimation are disclosed in note 40.6.1 to these financial statements.

3.3.4 Useful life and residual value of property and equipment

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

3.4 New and amended standards and interpretations that are not yet effective:

The following standards, amendments and interpretations of IFRSs would be effective from the dates mentioned below against the respective standard or interpretation:

Standards, amendments and interpretations	Effective date (annual periods beginning on or after)
- IFRS 2: Share-based Payments - Classification and Measurement of Share-based Payments Transactions	January 1, 2018
- IFRS 9 - Financial Instruments: Classification and Measurement	January 1, 2018
- IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates - Investment Entities: Applying the Consolidation Exception - Amendment to IFRS 10, IFRS 12 and IAS 28	January 1, 2016
- IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendment to IFRS 10 and IAS 28	Date yet to be finalised
- IFRS 11 Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation - Amendments to IFRS 11	January 1, 2016
- IFRS 14 - Regulatory Deferral Accounts	January 1, 2016
- IFRS 15 - Revenue from Contracts with Customers	January 1, 2018
- IFRS 16 - Leases	January 1, 2019
- IAS 1 - Presentation of Financial Statements - Disclosure Initiative	January 1, 2016
- IAS 7 Financial Instruments: Disclosures - Disclosure Initiative	January 1, 2017

Standards, amendments and interpretations	Effective date (annual periods beginning on or after)
- IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealized losses - Amendment to IAS 12	January 1, 2017
- IAS 16 Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization - Amendment to IAS 16 and IAS 38	January 1, 2016
- IAS 16 Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants - Amendments to IAS 16 and IAS 41	January 1, 2016
- IAS 27 - Separate Financial Statements - Equity Method in Separate Financial Statements - Amendment to IAS 27	January 1, 2016

Improvements to Accounting Standards Issued by the IASB

- IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal	January 1, 2016
- IFRS 7 Financial Instruments: Disclosures - Servicing contracts	January 1, 2016
- IFRS 7 Financial Instruments: Disclosures - Applicability of the off-setting disclosures to condensed interim financial statements	January 1, 2016
- IAS 19 Employee Benefits - Discount rate: regional market issue	January 1, 2016

The Bank expects that the adoption of the above standards and amendments will not have any material impact on the Bank's financial statements in the period of initial application other than the initial application of IFRS 9, 'Financial instruments' and IFRS 15, 'Revenue from contracts with customers' as described below:

- IFRS 9, Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39) sets out the principles of classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard replaces IAS 39 'Financial Instruments: Recognition and Measurement' except for the recognition requirements. The adoption of the standard introduces expanded disclosure requirements and changes in presentation of the financial instruments which are expected to change the nature and extent of the Bank's disclosures about its financial instruments particularly in the year of the adoption of the new standard. The standard is mandatorily effective for periods beginning on or after January 1, 2018 with early adoption permitted (subject to local regulation requirements). The Bank intends to adopt IFRS 9 on its mandatory date and the management is in the process of assessing the impacts of IFRS 9 on the financial statements of the Bank.
- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2017 and earlier application is permitted. The management is in the process of assessing the impact of IFRS 15 on the financial statements of the Bank.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Bank notes in circulation and local currency - coins

The liability of the Bank towards bank notes issued as a legal tender under the State Bank of Pakistan Act, 1956, is stated at face value and is represented by the specified assets of the Issue Department of the Bank as per the requirements stipulated in the State Bank of Pakistan Act, 1956. The cost of printing of notes is charged to the profit and loss account as and when incurred. Any un-issued fresh bank notes lying with the Bank and previously issued notes held by the Bank are not reflected in the balance sheet.

The Bank also issues coins of various denominations on behalf of the Government of Pakistan (GoP). These coins are purchased from the GoP at their respective face values. The coins held by the Bank form part of the assets of the Issue Department.

4.2 Financial assets and financial liabilities

Financial instruments carried on the balance sheet include local currency - coins, foreign currency accounts and investments, earmarked foreign currency balances, investments - local, loans, advances and bills of exchange, current account with SBP Banking Services Corporation - a subsidiary, current account with National Institute of Banking and Finance (Guarantee) Limited - a subsidiary, assets held with Reserve Bank of India (other than gold held by Reserve Bank of India), balances due from the governments of India and Bangladesh, other assets, bank notes in circulation, bills payable, deposits of banks and financial institutions, balances and securities under repurchase and reverse repurchase transactions, payable to Islamic Banking Institutions against Bai Muajjal transactions, current accounts of Governments, balances with the International Monetary Fund (IMF), amount payable under bilateral currency swap agreement, other deposits and accounts and other liabilities. The particular recognition and measurement methods adopted are disclosed in the individual policy statements associated with each financial instrument.

All financial assets and financial liabilities are initially recognised on the trade date, i.e. the date at which Bank becomes a party to the contractual provisions of the instruments. This includes purchases or sale of financial assets that require delivery of asset within the time frame generally established by regulations in market conventions.

All financial assets and financial liabilities are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss where transaction cost is taken directly to the profit and loss account. Any difference between the fair value of consideration given and the amount determined using the valuation techniques detailed in note 4.4 is recognised in the profit and loss account.

The management determines the appropriate classification of its financial instruments at the time of initial recognition in the following categories:

4.2.1 Financial assets and financial liabilities at 'fair value through profit or loss'

These assets and liabilities are either acquired / assumed for generating a profit from short term fluctuations in market price, interest rate movements, dealer's margin or securities included in a portfolio in which a pattern of short term profit making exists. These are initially recognised at fair value and transaction costs associated with the instrument are taken directly to the profit and loss account. These instruments are subsequently re-measured at fair value. All related realised and unrealised gains and losses are recognised in the profit and loss account directly. Derivatives are also categorised as financial assets and financial liabilities at 'fair value through profit or loss'.

4.2.2 Held to maturity investments

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold till maturity. After initial measurement, held-to-maturity investments are subsequently measured at amortised cost using effective interest rate, less impairment losses, if any. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The effective interest rate method is a method of calculating the amortised cost of financial assets or financial liabilities and of allocating the interest income or interest expense over the relevant period in the profit and loss account. The losses arising from impairment of such investments are recognised in the profit and loss account.

4.2.3 Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, these assets are carried at amortised cost less impairment losses, if any, and premiums and / or discounts are accounted for using the effective interest method.

All loans and receivables are recognized when cash is advanced to borrowers. When a loan becomes uncollectible, it is written off against the related provision for impairment. Subsequent recoveries are credited in the profit and loss account.

4.2.4 Available-for-sale financial assets

These are the non derivative financial assets which are either designated in this category or which do not fall in any of the other categories. Subsequent to initial recognition, these securities are measured at fair value, except investments in those securities the fair value of which cannot be determined reliably and are stated at cost. Gain or loss on changes in fair value is taken to and kept in equity until the investments are sold or disposed off, or until the investments are determined to be impaired. At that time, cumulative gain or loss previously recognised in equity is re-classified to the profit and loss account.

4.2.5 Financial liabilities at amortised cost

Financial liabilities with a fixed maturity are measured at amortised cost using the effective interest rate. These include deposits from banks and financial institutions, other deposits and accounts, securities sold under agreement to repurchase, payable under bilateral currency swap agreement, current accounts of Governments, current account with SBP- Banking Services Corporation, current account with National Institute of Banking and Finance (Guarantee) Limited, payable to Islamic Banking Institutions against Bai Muajjal transactions, payable to the IMF, bank notes in circulation, bills payable and other liabilities.

4.3 Derecognition of financial asset and financial liabilities

a) Financial assets

The Bank derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expires, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration previously received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been previously recognised in other comprehensive income, is recognised in the profit and loss account.

b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of new liability, and the difference in the respective carrying amount is recognised in the profit and loss account.

4.4 Fair value measurement principles

The fair value of financial instruments traded in active markets at the balance sheet date is based on their quoted market prices or dealer price quotation without any deduction for transaction costs. If there is no active market for a financial asset, the Bank establishes fair value using valuation techniques. These include the use of recent arms length transaction, discounted cash flow analysis and other revaluation techniques commonly used by market participants. Investments in securities of which the fair value cannot be determined reliably are carried at cost.

4.5 Impairment of financial assets

The Bank assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the assets (an incurred 'loss event') and that loss event (or events) has an impact on estimated future cash flows, of the financial asset or a group of financial assets that can be reliably estimated. Evidence of impairment may include indication that the borrower or group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default or delinquency in interest or principal payment and where observable data indicates that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults, if any.

a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Bank first assesses whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for individually assessed financial assets, it includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in the collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying value and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying value of the assets is reduced through the use of an allowance account and the amount of the loss is recognised in the profit and loss account. If in a subsequent year the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If in a subsequent period the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the write down or allowance is reversed through the profit and loss account.

b) Available-for-sale financial assets

For available-for-sale financial assets, the Bank assesses at each balance sheet date whether there is an objective evidence that an investment is impaired. In case of equity investment classified as available-for-sale, significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exist for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss account, is reclassified from other comprehensive income and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the income statement till the time the investments are sold or disposed off.

4.6 Offsetting

A financial asset and a financial liability are offset and the net amount is reported in the financial statements when the Bank has a legally enforceable right to set off the recognised amount and it intends either to settle on a net basis or to realise the asset and to settle the liability simultaneously.

4.7 Derivative financial instruments

The Bank uses derivative financial instruments which include forwards, futures and swaps. Derivatives are initially recorded at fair value and are re-measured to fair value on subsequent reporting dates. Forwards, futures and swaps are shown under commitments in note 31.2. The resultant gains or losses from derivatives are included in the profit and loss account.

4.8 Collateralised borrowings / lending**4.8.1 Reverse repurchase and repurchase agreements**

Securities sold subject to a commitment to repurchase them at a pre-determined price, are retained on the balance sheet and a liability is recorded in respect of the consideration received as "Securities sold under agreement to repurchase". Conversely, securities purchased under analogous commitment to resell are not recognized on the balance sheet and an asset is recorded in respect of the consideration paid as "Securities purchased under agreement to resell". The difference between the sale and repurchase price in the repurchase transaction and the purchase price and resell price in reverse repurchase transaction represents expense and income respectively, and is recognised in the profit and loss account on time proportion basis. Both repurchase and reverse repurchase transactions are reported at transaction value inclusive of any accrued expense / income.

4.8.2 Payable under bilateral currency swap agreement

Bilateral currency swap agreements with counterpart central banks involve the purchase / sale and subsequent resale / repurchase of local currencies of counterpart central banks against PKR at the applicable exchange rate (determined in accordance with the terms of the agreement). The actual use of facility by the Bank / counterpart central bank in the agreement is recorded as borrowing / lending in books of the Bank and interest is charged / earned at agreed rates to the profit and loss account on a time proportion basis from the date of actual use. Any unutilised limit of the counterpart's drawing is reported as commitments in note 22.

4.9 Payable to Islamic Banking Institutions against Bai Muajjal transactions

The Bank purchases Government of Pakistan (GoP) Ijara sukuks on deferred payment basis (Bai Muajjal) from Islamic Banks. The deferred price is agreed at the time of purchase and such proceeds are paid to the Islamic Banks at the end of the agreed period. The difference between the fair value and deferred price represents financing cost and is recognised in profit and loss account on a time proportion basis as "mark-up expense". Amount payable to Islamic Banking Institutions under deferred payment basis on purchase of sukuks is reported at transaction value plus profit payable thereon (i.e. at amortised cost).

4.10 Gold reserves held by the Bank

Gold is recorded at the cost, which is the prevailing market rate, at initial recognition. Subsequent to initial measurement, it is revalued at the closing market rate fixed by the London Bullion Market Association on the last working day of the year which is also the requirement of State Bank of Pakistan Act, 1956 and State Bank of Pakistan General Regulation No.42(vi). Appreciation or diminution, if any, on revaluation is taken to equity under the head "unrealised appreciation on gold reserves held by the Bank". Appreciation / diminution realised on disposal of gold is taken to the profit and loss account. Unrealised appreciation / diminution on gold reserves held with the Reserve Bank of India is not recognised in the statement of changes in equity pending transfer of these assets to the Bank subject to final settlement between the Governments of Pakistan and India. Instead it is shown in other liabilities as provision for other doubtful assets.

4.11 Property and equipment

Property and equipment except land, buildings and capital work-in-progress (CWIP) are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land is stated at revalued amount. Leasehold land and buildings are stated at revalued amount less accumulated depreciation and accumulated impairment losses, if any. CWIP is stated at cost less accumulated impairment losses, if any and consists of expenditure incurred and advances made in respect of fixed assets in the course of their acquisition, construction and installation. CWIP assets are capitalised to relevant asset category as and when work is completed.

Depreciation on property and equipment is charged to the profit and loss account using the straight-line method whereby the cost / revalued amount of an asset is written off over its estimated useful life at the rates specified in note 16.1 to these financial statements. The useful life of assets is reviewed and adjusted, if appropriate, at each balance sheet date.

Estimates of useful life and residual value of property and equipment are based on the management's best estimate. The assets' residual value, depreciation method and useful life are reviewed, and adjusted, if appropriate, at each balance sheet date.

Depreciation on additions is charged to the profit and loss account from the month in which the asset is available for use while no depreciation is charged in the month in which the assets are deleted / disposed off. Normal repairs and maintenance are charged to the profit and loss account as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Gains and losses on disposal of fixed assets are included in the profit and loss account.

Increase in carrying amount arising on revaluation of land and buildings is recognised in other comprehensive income and credited to surplus on revaluation of property and equipment. Decreases that offset previous increases of the same assets are charged against surplus on revaluation of property and equipment in equity, while all other decreases are charged to the profit and loss account. The surplus on revaluation realised on sale of property and equipment is transferred to un-appropriated profit to the extent reflected in the surplus on revaluation of property and equipment account. The amount of sale proceeds exceeding the balance in surplus on revaluation of property and equipment account is taken to the profit and loss account.

4.12 Intangibles

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Intangible assets are amortised using straight-line method over the period of three years. Where the carrying amount of an asset exceeds its estimated recoverable amount, it is written down immediately to its recoverable amount.

4.13 Impairment of non-financial assets

The carrying amounts of the Bank's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such assets is estimated. The recoverable amount is higher of an asset's fair value less cost to sell and value in use. In assessing the value in use, future cash flows are estimated which are discounted to present value using a discount rate that reflects the current market assessments of the time value of money and the risk specific to the asset. In determining fair value less cost to sell, an appropriate valuation model is used. An impairment loss is recognised in the profit and loss account whenever the carrying amount of an asset or a group of assets exceeds its recoverable amount. Impairment loss on revalued assets is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

4.14 Compensated absences

The Bank makes annual provision in respect of liability for employees' compensated absences based on actuarial estimates. The liability is estimated using the Projected Unit Credit Method.

4.15 Staff retirement benefits

The Bank operates:

- a) an unfunded contributory provident fund (old scheme) for those employees who joined the Bank prior to 1975 and opted to remain under the old scheme. The Bank provided an option to employees covered under old scheme to join the funded Employer Contributory Provident Fund Scheme - ECPF (new scheme) effective from June 1, 2007. Under this scheme, contribution is made both by the Bank and employee at the rate of 6% of the monetized salary. Moreover, employees joining the Bank service after June 1, 2007 are covered under the new scheme.
- b) an unfunded General Provident Fund (GPF) scheme for all those employees who joined the Bank after 1975 and those employees who had joined prior to 1975 but opted for this scheme. Under this scheme contribution is made by the employee only at the rate of 5% of the monetized salary.
- c) following are other staff retirement benefit schemes:
 - an unfunded gratuity scheme (old scheme) for all employees other than those who opted for the new general provident fund scheme, or joined the Bank after 1975 and are entitled only to pension scheme benefits;
 - a funded Employees Gratuity Fund (EGF) was introduced by the Bank effective from June 1, 2007 for all its employees other than those who opted for pension scheme or unfunded gratuity scheme (old scheme);
 - an unfunded pension scheme for those employees who joined the Bank after 1975 and before the introduction of EGF which is effective from June 1, 2007;
 - an unfunded benevolent fund scheme;
 - an unfunded post retirement medical benefit scheme; and
 - six months post retirement benefit facility.

Obligations for contributions to defined contribution provident fund plans are recognised as an expense in the profit and loss account as and when incurred.

Annual provisions are made by the Bank to cover the obligations arising under defined benefit schemes based on actuarial recommendations. The actuarial valuations are carried out under the "Projected Unit Credit Method". The most recent valuation in this regard was carried out as at June 30, 2016. The amount arising as a result of remeasurements are recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the period in which they occur.

The above staff retirement benefits are vested on completion of prescribed qualifying period of service.

4.16 Deferred income

Grants received on account of capital expenditure are recorded as deferred income. These are amortised over the useful life of the relevant asset.

4.17 Revenue recognition

- Discount, interest / mark-up and / or return on loans and advances and investments are recorded on time proportion basis that takes into account the effective yield on the asset. However, income on balances with Bangladesh (former East Pakistan), doubtful loans and advances and overdue return on investments are recognised as income on receipt basis.
- Commission income is recognised when related services are rendered.
- Dividend income is recognised when the Bank's right to receive the dividend is established.
- Gains / losses on disposal of securities are recognised in the profit and loss account at the trade date.
- All other revenues are recognised on a time proportion basis.

4.18 Finances under profit and loss sharing arrangements

The Bank provides various finances to financial institutions under profit and loss sharing arrangements. Share of profit / loss under these arrangements is recognised on an accrual basis.

4.19 Taxation

The income of the Bank is exempt from tax under section 49 of the State Bank of Pakistan Act, 1956 and clause 66(xx) of Part I of second schedule to the Income Tax Ordinance, 2001.

4.20 Foreign currency translation

Transactions denominated in foreign currencies are translated to Pak Rupees at the foreign exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the closing rate of exchange prevailing at the balance sheet date.

Exchange gains and losses are taken to the profit and loss account except for certain exchange differences on balances with the International Monetary Fund, referred to in note 4.21, which are transferred to the Government of Pakistan account.

Exchange differences arising under Exchange Risk Coverage Scheme and on currency swap transactions are recognised in the profit and loss account on an accrual basis.

Commitments for outstanding foreign exchange forward and swap contracts disclosed in note 31.2 to these financial statements are translated at forward rates applicable to their respective maturities. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in PKR terms at the closing rate of exchange prevailing at the balance sheet date.

4.21 Transactions and balances with the International Monetary Fund

Transactions and balances with the International Monetary Fund (IMF) are recorded on following basis:

- the Government's contribution for quota with the IMF is recorded by the Bank as depository of the Government. Exchange differences arising on these balances are transferred to the Government of Pakistan account.
- exchange gains or losses arising on revaluation of borrowings from the IMF are recognised in the profit and loss account.
- the cumulative allocation of Special Drawing Rights (SDRs) by the IMF is recorded as a liability and is translated at closing exchange rate for SDRs prevailing at the balance sheet date. Exchange differences on translation of SDRs is recognised in the profit and loss account.
- service charge is recognised in the profit and loss account at the time of receipt of the IMF tranches.

All other income or charges pertaining to balances with the IMF are taken to the profit and loss account, including the following:

- charges on borrowings under credit schemes and fund facilities;
- charges on net cumulative allocation of SDRs;
- exchange gain or loss; and
- return on holdings of SDRs.

4.22 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimates.

4.23 Cash and Cash Equivalents

Cash and cash equivalents include foreign currency accounts and investments (other than held to maturity investments), local currency coins, earmarked foreign currency balances, SDRs, balances in the current and deposit accounts and securities that are realisable in known amounts of cash within three months from the date of original investments and which are subject to insignificant changes in value.

	Note	Net content in troy ounces	2016 ----- (Rupees in '000) -----	2015
5 GOLD RESERVES HELD BY THE BANK				
Opening balance		2,073,712	247,150,713	269,307,930
Additions during the year		320	44,319	115,121
Appreciation / (diminution) for the year due to revaluation	30		39,975,291	(22,272,338)
	19.1	<u>2,074,032</u>	<u>287,170,323</u>	<u>247,150,713</u>

	Note	2016 ----- (Rupees in '000) -----	2015
6 LOCAL CURRENCY - COINS			
Bank notes held by the Banking Department		145,614	142,373
Coins held as an asset of the Issue Department	6.1 & 19.1	<u>488,198</u>	<u>365,231</u>
		633,812	507,604
Less: bank notes held by the Banking Department	19	<u>(145,614)</u>	<u>(142,373)</u>
		<u>488,198</u>	<u>365,231</u>

- 6.1 As mentioned in note 4.1, the Bank is responsible for issuing coins of various denominations on behalf of the Government. This balance represents the face value of coins held by the Bank at the year end (also refer note 19.1).

7 FOREIGN CURRENCY ACCOUNTS AND INVESTMENTS

These essentially represent foreign currency reserves held by the Bank, the details of which are as follows:

	Note	2016 ----- (Rupees in '000) -----	2015
At fair value through profit or loss - held-for-trading:			
- Investments	7.1	269,942,861	291,639,069
- Unrealised loss on derivative financial instruments - net	7.2	(3,904,829)	(1,015,518)
Held to maturity investment	7.3	238,549,410	165,568,110
Loans and receivables			
- Deposit accounts	7.1	26,378,414	76,772,242
- Current accounts		6,689,560	26,790,460
- Securities purchased under agreement to resell	7.4	569,237,084	129,545,024
- Money market placements	7.5	870,191,870	753,989,710
		<u>1,977,084,370</u>	<u>1,443,289,097</u>
The above foreign currency accounts and investments are held as follows:			
Issue Department	19.1	1,237,112,270	753,989,710
Banking Department		<u>739,972,100</u>	<u>689,299,387</u>
		<u>1,977,084,370</u>	<u>1,443,289,097</u>

- 7.1 These represent investments made in international markets and balances maintained (on behalf of the Bank) through reputable Fund Managers. The activities of the Fund Managers are being monitored through a custodian. The market value of the investments and carrying amount of deposit accounts as on June 30, 2016 cumulatively amounts to USD 3,202.51 million (2015: USD 2,896.16 million).

- 7.2 This represents unrealised loss on foreign currency swaps, futures and forward contracts (including transactions executed by the Fund Managers on behalf of the Bank) entered into with various counterparties.

- 7.3 This represents investment in sovereign bonds of foreign countries carrying yield ranging from 0.19% to 3.45% per annum and having maturities from July 07, 2016 to May 05, 2017 (2015: 1.8% to 3.8% per annum and having maturities from July 08, 2015 to September 10, 2016).

7.4 These represent lending under repurchase agreements and carry mark-up in USD ranging from 0.40% to 0.48% per annum (2015: 0.15 % per annum) and GBP at 0.26% per annum (2015: 0.32%) and these are due to mature on July 01, 2016 (2015: July 01, 2015).

7.5 The balance includes money market placements carrying interest at various rates ranging between 0.33% to 0.85% per annum (2015: 0.09% to 0.6% per annum) and having maturities from July 04, 2016 to September 30, 2016 (2015: from July 1, 2015 to September 30, 2015).

8 EARMARKED FOREIGN CURRENCY BALANCES

These represent foreign currency cash balances held by the Bank to meet foreign currency commitments of the Bank.

9 SPECIAL DRAWING RIGHTS OF THE INTERNATIONAL MONETARY FUND

Special Drawing Rights (SDRs) are the foreign reserve assets which are allocated by the International Monetary Fund (IMF) to its member countries in proportion to their quota in the IMF. In addition, the member countries can purchase the SDRs from the IMF and other member countries in order to settle their obligations. The figures given below represent the rupee value of the SDRs held by the Bank as at June 30, 2016. Interest is credited by the IMF on the SDR holding of the Bank at weekly interest rates on daily products of SDRs held during each quarter.

	Note	2016 ----- (Rupees in '000) -----	2015
SDRs are held as follows:			
- By the Issue Department	19.1	51,179,450	7,143,400
- By the Banking Department		16,476,786	65,086,019
		<u>67,656,236</u>	<u>72,229,419</u>

10 RESERVE TRANCHE WITH THE INTERNATIONAL MONETARY FUND UNDER QUOTA ARRANGEMENTS

Quota allocated by the International Monetary Fund	297,633,877	147,980,285
Liability under quota arrangements	(297,616,422)	(147,963,233)
	<u>17,455</u>	<u>17,052</u>

11 SECURITIES PURCHASED UNDER AGREEMENT TO RESELL

This represents collateralised lendings made to various financial institutions under repurchase arrangement carrying mark-up ranging from 5.77% to 6.25% per annum (2015: 6.51% to 7.00% per annum) and are due to mature from July 4, 2016 to July 11, 2016 (2015: July 2, 2015 to July 3, 2015). The fair value of securities collateralised as on June 30, 2016 amounts to Rs. 1,535,800 million (2015: 664,325 million). The collaterals held by the Bank consist of Pakistan Investment Bonds and Market Treasury Bills.

12 INVESTMENTS - LOCAL

	Note	2016 ----- (Rupees in '000) -----	2015
Loans and receivables			
Government securities			
Market Related Treasury Bills (MRTBs)		2,047,573,403	2,323,047,495
Federal Government scrips		2,740,000	2,740,000
	12.1	<u>2,050,313,403</u>	<u>2,325,787,495</u>
Available-for-sale investments			
Investments in banks and other financial institutions			
Ordinary shares			
- Listed		92,487,082	85,095,794
- Unlisted		4,712,706	4,712,706
	12.2	<u>97,199,788</u>	<u>89,808,500</u>
Term Finance Certificates		84,722	84,722
Certificates of Deposits		33,705	33,705
		<u>97,318,215</u>	<u>89,926,927</u>
Provision against diminution in value of investments	12.3	(856,863)	(856,863)
		<u>96,461,352</u>	<u>89,070,064</u>
Investments in wholly owned subsidiaries			
SBP Banking Services Corporation		1,000,000	1,000,000
National Institute of Banking and Finance (Guarantee) Limited		29,260	29,260
		<u>1,029,260</u>	<u>1,029,260</u>
		<u>2,147,804,015</u>	<u>2,415,886,819</u>
The above investments are held as follows:			
Issue Department - MRTBs	19.1	1,973,105,293	1,693,300,394
Banking Department		174,698,722	722,586,425
		<u>2,147,804,015</u>	<u>2,415,886,819</u>

12.1 These represent investments guaranteed / issued by the Government. The profile of return on securities is as follows:

	2016 (% per annum)	2015
Market Related Treasury Bills	5.89 to 6.24	6.64 to 8.39
Federal Government scrips	3	3

MRTBs are created for a period of six months while Federal Government Scrips are of perpetual nature.

12.2 Investments in shares of banks and other financial institutions

	Note	2016 % of holding	2015	2016 (Rupees in '000)	2015 (Rupees in '000)
Listed					
- National Bank of Pakistan	12.2.2	75.20	75.20	92,487,082	85,095,794
Unlisted - at cost					
Other investments with holding less than or equal to 50%				4,712,706	4,712,706
				<u>97,199,788</u>	<u>89,808,500</u>

12.2.1 Investments in above entities have been made under the specific directives of the Government of Pakistan in accordance with the provisions of the State Bank of Pakistan Act, 1956 and other relevant statutes. The Bank neither exercises significant influence nor has control over these entities except for any regulatory purposes or control arising as a consequence of any statute which applies to the entire sector to which these entities belong. Accordingly, these entities have not been consolidated as subsidiaries or accounted for as investments in associates or joint ventures.

12.2.2 Cost of the Bank's investment in the shares of National Bank of Pakistan at June 30, 2016 amounted to Rs. 1,100.8 million (2015: Rs. 1,100.8 million).

	Note	2016 (Rupees in '000)	2015 (Rupees in '000)
12.3 Provision against diminution in value of investments			
Opening balance		856,863	856,863
Reversal during the year		-	-
Closing balance		<u>856,863</u>	<u>856,863</u>

12.4 Unrealised appreciation on remeasurement of investments - local

Opening balance		83,994,988	221,168,234
Appreciation /(diminution) during the year		7,391,288	(14,462,606)
Reclassified to profit and loss account	12.4.1	-	(122,710,640)
		7,391,288	(137,173,246)
Closing balance		<u>91,386,276</u>	<u>83,994,988</u>

12.4.1 This represents amount of surplus reclassified to the profit and loss account as a result of disposal of shares of Allied Bank Limited and Habib Bank Limited last year.

	Note	2016 (Rupees in '000)	2015 (Rupees in '000)
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13 LOANS, ADVANCES AND BILLS OF EXCHANGE

Governments	13.1	-	382,627
Government owned / controlled financial institutions	13.2	102,794,207	103,923,657
Private sector financial institutions	13.3	232,449,996	231,113,109
		335,244,203	335,036,766
Employees		9,814,370	8,421,480
		345,058,573	343,840,873
Provision against doubtful balances		(5,340,825)	(5,340,825)
		<u>339,717,748</u>	<u>338,500,048</u>

	Note	2016 ----- (Rupees in '000) -----	2015
13.1 Loans and advances to the Provincial Governments			
Provincial Government - Khyber Pakhtunkhwa	13.1.1	-	382,627
		-	382,627

- 13.1.1** The bridge financing facility was extended to Government of Khyber Pakhtunkhwa under an agreement dated December 28, 2010. This loan is repayable in 16 equal quarterly installments amounting to Rs. 187.5 million starting from December 31, 2011 along with mark-up at the rate of 3 months weighted average market treasury bill rate of the last auction of the preceding quarter. This loan has been fully paid during the current year.

13.2 Loans and advances to Government owned / controlled financial institutions

	Scheduled banks		Other financial institutions		Total	
	2016	2015	2016	2015	2016	2015
	----- (Rupees in '000) -----					
Agricultural sector (13.2.1)	50,767,526	50,927,495	-	-	50,767,526	50,927,495
Industrial sector (13.2.1 & 13.2.3)	4,821,191	4,938,308	-	-	4,821,191	4,938,308
Export sector (13.3.1)	19,020,317	19,872,681	3,567	3,567	19,023,884	19,876,248
Housing sector (13.2.2)	-	-	11,242,300	11,242,300	11,242,300	11,242,300
Others (13.2.1, 13.2.3 & 13.2.4)	16,939,306	16,939,306	-	-	16,939,306	16,939,306
	91,548,340	92,677,790	11,245,867	11,245,867	102,794,207	103,923,657

- 13.2.1** Exposure to the agricultural and industrial sectors include Rs. 50,174.09 million and Rs. 1,083.12 million (2015: Rs. 50,174.09 million and Rs. 1,083.12 million) respectively, representing the cumulative Government guaranteed financing of Rs. 51,257.21 million (2015: Rs. 51,257.21 million) to Zarai Taraqati Bank Limited (ZTBL) in addition to the unsecured subordinated loan to ZTBL amounting to Rs. 3,204 million (2015: Rs. 3,204 million) classified in other loans and advances. The entire exposure has been overdue since 2002.

Last year, a tripartite meeting was held on July 11, 2014 between Ministry of Finance (MoF), ZTBL and the Bank (the parties) wherein it was decided that the total outstanding amount of Rs. 89,490 million, including suspended mark-up of Rs. 35,029 million will be converted to an equity investment of the Bank in ZTBL. This was subject to completion of all legal and statutory formalities and the fair valuation exercise of the entity. Subsequently, discussions / negotiations were held between MoF, ZTBL and the Bank on the conversion of total exposure into equity shares based on the results of the draft fair valuation exercise. The conversion plan was re-negotiated between all the parties in a tripartite meeting held on November 16, 2015. The MoF approved the re-negotiated conversion plan on April 4, 2016 as detailed below:

- The Bank's principal debt amount of Rs. 54,461 million outstanding against ZTBL as on December 31, 2015 will be converted into redeemable preference shares carrying a profit of 7.5% per annum, redeemable in 10 years in one bullet payment on December 31, 2025.
- The preference shares shall carry the return @ 7.5% per annum, payable half yearly on June 30th and December 31st each year and shall be the contractual obligation of ZTBL.
- The principal of the preference shares and return thereon shall be guaranteed by the Federal Government.
- Mark-up on the existing debt shall be accrued upto December 31, 2015 as per existing arrangements leading to increase in accrued mark-up amount from Rs. 35,029 million as on June 30, 2014 to Rs. 40,156 million as on December 31, 2015. The accrued mark-up of Rs. 40,156 million as on December 31, 2015 will be converted into ordinary shares of ZTBL.

The re-negotiated conversion plan is subject to completion of all legal and statutory formalities and the fair value exercise of the entity. The management is currently in the process of assessing the fair valuation of the shares of ZTBL, subsequent to which all the legal and statutory formalities will be completed. The fair valuation of the preference shares to be issued by ZTBL will be determined on the issuance of preference shares by ZTBL. Pending completion of the conversion process, these balances would remain secured through the sovereign guarantee of Government of Pakistan.

- 13.2.2** This represents loan receivable from House Building Finance Company Limited (HBFCL) against seven credit lines on profit and loss sharing basis. As at June 30, 2016 all of these credit lines are overdue since 2006 amounting to Rs. 11,242 million (2015: Rs. 11,242 million). These credit lines are secured by guarantee from the Federal Government.

Last year, it was decided in a tripartite meeting between MoF, HBFCL and the Bank held on July 11, 2014 that the total outstanding amount of Rs. 15,690 million, including suspended mark-up / share of profit / loss of Rs. 4,448 million, will be partly settled through cash payment of Rs. 2,000 million and the balance amount of Rs. 13,690 million will be converted to an equity investment of the Bank in HBFCL. The cash payment of Rs. 2,000 million was received last year and was adjusted against accrued mark-up. The conversion process was subject to completion of all legal and statutory formalities and the fair valuation exercise of the entity. Subsequently, on November 16, 2015, the conversion plan was re-negotiated between the parties and a letter in this respect was sent by the Bank on April 22, 2016 (after taking approval from competent authorities) to HBFCL for conversion of outstanding principal balance into preference shares and suspended mark-up into ordinary shares.

The re-negotiated conversion plan is subject to approval from the board of HBFCL and MoF and completion of all legal and statutory formalities and fair valuation exercise of the entity. The management is currently in the process of assessing the fair valuation of the shares of HBFCL, subsequent to which all the legal and statutory formalities will be completed. The fair valuation of the preference shares to be issued by HBFCL will be determined on the issuance of preference shares by HBFCL. Pending completion of the conversion process, these balances would remain secured through the sovereign guarantee of Government of Pakistan.

- 13.2.3** This includes exposure to the Industrial Development Bank Limited (IDBL) under Locally Manufactured Machinery (LMM) credit line amounting to Rs. 1,054 million (2015: Rs. 1,054 million). Furthermore, loans and advances also include loans amounting to Rs. 13,000 million and Rs. 340.78 million (2015: Rs. 13,000 million and Rs. 340.78 million) to IDBL which are secured by the Government guarantee and other Government securities respectively. The Federal Government vide its vesting order dated November 13, 2012 had transferred and vested all assets and liabilities of IDBP into the IDBL with effect from November 13, 2012. In line with the Federal Cabinet decision of winding up, the bank has closed all of its branches except two branches operating in Karachi and Lahore as at June 30, 2016.
- 13.2.4** These balances include Rs. 423 million (2015: Rs. 423 million) which are recoverable from various financial institutions operating in Bangladesh (former East Pakistan). The realisability of these balances is subject to final settlement between the Governments of Pakistan and Bangladesh (former East Pakistan).

13.3 Loans and advances to private sector financial institutions

	Scheduled banks		Other financial institutions		Total	
	2016	2015	2016	2015	2016	2015
----- (Rupees in '000) -----						
Agricultural sector	947,390	1,057,571	151,398	109,837	1,098,788	1,167,408
Industrial sector	38,550,364	35,521,006	4,923,344	3,989,519	43,473,708	39,510,525
Export sector (13.3.1)	185,597,057	173,250,119	-	-	185,597,057	173,250,119
Others (13.3.2)	2,280,443	17,185,057	-	-	2,280,443	17,185,057
	227,375,254	227,013,753	5,074,742	4,099,356	232,449,996	231,113,109

- 13.3.1** Export sector loans of scheduled banks are fully secured against demand promissory notes.
- 13.3.2** Last year, the Bank in continuation of a scheme of amalgamation of two commercial banks duly sanctioned by the Federal Government under Section 47 of the Banking Companies Ordinance 1962 and under Section 17 of the State Bank of Pakistan Act 1956, extended a 10-year financing facility of Rs.5,000 million with a bullet payment of mark-up and principal at maturity and a 6-month liquidity support facility of Rs.15,000 million to an Islamic Commercial Bank (ICB). Both the facilities are secured against Government of Pakistan Ijara Sukuk. The 6-month liquidity support facility of Rs. 15,000 million has been repaid during the current year on its agreed maturity date. The 10-year facility was provided on the basis of Mudaraba to be remunerated at profit sharing ratio declared by the ICB on its remunerative current accounts on monthly basis (the last declared rate in this respect is 0.01% per annum). In accordance with the requirements of accounting framework of the Bank the 10-year financing facility had been recognized at fair value on initial recognition. The amortized cost of the long-term facility as of June 30, 2016 is Rs. 2,255 million (2015: Rs. 2,062 million). The principal amount (Rs. 5,000 million) of the facility along with the profit will be recovered at its respective maturity.

13.4 The interest / mark-up rate profile of the interest / mark-up bearing loans and advances is as follows:

	2016 (% per annum)	2015
Government owned / controlled and private sector financial institutions	0 to 9.75	0 to 9.75
Employees loans (where applicable)	0 to 10	0 to 10

14 ASSETS HELD WITH THE RESERVE BANK OF INDIA

	Note	2016 ----- (Rupees in '000) -----	2015
Gold reserves			
- Opening balance		4,002,690	4,363,561
- Appreciation / (diminution) for the year due to revaluation	26.3.1.1	647,413	(360,871)
		<u>4,650,103</u>	<u>4,002,690</u>
Sterling securities		467,390	528,722
Government of India securities		222,024	228,200
Rupee coins		4,576	4,698
	14.1	<u>5,344,093</u>	<u>4,764,310</u>
Indian notes representing assets receivable from the Reserve Bank of India	14.2	668,044	686,627
	19.1	<u>6,012,137</u>	<u>5,450,937</u>

14.1 These assets were allocated to the Government of Pakistan as its share of the assets of the Reserve Bank of India under the provisions of Pakistan (Monetary System and Reserve Bank) Order, 1947. The transfer of these assets to the Bank is subject to final settlement between the Governments of Pakistan and India (also refer note 26.3.1).

14.2 These represent Pak Rupee equivalent of Indian rupee notes which were in circulation in Pakistan until retirement from circulation under the Pakistan (Monetary System and Reserve Bank) Order, 1947. Realisability of these assets is subject to final settlement between the Governments of Pakistan and India (also refer note 26.3.1).

15 BALANCES DUE FROM THE GOVERNMENTS OF INDIA AND BANGLADESH (FORMER EAST PAKISTAN)

	Note	2016 ----- (Rupees in '000) -----	2015
India			
Advance against printing of notes		39,616	39,616
Receivable from the Reserve Bank of India		837	837
		<u>40,453</u>	<u>40,453</u>
Bangladesh (former East Pakistan)			
Inter office balances		819,924	819,924
Loans, advances and commercial papers	15.1	8,354,504	7,701,413
		<u>9,174,428</u>	<u>8,521,337</u>
	15.2	<u>9,214,881</u>	<u>8,561,790</u>

15.1 These represent interest bearing loans and advances (including commercial papers) provided to the Government of Bangladesh (former East Pakistan).

15.2 The realisability of the above balances is subject to final settlement between the Government of Pakistan and Government of Bangladesh (former East Pakistan) and India (also refer notes 26.1 and 26.3.1).

16 PROPERTY AND EQUIPMENT

	Note	2016 ----- (Rupees in '000) -----	2015
Operating fixed assets	16.1	59,129,090	20,020,465
Capital work-in-progress	16.3	441,602	494,604
		<u>59,570,692</u>	<u>20,515,069</u>

16.1 Operating fixed assets

	2016									
	Cost / revalued amount at July 1, 2015	Additions / (deletions) during the year	Revaluation during the year	Cost / revalued amount at June 30, 2016	Accumulated depreciation at July 1, 2015	Depreciation for the year/ (deletions)	Reversal due to revaluation	Accumulated depreciation at June 30, 2016	Net book value at June 30, 2016	Useful life / Rate of depreciation
	(Rupees in '000)									
Freehold land*	3,791,658	-	9,250,182	13,041,840	-	-	-	-	13,041,840	-
Leasehold land*	16,811,005	72,751	21,607,950	38,491,706	2,197,006	428,963	(2,625,969)	-	38,491,706	30-99 years
Buildings on freehold land*	1,138,375	158,764	1,004,335	2,301,474	849,525	223,312	(1,072,837)	-	2,301,474	20 years
Buildings on leasehold land*	2,307,509	195,010	2,007,054	4,509,573	1,547,259	395,417	(1,942,676)	-	4,509,573	20 years
Furniture and fixtures	102,020	4,302	-	106,322	88,424	3,562	-	91,986	14,336	10%
Office equipment	706,405	118,170 (240)	-	824,335	619,895	63,093	-	682,988	141,347	20%
EDP equipment	1,503,566	325,359 (19,533)	-	1,809,392	1,351,896	138,536 (19,509)	-	1,470,923	338,469	33.33%
Motor vehicles	424,060	77,175 (36,979)	-	464,256	110,128	86,813 (23,030)	-	173,911	290,345	20%
	26,784,598	951,531 (56,752)	33,869,521	61,548,898	6,764,133	1,339,696 (42,539)	(5,641,482)	2,419,808	59,129,090	
	2015									
	Cost / revalued amount at July 1, 2014	Additions / (deletions) during the year	Revaluation during the year	Cost / revalued amount at June 30, 2015	Accumulated depreciation at July 1, 2014	Depreciation for the year/ (deletions)	Reversal due to revaluation	Accumulated depreciation at June 30, 2015	Net book value at June 30, 2015	Useful life / Rate of depreciation
	(Rupees in '000)									
Freehold land*	3,791,658	-	-	3,791,658	-	-	-	-	3,791,658	-
Leasehold land*	16,811,005	-	-	16,811,005	1,769,457	427,549	-	2,197,006	14,613,999	30-99 years
Buildings on freehold land *	1,078,511	59,864	-	1,138,375	630,786	218,739	-	849,525	288,850	20 years
Buildings on leasehold land*	2,015,010	292,499	-	2,307,509	1,158,494	388,765	-	1,547,259	760,250	20 years
Furniture and fixtures	99,121	2,899	-	102,020	84,130	4,294	-	88,424	13,596	10%
Office equipment	693,143	13,481 (219)	-	706,405	564,335	55,779 (219)	-	619,895	86,510	20%
EDP equipment	1,379,301	124,301 (36)	-	1,503,566	1,267,529	84,403 (36)	-	1,351,896	151,670	33.33%
Motor vehicles	327,030	264,513 (167,483)	-	424,060	204,244	69,454 (163,570)	-	110,128	313,932	20%
	26,194,779	757,557 (167,738)	-	26,784,598	5,678,975	1,248,983 (163,825)	-	6,764,133	20,020,465	

* These represent revalued assets.

16.2 Last revaluation was carried out during the year ended June 30, 2016 by M.J.Surveyors (Pvt.) Ltd.

16.2.1 The fair value of land and building are derived using the sale comparison approach. The sale value is determined by physically analysing the condition of land and building and by ascertaining the current market value of similar land, which is in near vicinity. Moreover, for buildings, the valuer has also considered prevailing current cost of construction for relevant type of civil work carried out thereon, where ever required.

16.2.2 Subsequent to revaluation on June 30, 2011, which had resulted in a net surplus of Rs.7,231 million, all land and buildings were revalued again during the current year which resulted in a net surplus of Rs.33,870 million. The revaluation of land and buildings were carried out on the basis of professional assessment of market values by the independent valuers. Had there been no revaluation, the carrying value of the revalued assets would have been as follows:

	2016	2015
	----- (Rupees in '000) -----	
Freehold land	39,124	39,124
Leasehold land	81,221	84,565
Buildings on freehold land	166,482	247,794
Buildings on leasehold land	285,564	405,707
	<u>572,391</u>	<u>777,190</u>
16.3 Capital work-in-progress		
Buildings on freehold land	43,634	110,338
Buildings on leasehold land	311,309	206,944
Furniture and fixtures	-	181
Office equipment	44,467	156,102
EDP equipment	21,039	21,039
Software	21,153	-
	<u>441,602</u>	<u>494,604</u>

17 INTANGIBLE ASSETS

		Cost at July 1	Additions during the year	Cost at June 30	Accumulated amortisation at July 1	Amortisation for the year	Accumulated amortisation at June 30	Net book value at June 30	Annual rate of amortisation %
		----- (Rupees in '000) -----							
Software	2016	610,649	2,741	613,390	606,500	3,057	609,557	3,833	33.33
Software	2015	609,447	1,202	610,649	600,520	5,980	606,500	4,149	33.33

18 OTHER ASSETS

	Note	2016	2015
		----- (Rupees in '000) -----	
Commission receivable and others		2,117,472	1,106,632
Unrealised gain on derivative financial instruments - net		1,442,497	1,542,435
Other advances, deposits and prepayments		569,977	1,343,009
		<u>4,129,946</u>	<u>3,992,076</u>

19 BANK NOTES IN CIRCULATION

Total bank notes issued	19.1	3,555,067,671	2,707,400,385
Bank notes held by the Banking Department	6	(145,614)	(142,373)
Bank notes in circulation		<u>3,554,922,057</u>	<u>2,707,258,012</u>

19.1 The liability for bank notes issued by the Issue Department is recorded at its face value in the balance sheet. In accordance with section 26 (1) of SBP Act 1956, this liability is supported by the following assets of the Issue Department.

	Note	2016	2015
		----- (Rupees in '000) -----	
Gold reserves held by the Bank	5	287,170,323	247,150,713
Local currency - coins	6	488,198	365,231
Foreign currency accounts and investments	7	1,237,112,270	753,989,710
Special Drawing Rights of the International Monetary Fund	9	51,179,450	7,143,400
Investments - local	12	1,973,105,293	1,693,300,394
Assets held with the Reserve Bank of India	14	6,012,137	5,450,937
		<u>3,555,067,671</u>	<u>2,707,400,385</u>

20	CURRENT ACCOUNTS OF GOVERNMENTS	Note	2016	2015
			----- (Rupees in '000) -----	
20.1	Current accounts of Governments - payable balances			
	Federal Government	20.3	313,688,605	216,641,339
	Provincial Governments			
	- Punjab	20.4	96,833,336	74,882,601
	- Sindh	20.5	89,107,726	25,465,469
	- Khyber Pakhtunkhwa	20.6	77,207,052	29,475,678
	- Baluchistan	20.7	19,091,164	42,786,314
	Gilgit - Baltistan Administration Authority	20.8	10,729,895	4,768,977
			292,969,173	177,379,039
			606,657,778	394,020,378
20.2	Current accounts of Governments - receivable balance			
	Government of Azad Jammu and Kashmir	20.9	955,474	3,048,507
			955,474	3,048,507
20.3	Federal Government			
	Non-food account		973,642	996,737
	Zakat fund accounts		7,884,671	5,559,821
	Railways accounts		(13,313,227)	(27,004,869)
	Other accounts		318,143,519	237,089,650
			313,688,605	216,641,339
20.4	Provincial Government - Punjab			
	Non-food account		82,846,743	60,672,205
	Zakat fund account		401,259	499,085
	Other accounts		13,585,334	13,711,311
			96,833,336	74,882,601
20.5	Provincial Government - Sindh			
	Non-food account		84,389,116	23,010,842
	Zakat fund account		1,526,526	1,636,927
	Other accounts		3,192,084	817,700
			89,107,726	25,465,469
20.6	Provincial Government - Khyber Pakhtunkhwa			
	Non-food account		67,829,675	27,549,695
	Zakat fund account		1,186,629	1,437,241
	Other accounts		8,190,748	488,742
			77,207,052	29,475,678
20.7	Provincial Government - Baluchistan			
	Non-food account		16,553,943	42,067,766
	Zakat fund account		833,822	616,320
	Other accounts		1,703,399	102,228
			19,091,164	42,786,314
20.8	Gilgit - Baltistan Administration Authority		10,729,895	4,768,977
			10,729,895	4,768,977
20.9	Government of Azad Jammu and Kashmir		(955,474)	(3,048,507)
	Classified as receivable balance	20.10	955,474	3,048,507
			-	-
20.10	These balances carry mark-up at rates ranging from 6.18% to 6.88% per annum (2015: 7.18% to 9.98% per annum).			
21	PAYABLE TO ISLAMIC BANKING INSTITUTIONS AGAINST BAI MUAJJAL TRANSACTIONS			

This represents amount payable to various Islamic Banking Institutions against purchases of Government of Pakistan (GoP) Ijara Sukuks by the Bank on Bai Muajjal basis (deferred payment basis) having profit rates ranging from 4.75% to 5.74% per annum (2015: 3.93% to 9.99%) and maturities on February 10, 2017 and March 15, 2017 (2015: October 23, 2015 to March 26, 2016).

22 PAYABLE UNDER BILATERAL CURRENCY SWAP AGREEMENT**22.1 Payable under bilateral currency swap agreement with the People's Bank of China (PBoC)**

A bilateral currency swap agreement was entered between the Bank and the PBoC on December 23, 2011 in order to promote bilateral trade, finance direct investment, provide short term liquidity support and for any other purpose mutually agreed between the two central banks. The original agreement was for tenure of 3 years with overall limit of CNY 10,000 million and equivalent PKR, which was renewed on December 23, 2014 for a further period of three years. The Bank has purchased CNY 5,000 million, CNY 1,500 million and CNY 3,500 million against PKR during the year with maturity bucket of three months and six months (2015: CNY 5,000 million, CNY 1,500 million and CNY 3,500 million with maturity buckets of six months, three months and two months respectively). These purchases have been fully utilized as on June 30, 2016 and the same amounts are outstanding as on June 30, 2016. Interest is charged on outstanding balance at agreed rates. As at June 30, 2016, the Bank's commitment under this agreement is Rs. 165,000 million (2015: Rs. 165,000 million).

23 DEPOSITS OF BANKS AND FINANCIAL INSTITUTIONS

	Note	2016	2015
		----- (Rupees in '000) -----	
Foreign currency			
Scheduled banks		7,527,991	15,059,625
Held under Cash Reserve Requirement	23.1	<u>136,803,601</u>	<u>137,278,452</u>
		<u>144,331,592</u>	<u>152,338,077</u>
Local currency			
Scheduled banks	23.1	<u>234,778,810</u>	<u>257,566,828</u>
Financial institutions		<u>12,574,555</u>	<u>3,255,946</u>
Others		<u>75,512</u>	<u>73,194</u>
		<u>247,428,877</u>	<u>260,895,968</u>
		<u><u>391,760,469</u></u>	<u><u>413,234,045</u></u>

23.1 This includes cash deposited with the State Bank of Pakistan by the scheduled banks under regulatory requirements.

24 OTHER DEPOSITS AND ACCOUNTS

	Note	2016	2015
		----- (Rupees in '000) -----	
Foreign currency			
Foreign central banks		47,210,792	45,822,174
International organisations	24.2	<u>26,479,513</u>	<u>25,656,686</u>
Others		<u>19,445,168</u>	<u>11,370,901</u>
	24.1	<u>93,135,473</u>	<u>82,849,761</u>
Local currency			
Special debt repayment	24.3	<u>24,243,841</u>	<u>24,074,660</u>
Government	24.4	<u>17,850,348</u>	<u>17,850,348</u>
Foreign central banks		<u>2,003</u>	<u>1,946</u>
International organisations		<u>6,692,016</u>	<u>6,261,043</u>
Others		<u>19,536,513</u>	<u>16,140,230</u>
		<u>68,324,721</u>	<u>64,328,227</u>
		<u><u>161,460,194</u></u>	<u><u>147,177,988</u></u>

24.1 The interest rate profile of the interest bearing deposits is as follows:

	2016	2015
	(% per annum)	
Foreign central banks	0.30 to 0.76	0.31 to 0.54
International organisations	2.11 to 2.62	2.08 to 2.11
Others	0.09 to 0.41	0.02 to 0.09

24.2 This includes two long-term deposits of USD 500 million each received from the State Administration Foreign Exchange (SAFE) China in January 2009 (rolled-over in January 2016) and June 2012 (rolled-over in June 2016) carrying interest at six months LIBOR plus 100 bps and twelve months LIBOR plus 100 bps respectively, both payable semi-annually. These deposits of USD 500 million each which have been set off against the rupee counterpart receivable from the Federal Government and have been covered under Ministry of Finance (MoF) Guarantees whereby the MoF has agreed to assume all liabilities and risks arising from the Bank's agreement with SAFE China.

24.3 These are interest free and represent amounts kept in separate special accounts to meet forthcoming foreign currency debt repayment obligations of the Government of Pakistan.

- 24.4** These represent rupee counterpart of the foreign currency loan disbursements received from various international financial institutions on behalf of the Government and credited to separate deposit accounts in accordance with the instructions of the Government.

	Note	2016 ----- (Rupees in '000) -----	2015
25 PAYABLE TO THE INTERNATIONAL MONETARY FUND			
Borrowings under:			
- Fund facilities	25.1 & 25.3	634,172,641	412,926,950
- Allocation of SDRs	25.2	144,566,830	141,245,999
		<u>778,739,471</u>	<u>554,172,949</u>
Current account for administrative charges		34	33
		<u>778,739,505</u>	<u>554,172,982</u>

- 25.1** IMF provides financing to its member countries from General Resources Account (GRA) held in its General Department. GRA credit is normally governed by the IMF's general lending policies (also known as "credit tranche" policies, which provide financing for Balance of Payments [BoP] needs).

Under GRA financing i.e. Extended Fund Facility (EFF) was granted by IMF in FY 2013-14. The total facility amounts to SDR 4,393 million having repayment period of 4½-10 years, with repayments in twelve equal semi-annual installments. A total amount of SDR 4,320 million has been disbursed under eleven (11) tranches of EFF up to June 30, 2016 (2015: SDR 2,880 million). The repayments under this facility would start in March 2018 and would continue till June 2026.

- 25.2** This represents amount payable against allocation of SDRs. A charge is levied by the IMF on the SDR allocation of the Bank at weekly interest rate applicable on daily product of SDR.

	Note	2016 (% per annum)	2015
25.3 Interest profile of amount payable to the IMF is as under:			
Fund facilities	25.3.1	1.05 to 1.07	1.03 to 1.08

- 25.3.1** The IMF levies a basic rate of interest (charges) on loans based on the SDR interest rate and imposes surcharges depending on the amount and maturity of the loan and the level of credit outstanding. Interest rates are determined by the IMF on weekly basis. Charges are, however, payable on quarterly basis.

	Note	2016 ----- (Rupees in '000) -----	2015
26 OTHER LIABILITIES			
Local currency			
Provision against overdue mark-up	26.1	7,960,351	7,307,260
Remittance clearance account		2,259,587	2,348,970
Exchange loss payable under exchange risk coverage scheme		233,121	230,352
Balance profit payable to the Government of Pakistan		-	17,591,141
Dividend payable	26.2	10,000	10,000
Share of loss payable under profit and loss sharing arrangements		1,377,691	1,377,691
Other accruals and provisions	26.3	26,254,831	23,380,102
Others	26.4	6,288,717	4,157,382
		<u>44,384,298</u>	<u>56,402,898</u>

- 26.1** This represents suspended mark-up which is recoverable from Government of Bangladesh (former East Pakistan) subject to the final settlement between the Governments of Pakistan and Bangladesh (former East Pakistan).

- 26.2** This includes dividend payable on shares held by the Government of Pakistan and Government controlled entities amounting to Rs. 9.99 million (2015: Rs. 9.99 million).

	Note	2016 ----- (Rupees in '000) -----	2015
26.3 Other accruals and provisions			
Agency commission		12,440,190	10,613,915
Provision for employees' compensated absences	40.6.9	2,551,971	2,528,235
Provision for other doubtful assets	26.3.1	6,911,495	6,350,295
Other provisions	26.3.2	2,848,701	2,848,933
Others		1,502,474	1,038,724
		<u>26,254,831</u>	<u>23,380,102</u>

	Note	2016 ----- (Rupees in '000) -----	2015
26.3.1 Provision for other doubtful assets			
Provision against assets held with / receivable from Government of India and the Reserve Bank of India			
- Issue Department		6,012,137	5,450,937
- Banking Department		40,483	40,483
		6,052,620	5,491,420
Provision against assets receivable from Government of Bangladesh (Former East Pakistan)			
- Issue Department		-	-
- Banking Department		858,875	858,875
		858,875	858,875
	26.3.1.1	6,911,495	6,350,295

26.3.1.1 Movement of provisions for other doubtful assets

Opening balance	6,350,295	6,766,237
Reversal during the year	(86,213)	(55,071)
Appreciation / (diminution) relating to gold reserves held by the Reserve Bank of India	647,413	(360,871)
Closing balance	6,911,495	6,350,295

26.3.2 Movement of other provisions

Opening balance	2,848,933	2,850,422
(Reversal) / charge during the year	(232)	(1,489)
Closing balance	2,848,701	2,848,933

	Home remittance	Specific claims (note 26.3.2.1)	Others (note 26.3.2.2)	Total
	----- (Rupees in '000) -----			
Balance as at July 1, 2014	260,363	1,600,000	990,059	2,850,422
Charge for the year	-	-	-	-
Reversal during the year	-	-	(1,489)	(1,489)
Balance as at June 30, 2015	260,363	1,600,000	988,570	2,848,933
Charge for the year	-	-	-	-
Reversal during the year	-	-	(232)	(232)
Balance as at June 30, 2016	260,363	1,600,000	988,338	2,848,701

26.3.2.1 This represents provision made against a claim under arbitration.

26.3.2.2 This represents provision made in respect of various litigations and claims against the Bank.

26.4 This includes liability maintained against balances due from Government of Bangladesh (former East Pakistan) amounting to Rs. 778.399 million (2015: Rs. 778.399 million).

	Note	2016 ----- (Rupees in '000) -----	2015
27 DEFERRED LIABILITY - UNFUNDED STAFF RETIREMENT BENEFITS			
Pension		20,560,622	17,827,447
Gratuity scheme		39,495	26,441
Benevolent fund scheme		446,588	369,979
Post retirement medical benefits		7,224,542	6,489,738
Six months post retirement facility		379,441	290,624
	40.6.3	28,650,688	25,004,229
Provident fund scheme		221,572	224,931
		28,872,260	25,229,160

28 SHARE CAPITAL

2016	2015		2016	2015
--- (Number of shares) ---			----- (Rupees in '000)-----	
Authorised share capital				
<u>1,000,000</u>	<u>1,000,000</u>	Ordinary shares of Rs. 100 each	<u>100,000</u>	<u>100,000</u>
Issued, subscribed and paid-up capital				
<u>1,000,000</u>	<u>1,000,000</u>	Fully paid-up ordinary shares of Rs. 100 each	<u>100,000</u>	<u>100,000</u>

The shares of the Bank are held by the Government of Pakistan and certain Government controlled entities except for 200 shares held by the Central Bank of India (held by Deputy Custodian Enemy Property, Banking Policy and Regulations Department, State Bank of Pakistan) and 500 shares held by the State of Hyderabad.

29 RESERVES**29.1 Reserve fund**

This represents appropriations made out of the annual profits of the State Bank of Pakistan in accordance with the provisions of the State Bank of Pakistan Act, 1956.

29.2 Other funds

These represent appropriations made out of the surplus profits of the State Bank of Pakistan for certain specified purposes in accordance with the provisions of the State Bank of Pakistan Act, 1956.

	Note	2016	2015
		----- (Rupees in '000) -----	
30 UNREALISED APPRECIATION ON GOLD RESERVES HELD BY THE BANK			
Opening balance		243,367,310	265,639,648
Appreciation / (diminution) for the year due to revaluation	5	39,975,291	(22,272,338)
		<u>283,342,601</u>	<u>243,367,310</u>

31 CONTINGENCIES AND COMMITMENTS**31.1 Contingencies**

- a) Contingent liability in respect of guarantees given on behalf of:

Federal Government	31.1.1	21,486,999	14,644,118
Federal Government owned / controlled bodies and authorities		7,605,996	7,823,443
		<u>29,092,995</u>	<u>22,467,561</u>

- b) Certain employees of the Bank who had retired under the Early Retirement Incentive Scheme (ERIS) introduced in the year 2000 had filed a case against the Bank in the Federal Services Tribunal (FST) for the enhancement of their entitlement paid under the above scheme amounting to Rs. 157 million approximately. The Tribunal has decided the case in favour of these employees and has directed that the entitlement under the above scheme should include the effect of subsequent increases in certain staff retirement and other benefits. The Bank, in response to the above decision of the Tribunal filed a civil petition for leave to appeal in the Supreme Court of Pakistan. In prior years, the Honorable Bench of the Supreme Court of Pakistan set aside the judgment of FST and allowed employees to avail proper forum. The employees have filed an appeal in the Honorable Lahore High Court, Rawalpindi Bench, the decision of which is pending. The management is confident that the Bank would not have to bear any additional expenditure on this account and, accordingly, no provision has been made in this respect.

- c) In addition to these claims, there are several other lawsuits filed by various parties as a result of the regulatory actions taken by the Bank in its capacity as regulator and banker to the government, which the Bank is currently contesting in various courts of laws / forums. The management of the Bank, believes that the Bank has reasonable position in respect of these litigations and accordingly no provision for any liability may be needed in the financial statements.

	Note	2016 ----- (Rupees in '000) -----	2015
d) Other claims against the Bank not acknowledged as debts	31.1.2	<u>350,678</u>	<u>372,855</u>
31.1.1 Above guarantees are secured by counter guarantees either from the Government of Pakistan or local financial institutions.			
31.1.2 These represent various claims filed against the Bank's role as a regulator and certain other cases.			
31.2 Commitments		2016 ----- (Rupees in '000) -----	2015
31.2.1 Foreign currency forward and swap contracts - sale		<u>802,656,331</u>	<u>554,583,226</u>
31.2.2 Foreign currency forward and swap contracts - purchase		<u>595,499,305</u>	<u>382,060,837</u>
31.2.3 Futures - sale		<u>18,044,108</u>	<u>13,330,298</u>
31.2.4 Futures - purchase		<u>14,656,485</u>	<u>18,901,205</u>
31.2.5 Capital Commitments		<u>386,844</u>	<u>-</u>
31.2.5.1 This represents amounts committed by the bank to purchase assets from successful bidders.			
31.2.6 Commitments in respect of bilateral currency swap agreements with People's Bank of China have been disclosed in note 22.			
31.2.7 The Bank has made commitments to extend advance under ways and means limits to the Provincial Governments of Pakistan, Government of Azad Jammu and Kashmir and Gilgit-Baltistan Administration Authority in the normal course of its operations. The unutilised limits as on June 30, 2016 amounted to Rs. 71,945 million (2015: Rs. 70,400 million).			
In case the Governments exceed their respective ways and means limits, the Bank charges a penal rate of 4% over and above the normal rate of return on the amount exceeding the ways and means limit.			
32 DISCOUNT, INTEREST / MARK-UP AND / OR PROFIT EARNED	Note	2016 ----- (Rupees in '000) -----	2015
Discount, interest / mark-up on:			
- Market Related Treasury Bills		150,272,738	240,613,420
- Federal Government Scrips		82,200	82,200
- Loans and advances to and current accounts of Governments	32.1	327,520	194,825
Securities purchased under agreement to resell		80,712,710	38,031,409
Return on loans and advances to financial institutions		8,683,044	16,104,176
Foreign currency loan and advance including deposits		4,258,735	1,718,097
Foreign currency securities		8,382,254	7,222,459
Profit on sukuks purchased under Bai Muajjal agreement		70,542	333,857
Others		200	78
		<u>252,789,943</u>	<u>304,300,521</u>
32.1 Interest profile on loans and advances to facilities are as under:		2016 (% per annum)	2015
Mark-up on facility		6.18 to 6.88	7.18 to 9.98
Additional mark-up (where ways and means facility limit is exceeded)		4	4
33 INTEREST / MARK-UP EXPENSE		2016 ----- (Rupees in '000) -----	2015
Deposits		15,866,387	12,551,575
Securities sold under agreement to repurchase		218,111	502,698
Return on Sukuks purchased under Bai Muajjal agreement		9,287,535	7,857,943
Charges on allocation of Special Drawing Rights of the IMF		78,609	78,425
Others		3,838	9,550
		<u>25,454,480</u>	<u>21,000,191</u>

	Note	2016	2015
		----- (Rupees in '000) -----	
34 COMMISSION INCOME			
Market Treasury Bills	34.1	472,821	353,678
Draft / payment orders		8,148	8,061
Prize Bonds and National Saving Certificates	34.1	439,041	404,948
Management of public debts	34.1	989,118	861,926
Others		52	55
		<u>1,909,180</u>	<u>1,628,668</u>
34.1	These represent commission income earned from services provided to the Federal Government.		
	Note	2016	2015
		----- (Rupees in '000) -----	
35 EXCHANGE GAIN - NET			
Gain / (loss) on:			
- Foreign currency placements, deposits, securities and other accounts - net		38,322,960	12,837,447
- Forward covers under Exchange Risk Coverage Scheme		6	787
- IMF Fund Facilities		(10,984,606)	19,075,330
- Special Drawing Rights of the IMF		(1,611,329)	4,449,394
		<u>25,727,031</u>	<u>36,362,958</u>
Exchange risk fee income		52,344	55,531
		<u>25,779,375</u>	<u>36,418,489</u>
36 OTHER OPERATING INCOME - NET			
Penalties levied on banks and financial institutions		1,017,004	3,454,707
License / Credit Information Bureau fee recovered		817,885	766,271
Gain on disposal of investment:			
Local - available-for-sale	36.1	-	103,120,956
Local - 'at fair value through profit or loss'		58,663	438,955
Foreign - 'at fair value through profit or loss'		201,043	838,220
		<u>259,706</u>	<u>104,398,131</u>
Fair value adjustment on recognition of subsidised loan		-	(2,952,536)
Gain / (loss) on remeasurement of securities classified as 'fair value through profit or loss'		559,888	(2,571,399)
Others		101,629	248,312
		<u>2,756,112</u>	<u>103,343,486</u>
36.1	This primarily represent gain on sale of shares of Habib Bank Limited and Allied Bank Limited that were disposed last year.		
	Note	2016	2015
		----- (Rupees in '000) -----	
37 OTHER INCOME - NET			
Loss on disposal of property and equipment		(501)	-
Liabilities and provisions written back - net		12,327	110,056
Grant income under foreign assistance program		11,808	20,505
Income from subsidiaries	37.1	40,027	179,176
Others		65,505	73,644
		<u>129,166</u>	<u>383,381</u>
37.1 Income from subsidiaries			
SBP Banking Services Corporation		40,027	50,491
National Institute of Banking and Finance (Guarantee) Limited		-	128,685
		<u>40,027</u>	<u>179,176</u>

The above represents income of subsidiaries for the year ended June 30, 2016 transferred to the Bank in accordance with the arrangements mentioned in note 40.4.

38 BANK NOTES PRINTING CHARGES

Bank notes printing charges are paid to Pakistan Security Printing Corporation (Private) Limited at agreed rates under specific arrangements.

39 AGENCY COMMISSION

Agency commission is mainly payable to National Bank of Pakistan (NBP) under an agreement for providing banking services to Federal and provincial Governments as an agent of the Bank. Furthermore, a small portion of the agency commission also pertains to Bank of Punjab (BOP), which was appointed as agent of the Bank, during the current year, to collect Government of Punjab's taxes and receipts.

40 GENERAL ADMINISTRATIVE AND OTHER EXPENSES	<i>Note</i>	2016	2015
		----- (Rupees in '000) -----	
Salaries and other benefits		3,476,133	2,911,133
Retirement benefits and employees' compensated absences	<i>40.1</i>	3,559,566	3,907,336
Rent and taxes		28,303	25,554
Insurance		24,872	17,648
Electricity, gas and water		45,055	40,951
Depreciation	<i>16.1</i>	1,339,696	1,248,983
Amortisation of intangible assets	<i>17</i>	3,057	5,980
Repairs and maintenance		430,930	356,048
Auditors' remuneration	<i>40.5</i>	6,050	6,050
Legal and professional		27,917	37,359
Fund managers / custodian expenses		495,428	375,555
Travelling expenses		222,894	158,219
Daily expenses		56,784	58,643
Fuel		43,579	46,687
Conveyance		8,199	7,322
Postages, telegram / telex and telephone		204,511	200,631
Training		190,270	35,445
Stationery		9,915	9,818
Books and newspapers		27,923	29,442
Advertisement		11,057	14,732
Uniforms		1,443	1,443
Others		99,261	77,729
		10,312,843	9,572,708
Expenses allocated by:			
SBP Banking Services Corporation	<i>40.2</i>	6,411,699	7,305,776
National Institute of Banking and Finance (Guarantee) Limited		-	15,383
		6,411,699	7,321,159
Expenses reimbursed to:			
SBP Banking Services Corporation	<i>40.3</i>	7,544,251	6,873,983
National Institute of Banking and Finance (Guarantee) Limited		-	181,352
		7,544,251	7,055,335
		24,268,793	23,949,202

40.1 This includes an amount relating to defined contribution plan aggregating Rs. 136.150 million (2015: Rs. 256.393 million).

40.2 Expenses allocated by SBP Banking Services Corporation	2016	2015
	----- (Rupees in '000) -----	
Retirement benefits and employees' compensated absences	6,267,528	7,199,513
Depreciation	144,171	106,263
	6,411,699	7,305,776

	Note	2016 ------(Rupees in '000)-----	2015
40.3 Expenses reimbursed to SBP Banking Services Corporation			
Salaries and other benefits		6,153,682	5,686,410
Rent and taxes		25,550	20,952
Insurance		7,309	6,197
Electricity, gas and water		304,736	288,219
Repairs and maintenance		189,716	149,793
Auditors' remuneration	40.5	5,950	5,950
Legal and professional		11,078	6,266
Travelling expenses		21,725	16,918
Daily expenses		26,897	29,397
Recreation allowance		198,127	192,225
Fuel		3,002	2,949
Conveyance		16,818	12,913
Postage and telephone		12,898	24,590
Training		146,112	70,270
Remittance of treasure		92,744	67,043
Stationery		9,444	10,542
Books and newspapers		1,626	1,504
Advertisement		32,011	17,607
Bank guards		117,499	124,618
Uniforms		28,493	23,451
Others		138,834	116,169
		7,544,251	6,873,983

40.4 SBP Banking Services Corporation (the Corporation), a wholly owned subsidiary of the Bank, carries out certain functions and activities principally relating to public dealing on behalf of the Bank and incurs administrative costs in this respect. Accordingly, under mutually agreed arrangements, all of the above costs have been reimbursed to or allocated by the Corporation while profit of the Corporation for the year ended June 30, 2016, as mentioned in note 37.1, has also been transferred to the Bank.

	2016			2015		
	EY Ford Rhodes	A. F. Ferguson & Co.	Total	EY Ford Rhodes	A. F. Ferguson & Co.	Total
	----- (Rupees in '000) -----					
State Bank of Pakistan						
Audit fee	2,610	2,610	5,220	2,610	2,610	5,220
Out of pocket expenses	415	415	830	415	415	830
	3,025	3,025	6,050	3,025	3,025	6,050
SBP Banking Services Corporation						
Audit fee	2,090	2,090	4,180	2,090	2,090	4,180
Out of pocket expenses	885	885	1,770	885	885	1,770
	2,975	2,975	5,950	2,975	2,975	5,950
	6,000	6,000	12,000	6,000	6,000	12,000

40.6 Staff retirement benefits

40.6.1 During the year the actuarial valuations of the defined benefit obligations were carried out under the Projected Unit Credit Method using, following significant assumptions:

	2016	2015
-Discount rate for year end obligation	7.25% p.a	9.75% - 10.50% p.a.
-Salary increase rate (where applicable)	8.25% p.a	9.75% - 10.50% p.a.
-Pension indexation rate (where applicable)	4.75% p.a	7.25% p.a
-Medical cost increase rate	6.25% - 7.25% p.a	9.5% - 10.50% p.a
-Personnel turnover	11.50% p.a	4.5% p.a.
-Normal retirement age	60 Years	60 Years

Assumptions regarding future mortality are based on actuarial advice in accordance with published statistics and experience in Pakistan. The rates assumed are based on the adjusted SLIC 2001 - 2005 mortality tables with 1 year setback.

40.6.2 Through its defined benefit plan, the Bank is exposed to a number of risks, the most significant of which are detailed below:

Discount rate risk

The risk of changes in discount rate since discount rate is based on corporate / government bonds. Any change in bond yields will impact plan liabilities.

Salary increase / inflation risk

The risk that the actual salary increase is higher / lower than the expected where benefits are linked with final salary at the time of cessation of employment.

Mortality risk

The risk that the actual mortality experience is different than that of expected i.e. the actual life expectancy is different from assumed.

Withdrawal risk

The risk of actual withdrawals experience is different from assumed.

Medical inflation risk

The risk of actual medical inflation experience is different from assumed.

40.6.3 Change in present value of defined benefit obligation

	2016					Total
	Pension	Gratuity scheme	Post retirement medical	Benevolent fund scheme	Six months post retirement facility	
	(Rupees in '000)					
Present value of defined benefit obligation July 1, 2015	17,827,447	26,441	6,489,738	369,979	290,624	25,004,229
Current service cost	321,209	6,639	119,027	15,825	22,480	485,180
Past service cost	256,513	1,822	22,147	-	16,745	297,227
Interest cost on defined benefit obligation	1,637,429	2,755	665,247	33,308	29,259	2,367,998
Benefits due but not paid	-	-	-	-	-	-
Benefits Paid	(2,066,604)	(408)	(308,103)	(56,712)	(23,932)	(2,455,759)
Liability Transferred to BSC	(136,419)	-	(52,610)	(5,028)	(7,381)	(201,438)
Remeasurements:						
Actuarial (gains) / losses from changes in demographic assumption	797,254	-	93,993	18,623	(4,895)	904,975
Actuarial (gains) / losses from changes in financial assumptions	363,392	5,076	63,896	79,867	36,759	548,990
Experience adjustments	1,560,401	(2,830)	131,207	(9,274)	19,782	1,699,286
Present value of defined benefit obligation as on June 30, 2016	20,560,622	39,495	7,224,542	446,588	379,441	28,650,688

	2015					Total
	Pension	Gratuity scheme	Post retirement medical benefits	Benevolent fund scheme	Six months post retirement facility	
	(Rupees in '000)					
Present value of defined benefit obligation July 1, 2014	16,125,506	17,763	5,020,474	284,914	245,940	21,694,597
Current service cost	276,996	4,417	100,183	12,345	19,566	413,507
Interest cost on defined benefit obligation	2,036,503	2,267	658,471	34,408	32,243	2,763,892
Benefits Paid	(1,511,349)	(1,940)	(285,821)	(50,469)	(5,187)	(1,854,766)
Remeasurements:						
Actuarial (gains) / losses from changes in demographic assumption	77,986	-	-	-	-	77,986
Experience adjustments	821,805	3,934	996,431	88,781	(1,938)	1,909,013
Present value of defined benefit obligation as on June 30, 2015	17,827,447	26,441	6,489,738	369,979	290,624	25,004,229

40.6.3.1 The break-up of remeasurements recognised during the period in 'statement of comprehensive income' are as follows:

	2016	2015
	(Rupees in '000)	
State Bank of Pakistan		
- Actuarial (gains) / losses from changes in demographic and financial assumptions	1,453,965	77,986
- Experience adjustments	1,699,286	1,909,013
	3,153,251	1,986,999
Allocated by SBP Banking Services Corporation - a subsidiary*	(12,173,824)	2,073,949

*Under mutually agreed arrangements, the amount has been allocated to the State Bank of Pakistan.

40.6.4 Amount recognised in the profit and loss account

	2016					Total
	Pension	Gratuity scheme	Post retirement medical	Benevolent fund scheme	Six months post retirement facility	
	(Rupees in '000)					
Current service cost	321,209	6,639	119,027	15,825	22,480	485,180
Past service cost	256,513	1,822	22,147	-	16,745	297,227
Contribution made by Employees	-	-	-	(3,713)	-	(3,713)
Interest cost on defined benefit obligation	1,637,429	2,755	665,247	33,308	29,259	2,367,998
	2,215,151	11,216	806,421	45,420	68,484	3,146,692

	2015					
	Pension	Gratuity scheme	Post retirement medical benefits	Benevolent fund scheme	Six months post retirement facility	Total
	----- (Rupees in '000) -----					
Current service cost	276,996	4,417	100,183	12,345	19,566	413,507
Contribution made by Employees	-	-	-	(3,773)	-	(3,773)
Interest cost on defined benefit obligation	2,036,503	2,267	658,471	34,408	32,243	2,763,892
	2,313,499	6,684	758,654	42,980	51,809	3,173,626

40.6.5 Movement of present value of defined benefit obligation

	2016					
	Pension	Gratuity scheme	Post retirement medical	Benevolent fund scheme	Six months post retirement facility	Total
	(Rupees in '000)					
Net recognised liabilities at July 1, 2015	17,827,447	26,441	6,489,738	369,979	290,624	25,004,229
Amount recognised in the profit and loss account	2,215,151	11,216	806,421	45,420	68,484	3,146,692
Remeasurements	2,721,047	2,246	289,096	89,216	51,646	3,153,251
Benefits paid during the year	(2,066,604)	(408)	(308,103)	(56,712)	(23,932)	(2,455,759)
Liability Transferred to BSC	(136,419)	-	(52,610)	(5,028)	(7,381)	(201,438)
Employees contribution / amount transferred	-	-	-	3,713	-	3,713
Net recognised liabilities at June 30, 2016	20,560,622	39,495	7,224,542	446,588	379,441	28,650,688

	2015					
	Pension	Gratuity scheme	Post retirement medical benefits	Benevolent fund scheme	Six months post retirement facility	Total
	(Rupees in '000)					
Net recognised liabilities at July 1, 2014	16,125,506	17,763	5,020,474	284,914	245,940	21,694,597
Amount recognised in the profit and loss account	2,313,499	6,684	758,654	42,980	51,809	3,173,626
Remeasurements	899,791	3,934	996,431	88,781	(1,938)	1,986,999
Benefits paid during the year	(1,511,349)	(1,940)	(285,821)	(50,469)	(5,187)	(1,854,766)
Employees contribution / amount transferred	-	-	-	3,773	-	3,773
Net recognised liabilities at June 30, 2015	17,827,447	26,441	6,489,738	369,979	290,624	25,004,229

40.6.6 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation - Increase / (Decrease)		
	Change in Assumption	Increase in assumption	Decrease in assumption
	(Rupees in '000)		
Pension			
Discount rate	1%	(1,520,825)	1,770,671
Future salary increase	1%	416,878	(386,636)
Future pension increase	1%	1,391,272	(1,211,090)
Expected mortality rates	1 Year	(422,530)	494,773
Gratuity			
Discount rate	1%	(5,093)	6,017
Future salary increase	1%	5,938	(5,124)
Post retirement medical benefit scheme			
Discount rate	1%	(885,625)	1,125,041
Future salary increase	1%	45,141	(39,788)
Future Post-Retirement medical cost increase	1%	1,113,984	887,164
Expected mortality rates	1 Year	(239,127)	243,427
Benevolent			
Discount rate	1%	(30,841)	35,767
Six months post retirement facility			
Discount rate	1%	(35,031)	40,534
Future salary increase	1%	40,267	35,484

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liability of all schemes recognised within the balance sheet.

40.6.7 Duration of defined benefit obligation

	Pension	Gratuity scheme	Post retirement medical benefit	Benevolent fund scheme	Leave Encashment	Six months post retirement facility
Weighted average duration of the defined benefit obligation	8 Years	14 Years	14 Years	7 Years	9 Years	10 Years

40.6.8 Estimated expenses to be charged to profit and loss account for the year ending June 30, 2017

Based on the actuarial advice, the management estimates that charge in respect of defined benefit plans for the year ending June 30, 2017 would be as follows:

	Pension	Gratuity scheme	Post retirement medical benefit	Benevolent fund scheme	Six months post retirement facility	Total
	(Rupees in '000)					
Current service cost	300,044	5,602	126,215	3,833	27,355	463,049
Interest cost on defined benefit obligation	1,490,645	2,863	523,779	32,378	27,509	2,077,174
Amount chargeable to profit and loss account	1,790,689	8,465	649,994	36,211	54,864	2,540,223

40.6.9 Employees' compensated absences

The Bank's liability for employees' compensated absences determined through an actuarial valuation carried out under the Projected Unit Credit Method amounted to Rs. 2,551.97 million (2015: Rs. 2,528.24 million). An amount of Rs. 274.64 million (2015: Rs. 470.75 million) has been charged to the profit and loss account in the current period based on the actuarial advice. Expected charge in respect of the scheme for the year ending June 30, 2017 would be Rs 359.707 million. The benefits paid during the year amounted to Rs 181.223 million (2015: Rs 80.24 million). In case of 1% increase / decrease in discount rate the net charge for the year would decrease / increase by Rs. 214.698 million and Rs. 250.039 million respectively and the net liability would also be affected by the same amount. In case of 1% increase / decrease in salary rate the net charge for the year would increase / decrease by Rs. 251.265 million and Rs. 220.157 million respectively and the net liability would also be affected by the same amount.

	Note	2016	2015
		----- (Rupees in '000) -----	
41 PROFIT FOR THE YEAR AFTER NON-CASH ITEMS AND OTHER ITEMS			
Profit for the year		229,261,242	401,751,564
Adjustments for:			
Depreciation	16.1 & 40.2	1,483,867	1,355,246
Amortisation of intangible assets	17	3,057	5,980
Provision / (reversal) for / write-off:			
- retirement benefits and employees' compensated absences		9,827,094	11,106,849
- loans and advances		-	926,437
- claims		(232)	(1,489)
- other doubtful assets		(86,213)	(55,071)
- foreign currency accounts and investments		-	-
Loss on disposal of property and equipment		501	-
Gain on disposal of investments	36	-	(103,120,956)
Effect of exchange loss / (gain) on cash and cash equivalents		45,545,964	17,048,228
Dividend income		(12,226,343)	(15,429,445)
		<u>273,808,937</u>	<u>313,587,343</u>
42 CASH AND CASH EQUIVALENTS			
Local currency - coins		488,198	365,231
Foreign currency accounts and investments		1,737,853,644	1,277,055,321
Earmarked foreign currency balances		5,147,596	1,274,786
Special Drawing Rights of the International Monetary Fund		67,656,236	72,229,419
		<u>1,811,145,674</u>	<u>1,350,924,757</u>

43 RELATED PARTY TRANSACTIONS

The Bank enters into transactions with related parties in its normal course of business. Related parties include the Federal Government as major shareholder of the Bank, Provincial Governments, Government of Azad Jammu and Kashmir, Gilgit-Baltistan Administration Authority, Government controlled enterprises / entities, retirement benefit plans, directors and key management personnel of the Bank.

43.1 Governments and related entities

The Bank is acting as an agent of the Federal Government and is responsible for functions conferred upon as disclosed in note 1 to these financial statements. Balances outstanding from and transactions with the Federal and Provincial Governments and related entities not disclosed elsewhere in the financial statements are given below:

	2016	2015
	----- (Rupees in '000) -----	
<i>Transactions during the year</i>		
- Creation of MRTBs	<u>4,294,300,000</u>	<u>5,210,637,598</u>
- Retirement / rollover of MRTBs	<u>4,558,055,859</u>	<u>5,781,546,841</u>
- Commission income from sale of Market Treasury Bills, issuance of prize bonds, national saving certificates and management of public debt (refer note 34.1)		

43.2 Subsidiaries of the Bank

Material transactions with the subsidiaries have been disclosed in the financial statements in note 37.1 and 40. The subsidiaries of the Bank and their primary activities are as follows:

43.2.1 SBP Banking Services Corporation ("the Corporation") - wholly owned subsidiary

It is responsible for carrying out certain statutory and administrative functions and activities principally relating to public dealing on behalf of the State Bank of Pakistan.

43.2.2 National Institute of Banking and Finance (Guarantee) Limited ("the Institute") - wholly owned subsidiary

The Institute is engaged in providing education and training in the field of banking, finance and allied areas.

43.3 Remuneration to key management personnel

Key management personnel of the Bank include members of the Board of Directors of the Bank, Governor of the Bank, Deputy Governors of the Bank and other executives of the Bank who have responsibility for planning, directing and controlling the activities of the Bank. Fee of the non-executive members of the Board of Directors is determined by the Board. According to section 10 of the State Bank of Pakistan Act, 1956, the remuneration of the Governor is determined by the President of Pakistan. Deputy Governors are appointed and their salaries are fixed by the Federal Government. Details of remuneration of key management personnel of the Bank are as follows:

	2016	2015
	----- (Rupees in '000) -----	
Short-term employee benefit	264,955	181,068
Post-employment benefit	105,272	63,899
Loans disbursed during the year	173,047	116,377
Loans repaid during the year	92,324	78,157
Directors' fees	11,711	11,349
Number of key management personnel	17	14

Short-term benefits include salary and benefits, medical benefits and free use of Bank maintained cars in accordance with their entitlements. Post employment benefits include gratuity, pension, benevolent fund, post retirement medical benefits and six months post retirement facility.

44 RISK MANAGEMENT POLICIES

The Bank is primarily subject to interest / mark-up rate, credit, currency and liquidity risks. The policies and procedures for managing these risks are outlined in notes 44.1 to 44.10. The Bank has designed and implemented a framework of controls to identify, monitor and manage these risks. The senior management is responsible for advising the Governor on the monitoring and management of these risks.

44.1 Credit risk management

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk in the Bank's portfolio is monitored, reviewed and analysed by the appropriate officials and the exposure is controlled through counterparty and credit limits. Counterparties are allocated to a particular class based mainly on their credit rating. Foreign currency placements are made in approved currencies and government securities. Loans and advances to scheduled banks and financial institutions are usually secured either by Government guarantees or by demand promissory notes. Equity exposure based on their nature are not exposed to credit risk. Geographical exposures are controlled by country limits and are updated as and when necessary with all limits formally reviewed on a periodic basis. The Bank's exposure to credit risk associated with foreign investments is managed by monitoring compliance with investment limits for counterparties. The Bank's credit risk mainly lies with exposure towards government sector and financial institutions.

44.2 Concentrations of risk

Concentration risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly effected by changes in economic, political or other conditions. The Bank's significant concentrations arising from financial instruments at the balance sheet date without taking any collateral held or other credit enhancements is shown below:

44.2.1 Geographical analysis

	2016					
	Pakistan	Asia (other than Pakistan)	America	Europe	Australia	Others
	(Rupees in '000)					
Financial assets						
Local currency - coins	488,198	-	-	-	-	488,198
Foreign currency accounts and investments	19,082,343	490,232,443	841,281,192	534,829,640	91,658,752	1,977,084,370
Earmarked foreign currency balance	5,147,596	-	-	-	-	5,147,596
Special Drawing Rights of International Monetary Fund	-	-	67,656,236	-	-	67,656,236
Reserve tranche with the International Monetary Fund under quota arrangements	-	-	17,455	-	-	17,455
Securities purchased under agreement to resell	1,533,574,159	-	-	-	-	1,533,574,159
Current accounts of Governments	955,474	-	-	-	-	955,474
Investments - local	2,146,774,755	-	-	-	-	2,146,774,755
Loans, advances and bills of exchange	339,294,499	423,249	-	-	339,294,499	339,717,748
Assets held with the Reserve Bank of India	-	1,362,034	-	-	-	1,362,034
Balances due from the Governments of India and Bangladesh (former East Pakistan)	-	9,214,881	-	-	-	9,214,881
Other assets	2,591,740	1,050,258	25,909	301,694	36,508	4,006,109
Total financial assets	4,047,908,764	502,282,865	908,980,792	535,131,334	91,695,260	6,085,999,015
	2015					
	Pakistan	Asia (other than Pakistan)	America	Europe	Australia	Others
	(Rupees in '000)					
Financial assets						
Local currency - coins	365,231	-	-	-	-	365,231
Foreign currency accounts and investments	50,312,086	509,709,194	358,973,615	432,382,590	91,911,612	1,443,289,097
Earmarked foreign currency balance	1,274,786	-	-	-	-	1,274,786
Special Drawing Rights of International Monetary Fund	-	-	72,229,419	-	-	72,229,419
Reserve tranche with the International Monetary Fund under quota arrangements	-	-	17,052	-	-	17,052
Securities purchased under agreement to resell	662,579,848	-	-	-	-	662,579,848
Current accounts of Governments	3,048,507	-	-	-	-	3,048,507
Current account with National Institute of Banking and Finance (Guarantee) Limited	56,381	-	-	-	-	56,381
Investments - local	2,414,857,559	-	-	-	-	2,414,857,559
Securities given as collateral under repurchase agreement	-	-	-	-	-	-
Loans, advances and bills of exchange	338,076,799	423,249	-	-	-	338,500,048
Assets held with the Reserve Bank of India	-	1,448,247	-	-	-	1,448,247
Balances due from the Governments of India and Bangladesh (former East Pakistan)	-	8,561,790	-	-	-	8,561,790
Other assets	3,050,781	726,275	83,755	59,868	14,389	3,935,068
Total financial assets	3,473,621,978	520,868,755	431,303,841	432,442,458	91,926,001	4,950,163,033

44.2.2 Industrial analysis

	2016					
	Sovereign	Supranational	Public Sector	Banks & Financial Institutions	Others	Grand Total
	----- (Rupees in '000) -----					
Financial assets						
Local currency - coins	488,198	-	-	-	-	488,198
Foreign currency accounts and investments	936,159,121	178,478,743	1,087,680	848,890,453	12,468,373	1,977,084,370
Earmarked foreign currency balance	5,147,596	-	-	-	-	5,147,596
Special Drawing Rights of International Monetary Fund	-	67,656,236	-	-	-	67,656,236
Reserve tranche with the International Monetary Fund under quota arrangements	-	17,455	-	-	-	17,455
Securities purchased under agreement to resell	-	-	-	1,533,574,159	-	1,533,574,159
Current accounts of Governments	955,474	-	-	-	-	955,474
Investments - local	2,050,313,403	-	-	96,461,352	-	2,146,774,755
Loans, advances and bills of exchange	423,249	-	98,119,245	231,360,884	9,814,370	339,717,748
Assets held with the Reserve Bank of India	1,362,034	-	-	-	-	1,362,034
Balances due from the Governments of India and Bangladesh (former East Pakistan)	9,214,881	-	-	-	-	9,214,881
Other assets	1,237,025	111,047	-	1,896,310	761,727	4,006,109
Total financial assets	3,005,300,981	246,263,481	99,206,925	2,712,183,158	23,044,470	6,085,999,015

	2015					Grand Total
	Sovereign	Supranational	Public Sector	Banks &	Others	
			Entities	Financial		
				Institutions		
	----- (Rupees in '000) -----					
Financial assets						
Local currency - coins	365,231	-	-	-	-	365,231
Foreign currency accounts and investments	574,273,525	94,982,116	3,732,799	751,244,565	19,056,092	1,443,289,097
Earmarked foreign currency balance	1,274,786	-	-	-	-	1,274,786
Special Drawing Rights of International						
Monetary Fund	-	72,229,419	-	-	-	72,229,419
Reserve tranche with the International Monetary						
Fund under quota arrangements	-	17,052	-	-	-	17,052
Securities purchased under agreement to resell	-	-	-	662,579,848	-	662,579,848
Current accounts of Governments	3,048,507	-	-	-	-	3,048,507
Current account with National Institute of						
Banking and Finance (Guarantee) Limited	-	-	56,381	-	-	56,381
Investments - local	2,325,787,495	-	-	89,070,064	-	2,414,857,559
Loans, advances and bills of exchange	805,876	-	99,248,696	230,023,996	8,421,480	338,500,048
Assets held with the Reserve Bank of India	1,448,247	-	-	-	-	1,448,247
Balances due from the Governments of India and						
Bangladesh (former East Pakistan)	8,561,790	-	-	-	-	8,561,790
Other assets	1,515,740	6,888	-	1,740,737	671,703	3,935,068
Total financial assets	2,917,081,197	167,235,475	103,037,876	1,734,659,210	28,149,275	4,950,163,033

44.3 Credit exposure by credit rating

The credit quality of financial assets is managed by the Bank using external credit ratings. The table below shows the credit quality by class of assets for all financial assets that are neither past due nor impaired as at the reporting date and are exposed to credit risk, based on the rating of external rating agencies. The Bank uses lower of the credit rating of Moody's, Standard & Poor's and Fitch to categorise its financial assets in foreign currency accounts and investments. For domestic financial assets credit rating of JCR-VIS and PACRA are used.

	2016							Grand Total
	Sovereign (44.3.1)	AAA	AA	A	BBB	Lower than BBB	Unrated	
	(Rupees in '000')							
Financial assets								
Local currency - coins	488,198	-	-	-	-	-	-	488,198
Foreign currency accounts and investments	-	340,043,611	950,304,290	655,800,370	11,179,378	19,075,404	681,317	1,977,084,370
Earmarked foreign currency balance	5,147,596	-	-	-	-	-	-	5,147,596
Special Drawing Rights of International Monetary Fund	-	-	-	-	-	-	67,656,236	67,656,236
Reserve tranche with the International Monetary Fund under quota arrangements	-	-	-	-	-	-	17,455	17,455
Securities purchased under agreement to resell	-	-	-	1,532,762,001	-	812,158	-	1,533,574,159
Current accounts of Governments	955,474	-	-	-	-	-	-	955,474
Investments - local	2,050,313,403	-	-	-	-	-	-	2,050,313,403
Loans, advances and bills of exchange	75,846,587	81,063,739	146,636,085	24,650,228	955,253	40,489	10,525,367	339,717,748
Assets held with the Reserve Bank of India	-	-	-	-	1,362,034	-	-	1,362,034
Balances due from the Governments of India and Bangladesh (former East Pakistan)	-	-	-	-	40,453	9,174,428	-	9,214,881
Other assets	1,764,564	421,338	487,247	1,093,113	-	-	239,847	4,006,109
Total financial assets	2,134,515,822	421,528,688	1,097,427,622	2,214,305,712	13,537,118	29,102,479	79,120,222	5,989,537,663

	2015							Grand Total
	Sovereign (44.3.1)	AAA	AA	A	BBB	Lower than BBB	Unrated	
	(Rupees in '000')							
Financial assets								
Local currency - coins	365,231	-	-	-	-	-	-	365,231
Foreign currency accounts and investments	-	172,751,984	757,827,103	457,692,029	4,040,202	50,312,086	665,693	1,443,289,097
Earmarked foreign currency balance	1,274,786	-	-	-	-	-	-	1,274,786
Special Drawing Rights of International Monetary Fund	-	-	-	-	-	-	72,229,419	72,229,419
Reserve tranche with the International Monetary Fund under quota arrangements	-	-	-	-	-	-	17,052	17,052
Securities purchased under agreement to resell	-	-	-	661,627,223	-	952,625	-	662,579,848
Current accounts of Governments	3,048,507	-	-	-	-	-	-	3,048,507
Current account with National Institute of Banking and Finance (Guarantee) Limitec	-	-	-	-	-	-	56,381	56,381
Investments - local	2,325,787,495	-	-	-	-	-	-	2,325,787,495
Loans, advances and bills of exchange	382,627	112,286,612	156,793,415	35,466,209	53,123	481,680	33,036,382	338,500,048
Assets held with the Reserve Bank of India	-	-	-	-	1,448,247	-	-	1,448,247
Balances due from the Governments of India and Bangladesh (former East Pakistan)	-	-	-	-	40,453	8,521,337	-	8,561,790
Other assets	1,515,740	-	-	688,457	-	703,154	1,027,717	3,935,068
Total financial assets	2,332,374,386	285,038,596	914,620,518	1,155,473,918	5,582,025	60,970,882	107,032,644	4,861,092,969

44.3.1 Government securities and balances, pertaining to Pakistan, are rated as sovereign. The international rating of Pakistan is B- (as per Standards & Poors).

44.3.2 The collateral held as security against financial assets to cover the credit risk are disclosed in the respective notes.

44.4 Details of financial assets impaired and provisions recorded there against:

	Gross Amount		Impairment Provision	
	2016	2015	2016	2015
	(Rupees in '000)			
Available for sale investment - unlisted	2,431,758	2,431,758	856,863	856,863
Loans and advances - agriculture sector	18,587	18,587	18,587	18,587
Loans and advances - industrial sector	1,054,285	1,054,285	1,054,285	1,054,285
Loans and advances - others	4,267,953	4,267,953	4,267,953	4,267,953
Assets held with the Reserve Bank of India	1,362,034	1,448,247	1,362,034	1,448,247
Balances due from the Governments of India and Bangladesh [(former East Pakistan) including loans recoverable from financial institutions operating in Bangladesh]	9,638,160	8,985,069	9,638,160	8,985,069

44.5 Liquidity analysis with interest / mark-up rate risk

44.5.1 Interest / mark-up rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. The Bank has adopted appropriate policies to minimise its exposure to this risk.

	2016						Grand Total
	Interest / mark-up bearing			Non interest / mark-up bearing			
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
(Rupees in '000)							
Financial assets							
Non-derivatives assets:							
Local currency - coins	-	-	-	488,198	-	488,198	488,198
Foreign currency accounts and investments	1,623,513,653	348,154,813	1,971,668,466	8,639,389	681,344	9,320,733	1,980,989,199
Earmarked foreign currency balance	-	-	-	5,147,596	-	5,147,596	5,147,596
Special Drawing Rights of International Monetary Fund	67,656,236	-	67,656,236	-	-	-	67,656,236
Reserve tranche with the International Monetary Fund under quota arrangements	-	-	-	17,455	-	17,455	17,455
Securities purchased under agreement to resell	1,533,280,018	-	1,533,280,018	294,141	-	294,141	1,533,574,159
Current accounts of Governments	2,955,474	-	2,955,474	(2,000,000)	-	(2,000,000)	955,474
Investments - local	2,017,100,000	2,740,000	2,019,840,000	126,934,755	-	126,934,755	2,146,774,755
Loans, advances and bills of exchange	297,929,581	30,352,200	328,281,781	2,694,854	8,741,113	11,435,967	339,717,748
Assets held with the Reserve Bank of India	-	-	-	1,362,034	-	1,362,034	1,362,034
Balances due from the Governments of India and Bangladesh (former East Pakistan)	8,354,504	-	8,354,504	860,377	-	860,377	9,214,881
Other assets	-	-	-	2,563,293	319	2,563,612	2,563,612
	5,550,789,466	381,247,013	5,932,036,479	147,002,092	9,422,776	156,424,868	6,088,461,347
Derivatives assets							
Other assets	-	-	-	1,442,497	-	1,442,497	1,442,497
Grand Total	5,550,789,466	381,247,013	5,932,036,479	148,444,589	9,422,776	157,867,365	6,089,903,844
Financial liabilities							
Bank notes issued	-	-	-	3,554,922,057	-	3,554,922,057	3,554,922,057
Bills payable	-	-	-	598,142	-	598,142	598,142
Current accounts of the Governments*	-	-	-	606,657,778	-	606,657,778	606,657,778
Current account with SBP Banking Services Corporation - a subsidiary	-	-	-	47,810,651	-	47,810,651	47,810,651
Current account with National Institute of Banking and Finance (Guarantee) Limited - a subsidiary	-	-	-	22,818	-	22,818	22,818
Payable to Islamic Banking Institutions against Bai Muajjal transactions	44,068,109	-	44,068,109	884,829	-	884,829	44,952,938
Payable under bilateral currency swaps agreements	157,812,000	-	157,812,000	695,631	-	695,631	158,507,631
Deposits of banks and financial institutions	-	-	-	391,760,469	-	391,760,469	391,760,469
Other deposits and accounts	87,730,857	-	87,730,857	73,729,337	-	73,729,337	161,460,194
Payable to International Monetary Fund	144,554,785	633,076,488	777,631,273	-	1,108,232	1,108,232	778,739,505
Other liabilities	-	-	-	20,471,428	-	20,471,428	20,471,428
	434,165,751	633,076,488	1,067,242,239	4,697,553,140	1,108,232	4,698,661,372	5,765,903,611
Derivative Liabilities							
Foreign currency accounts and investments	-	(103,955)	(103,955)	906,473	3,102,311	4,008,784	3,904,829
	434,165,751	632,972,533	1,067,138,284	4,698,459,613	4,210,543	4,702,670,156	5,769,808,440
On balance sheet gap (a)	5,116,623,715	(251,725,520)	4,864,898,195	(4,550,015,024)	5,212,233	(4,544,802,791)	320,095,404
Foreign currency forward and swap contracts - sale	-	-	-	(802,656,331)	-	(802,656,331)	(802,656,331)
Foreign currency forward and swap contracts - purchase	-	-	-	595,499,305	-	595,499,305	595,499,305
Futures - sale	-	-	-	(18,044,108)	-	(18,044,108)	(18,044,108)
Futures - purchase	-	-	-	14,656,485	-	14,656,485	14,656,485
Capital Commitments	-	-	-	(386,844)	-	(386,844)	(386,844)
Off balance sheet gap	-	-	-	(210,931,493)	-	(210,931,493)	(210,931,493)
Total yield / interest risk sensitivity gap	5,116,623,715	(251,725,520)	4,864,898,195	(4,339,083,531)	5,212,233	(4,333,871,298)	531,026,897
Cumulative yield / interest risk sensitivity gap	5,116,623,715	4,864,898,195	9,729,796,390	5,390,712,859	5,395,925,092	1,062,053,794	1,062,053,794
Contingent liabilities in respect of guarantees given	-	-	-	-	29,092,995	29,092,995	29,092,995

(a) On-balance sheet gap represents the net amounts of on-balance sheet items.

* The Bank has the contractual right and intention to offset these balances against their respective non-interest bearing deposit balances. Mark-up on these balances is charged only when these balances are in debit

	2015						
	Interest / mark-up bearing			Non interest / mark-up bearing			Grand
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	Total
	(Rupees in '000)						
Financial assets							
Non-derivatives assets:							
Local currency - coins	-	-	-	365,231	-	365,231	365,231
Foreign currency accounts and investments	170,050,602	1,241,628,124	1,411,678,726	1,968,460	30,657,429	32,625,889	1,444,304,615
Earmarked foreign currency balance	-	-	-	1,274,786	-	1,274,786	1,274,786
Special Drawing Rights of International Monetary Fund	72,229,419	-	72,229,419	-	-	-	72,229,419
Reserve tranche with the International Monetary Fund under quota arrangements	-	-	-	17,052	-	17,052	17,052
Securities purchased under agreement to resell	662,003,377	-	662,003,377	576,471	-	576,471	662,579,848
Current accounts of Governments	5,048,507	-	5,048,507	(2,000,000)	-	(2,000,000)	3,048,507
Current account with National Institute of Banking and Finance (Guarantee) Limited	-	-	-	56,381	-	56,381	56,381
Investments - local	2,280,855,859	2,740,000	2,283,595,859	131,261,700	-	131,261,700	2,414,857,559
Loans, advances and bills of exchange	291,396,876	35,837,736	327,234,612	3,803,453	7,461,983	11,265,436	338,500,048
Assets held with the Reserve Bank of India	-	-	-	1,448,247	-	1,448,247	1,448,247
Balances due from the Governments of India and Bangladesh (former East Pakistan)	7,701,413	-	7,701,413	860,377	-	860,377	8,561,790
Other assets	-	-	-	2,392,633	-	2,392,633	2,392,633
	3,489,286,053	1,280,205,860	4,769,491,913	142,024,791	38,119,412	180,144,203	4,949,636,116
Derivatives assets							
Other assets	-	-	-	1,542,435	-	1,542,435	1,542,435
Grand Total	3,489,286,053	1,280,205,860	4,769,491,913	143,567,226	38,119,412	181,686,638	4,951,178,551
Financial liabilities							
Bank notes issued	-	-	-	2,707,258,012	-	2,707,258,012	2,707,258,012
Bills payable	-	-	-	643,121	-	643,121	643,121
Current accounts of the Governments*	-	-	-	394,020,378	-	394,020,378	394,020,378
Current account with SBP Banking Services Corporation - a subsidiary	-	-	-	40,635,754	-	40,635,754	40,635,754
Payable to Islamic Banking Institutions against Bai Muajjal transactions	182,216,340	-	182,216,340	7,702,781	-	7,702,781	189,919,121
Payable under bilateral currency swaps agreements	164,133,000	-	164,133,000	734,890	-	734,890	164,867,890
Deposits of banks and financial institutions	-	-	-	413,234,045	-	413,234,045	413,234,045
Other deposits and accounts	32,609,634	45,800,415	78,410,049	68,767,939	-	68,767,939	147,177,988
Payable to International Monetary Fund	141,234,198	412,289,078	553,523,276	-	649,706	649,706	554,172,982
Other liabilities	-	-	-	44,902,919	-	44,902,919	44,902,919
	520,193,172	458,089,493	978,282,665	3,677,899,839	649,706	3,678,549,545	4,656,832,210
Derivative Liabilities							
Foreign currency accounts and investments	-	-	-	1,015,518	-	1,015,518	1,015,518
	520,193,172	458,089,493	978,282,665	3,678,915,357	649,706	3,679,565,063	4,657,847,728
On balance sheet gap (a)	2,969,092,881	822,116,367	3,791,209,248	(3,535,348,131)	37,469,706	(3,497,878,425)	293,330,823
Foreign currency forward and swap contracts - sale	-	-	-	(554,583,226)	-	(554,583,226)	(554,583,226)
Foreign currency forward and swap contracts - purchase	-	-	-	382,060,837	-	382,060,837	382,060,837
Futures - sale	-	-	-	(13,330,298)	-	(13,330,298)	(13,330,298)
Futures - purchase	-	-	-	18,901,205	-	18,901,205	18,901,205
Off balance sheet gap	-	-	-	(166,951,482)	-	(166,951,482)	(166,951,482)
Total yield / interest risk sensitivity gap	2,969,092,881	822,116,367	3,791,209,248	(3,368,396,649)	37,469,706	(3,330,926,943)	460,282,305
Cumulative yield / interest risk sensitivity gap	2,969,092,881	3,791,209,248	7,582,418,496	4,214,021,847	4,251,491,553	920,564,610	920,564,610
Contingent liabilities in respect of guarantees given	-	-	-	-	22,467,561	22,467,561	22,467,561

(a) On-balance sheet gap represents the net amounts of on-balance sheet items.

* The Bank has the contractual right and intention to offset these balances against their respective non-interest bearing deposit balances. Mark-up on these balances is charged only when these balances are in debit

44.5.2 The effective interest / mark-up rate for the monetary financial assets and liabilities are mentioned in their respective notes to the financial statements.

44.6 Interest rate risk

44.6.1 Cash flow interest rate risk

Cash flow interest rate risk is the risk of loss arising from changes in variable interest rates. The sensitivity analysis below have been determined based on the exposure to interest rates for floating rate assets and liabilities. The analysis is prepared assuming the amount of average assets and liabilities outstanding at the balance sheet date was outstanding for the whole year.

If interest rates had been 10 basis points higher/ lower and all other variables were held constant, the bank's profit for the year ended June 30, 2016 would increase / decrease by Rs 566 million (2015: Rs 419 million). This is mainly attributable to the Bank's exposure to interest rates on its variable rate instruments.

The Bank does not keep a sizable portion of its foreign currency accounts and investments in floating rate securities, therefore the profit / loss attributable to the Bank exposure to interest rate on its variable rate instruments is negligible.

44.6.2 Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Bank is exposed to fair value interest rate risk on its fixed income securities, classified as financial assets at fair value through profit or loss. To manage its fair value interest rate risk arising from investments in these securities, the management adopts practices mentioned in note 44.10.

As at June 30, 2016, a 10 basis points shift in market value, mainly as a result of change in interest rates with all other variables held constant, would result in profit for the year to increase by Rs 1,897.5 million (2015: Rs 946.54 million) or decrease by Rs 1,918.47 million (2015: Rs 945.52 million) mainly as a result of a increase or decrease in the fair value of fixed rate financial assets classified as financial asset at fair value through profit and loss.

44.7 Currency risk management

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency activities result mainly from the Bank's holding of foreign currency assets under its foreign reserves management function and the overall level of these assets is determined based on the prevailing extent of credit and liquidity risks. In order to avoid losses arising from adverse changes in the rates of exchange, the Bank's compliance with the limits established for foreign currency positions is being regularly monitored by the management.

The Bank also holds from time to time, foreign currency assets and liabilities that arise from the implementation of domestic monetary policies. Any foreign currency exposure relating to these implementation activities are hedged through the use of foreign currency forwards, swaps and other transactions.

The Bank also enters into forward foreign exchange contracts with the commercial banks and financial institutions to hedge against the currency risk on foreign currency transactions.

"The sensitivity analysis calculates the effect of reasonably possible movement of the currency rate against Pak Rupee, with all other variables held constant, on the profit and loss account and equity. If the Rupee had weakened / strengthened 1 percent against the principal currencies to which the Bank had significant exposure as at June 30, 2016 with all other variables constant profit for the & year would have been Rs. 8,771.99 million higher / lower (2015: Rs. 5,643.35 million). Net foreign currency exposure of the Bank is as follows:"

	2016	2015
	(Rupees in '000)	
US Dollar	1,270,462,855	741,628,994
Pound Sterling	(78,830,048)	(31,545,052)
Chinese Yuan	(3,698,119)	5,099,612
Euro	(268,904,801)	(158,752,565)
Japanese Yen	(48,103,822)	(1,759,278)
United Arab Emirates Dirham	6,190,362	10,639,257
Australian Dollar	(92,021)	162,405
Canadian Dollar	22,191	68,078
Others	152,216	(1,206,126)
	877,198,813	564,335,325

Net exposure in Special Drawing Rights (SDR) is allocated to its four basket currencies i.e. USD, GBP, EURO and JPY in the ratio of their percentage allocated by IMF for SDR basket.

The composition of the Bank's financial instruments and the correlation thereof to different variables is expected to change over time. Accordingly, the sensitivity analyses in note 44.6 and 44.7 prepared as of June 30, 2016 are not necessarily indicative of the effects on the Bank's profit and loss of future movements in different variables.

44.8 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market.

The Bank is exposed to equity securities price risk because of investment in listed equity securities by the Bank classified as available-for-sale. These investments are held as per the specific directives of the Government of Pakistan in accordance with the provisions of the State Bank of Pakistan Act, 1956 and other relevant statutes. Accordingly, price risk on listed equity securities can not be managed by the Bank.

In case of 5% increase or decrease in KSE 100 index on June 30, 2016, other comprehensive income would increase or decrease by Rs. 901.429 million (2015: Rs. 804.608 million) and equity of the Bank would increase or decrease by the same amount as a result of gains / (losses) on equity securities classified as available-for-sale.

The analysis is based on the assumption that the equity index would increase or decrease by 5% with all other variables held constant and all the Bank's equity instruments move according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index. The composition of the Bank's investment portfolio and the correlation thereof to the KSE index is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2016 is not necessarily indicative of the effect on the Bank's equity instruments of future movements in the level of KSE 100 index.

44.9 Liquidity risk management

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with the financial instruments. In order to reduce the level of liquidity risk arising out of the local currency activities, the Bank manages the daily liquidity position of the banking system including advancing and withdrawal of funds from the system for smoothening out daily peaks and troughs.

The risk arising out of the Bank's obligations for foreign currency balances or deposits is managed through available reserves generated mainly from borrowings and open market operations. The maturity profile of Bank's financial assets and financial liabilities is given in note 44.5.1.

44.10 Portfolio risk management

The Bank has appointed external managers to invest a part of the foreign exchange reserves in international fixed income securities. The external managers are selected after conducting a thorough due diligence by the Bank and externally hired investment consultants, and appointed after the approval of the Board. The mandates awarded to the managers require them to outperform the benchmarks which are based on fixed income global aggregate indices. The benchmarks are customised to exclude certain securities, currencies, and maturities to bring it to an acceptable level of risk and within the Bank's approved risk appetite. Managers are provided investment guidelines within which they have to generate excess returns over the benchmark. Safe custody of the portfolio is provided through carefully selected global custodian who is independent of the portfolio managers. The custodian also provides valuation, compliance, corporate actions and recovery, and other value added services which are typically provided by such custodian. The valuations provided by the custodian are reconciled with the portfolio managers, and recorded accordingly.

45 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following tables summarizes the carrying amounts and fair values of financial assets and liabilities.

	Carrying Value		Fair value	
	2016	2015	2016	2015
	(Rupees in '000)			
Financial assets				
Local currency - coins	488,198	365,231	488,198	365,231
Foreign currency accounts and investments	1,977,084,370	1,443,289,097	1,977,084,370	1,443,289,097
Earmarked foreign currency balances	5,147,596	1,274,786	5,147,596	1,274,786
Special Drawing Rights of the International Monetary Fund	67,656,236	72,229,419	67,656,236	72,229,419
Reserve tranche with the International Monetary Fund under quota arrangements	17,455	17,052	17,455	17,052
Securities purchased under agreement to resell	1,533,574,159	662,579,848	1,533,574,159	662,579,848
Current accounts of Governments	955,474	3,048,507	955,474	3,048,507
Current account with National Institute of Banking and Finance (Guarantee) Limited - a subsidiary	-	56,381	-	56,381
Investments - local	2,147,804,015	2,415,886,819	2,147,804,015	2,415,886,819
Loans, advances and bills of exchange	339,717,748	338,500,048	339,717,748	338,500,048
Assets held with the Reserve Bank of India	1,362,034	1,448,247	1,362,034	1,448,247
Balances due from the Governments of India and Bangladesh (former East Pakistan)	9,214,881	8,561,790	9,214,881	8,561,790
Other assets	4,006,109	3,935,068	4,006,109	3,935,068

	Carrying Value		Fair value	
	2016	2015	2016	2015
	(Rupees in '000)			
Financial Liability				
Bank notes in circulation	3,554,922,057	2,707,258,012	3,554,922,057	2,707,258,012
Bills payable	598,142	643,121	598,142	643,121
Current accounts of Governments	606,657,778	394,020,378	606,657,778	394,020,378
Current account with SBP Banking Services Corporation	47,810,651	40,635,754	47,810,651	40,635,754
Current account with National Institute of Banking and Finance (Guarantee) Limited - a subsidiary	22,818	-	22,818	-
Payable to Islamic Banking Institutions against Bai Muajjal transactions	44,952,938	189,919,121	44,952,938	189,919,121
Payable under bilateral currency swap agreement	158,507,631	164,867,890	158,507,631	164,867,890
Deposits of banks and financial institutions	391,760,469	413,234,045	391,760,469	413,234,045
Other deposits and accounts	161,460,194	147,177,988	161,460,194	147,177,988
Payable to the International Monetary Fund	778,739,505	554,172,982	778,739,505	554,172,982
Other liabilities	20,471,428	44,902,919	20,471,428	44,902,919

45 The table below analyses financial and non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs e.g. estimated future cash flows) (Level 3).

	2016			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Recurring Fair Value Measurements				
On balance sheet financial instruments				
Financial Assets				
Foreign currency accounts and investments - held for trading	269,942,861	-	-	269,942,861
Investments - local	92,487,082	-	-	92,487,082
Non-Financial Assets				
Operating fixed assets (Land and buildings)	-	58,344,593	-	58,344,593
Gold reserves held by the Bank	287,170,323	-	-	287,170,323
	649,600,266	58,344,593	-	707,944,859
Off balance sheet financial instruments				
Foreign currency forward and swap contracts - sale	-	802,656,331	-	802,656,331
Foreign currency forward and swap contracts - purchase	-	595,499,305	-	595,499,305
Futures - sale	18,044,108	-	-	18,044,108
Futures - purchase	14,656,485	-	-	14,656,485
	2015			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Recurring Fair Value Measurements				
On balance sheet financial instruments				
Financial Assets				
Foreign currency accounts and investments - held for trading	291,639,069	-	-	291,639,069
Investments - local	85,095,794	-	-	85,095,794
Non-Financial Assets				
Operating fixed assets (Land and buildings)	-	19,454,757	-	19,454,757
Gold reserves held by the Bank	247,150,713	-	-	247,150,713
	623,885,576	19,454,757	-	643,340,333
Off balance sheet financial instruments				
Foreign currency forward and swap contracts - sale	-	554,583,226	-	554,583,226
Foreign currency forward and swap contracts - purchase	-	382,060,837	-	382,060,837
Futures - sale	13,330,298	-	-	13,330,298
Futures - purchase	18,901,205	-	-	18,901,205

The Bank's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred.

There were no transfers between levels 1 and 2 during the year.

(a) Financial instruments in level 1

Financial instruments included in level 1 comprise of financial assets in note 7.1 related to foreign currency accounts and investments and investment in listed shares in note 12.2 classified as available-for-sale.

(b) Financial instruments in level 2

Currently, no financial instruments are classified through level 2.

(c) Financial instruments in level 3

Currently, no financial instruments are classified through level 3.

45.1 Valuation techniques used in determination of fair values within level 2

Item	Valuation approach and input used
Operating fixed assets (Land and building)	The fair value of land and building are derived using the sale comparison approach. The sales value is determined by physically analysing the condition of land and building and by ascertaining the current market value of similar land, which is selling in near vicinity. Moreover, for buildings, the valuer has also considered prevailing current cost of construction for relevant type of civil work carried out thereon, where ever required. Please refer note 16.2 highlighting the year of valuation and external valuer name.
Forward foreign exchange contracts	The valuation has been determined by interpolating the mid rates announced by State Bank of Pakistan.

46 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	2016				Total
	Loans and receivables	Assets at fair value through profit or loss	Held to maturity	Available for sale	
	(Rupees in '000)				
Financial assets					
Local currency - coins	488,198	-	-	-	488,198
Foreign currency accounts and investments	1,472,496,928	266,038,032	238,549,410	-	1,977,084,370
Earmarked foreign currency balances	5,147,596	-	-	-	5,147,596
Special Drawing Rights of the International Monetary Fund	67,656,236	-	-	-	67,656,236
Reserve tranche with the International Monetary Fund under quota arrangements	17,455	-	-	-	17,455
Securities purchased under agreement to resell	1,533,574,159	-	-	-	1,533,574,159
Current accounts of Governments	955,474	-	-	-	955,474
Investments - local	2,050,313,403	-	-	96,461,352	2,146,774,755
Loans, advances and bills of exchange	339,717,748	-	-	-	339,717,748
Assets held with the Reserve Bank of India	1,362,034	-	-	-	1,362,034
Balances due from the Governments of India and Bangladesh (former East Pakistan)	9,214,881	-	-	-	9,214,881
Other assets	2,563,612	1,442,497	-	-	4,006,109
	2015				Total
	Loans and receivables	Assets at fair value through profit or loss	Held to maturity	Available for sale	
	(Rupees in '000)				
Financial assets					
Local currency - coins	365,231	-	-	-	365,231
Foreign currency accounts and investments	1,010,800,995	266,919,992	165,568,110	-	1,443,289,097
Earmarked foreign currency balances	1,274,786	-	-	-	1,274,786
Special Drawing Rights of the International Monetary Fund	72,229,419	-	-	-	72,229,419
Reserve tranche with the International Monetary Fund under quota arrangements	17,052	-	-	-	17,052
Securities purchased under agreement to resale	662,579,848	-	-	-	662,579,848
Current accounts of Governments	3,048,507	-	-	-	3,048,507
Current account with National Institute of Banking and Finance (Guarantee) Limited - a subsidiary	56,381	-	-	-	56,381
Investments - local	2,325,787,495	-	-	89,070,064	2,414,857,559
Loans, advances and bills of exchange	338,500,048	-	-	-	338,500,048
Assets held with the Reserve Bank of India	1,448,247	-	-	-	1,448,247
Balances due from the Governments of India and Bangladesh (former East Pakistan)	8,561,790	-	-	-	8,561,790
Other assets	2,392,633	1,542,435	-	-	3,935,068

	2016		
	Carried at amortised cost	Liabilities at fair value through profit or loss	Total
	(Rupees in '000)		
Financial liabilities			
Bank notes in circulation	3,554,922,057	-	3,554,922,057
Bills payable	598,142	-	598,142
Current accounts of Governments	606,657,778	-	606,657,778
Current account with SBP Banking Services Corporation - a subsidiary	47,810,651	-	47,810,651
Current account with National Institute of Banking and Finance (Guarantee) Limited - a subsidiary	22,818	-	22,818
Payable to Islamic Banking Institutions against Bai Muajjal transactions	44,952,938	-	44,952,938
Payable under bilateral currency swap agreement	158,507,631	-	158,507,631
Deposits of banks and financial institutions	391,760,469	-	391,760,469
Other deposits and accounts	161,460,194	-	161,460,194
Payable to the International Monetary Fund	778,739,505	-	778,739,505
Other liabilities	20,471,428	-	20,471,428
	2015		
	Carried at amortised cost	Liabilities at fair value through profit or loss	Total
	(Rupees in '000)		
Bank notes in circulation	2,707,258,012	-	2,707,258,012
Bills payable	643,121	-	643,121
Current accounts of Governments	394,020,378	-	394,020,378
Current account with SBP Banking Services Corporation - a subsidiary	40,635,754	-	40,635,754
Securities sold under agreement to repurchase	189,919,121	-	189,919,121
Payable under bilateral currency swap agreement	164,867,890	-	164,867,890
Deposits of banks and financial institutions	413,234,045	-	413,234,045
Other deposits and accounts	147,177,988	-	147,177,988
Payable to the International Monetary Fund	554,172,982	-	554,172,982
Other liabilities	44,902,919	-	44,902,919

47 NON-ADJUSTING EVENT

The Board of Directors of the Bank in their meeting held on October 29, 2016 have appropriated an amount of Rs 1,999.567 million to "Revenue Reserve". The balance of profit after allocation of such appropriation will be transferred to the Government of Pakistan. The financial statements of the Bank for the year ended June 30, 2016 do not include the effect of above appropriation and transfer of balance profit to the Government of Pakistan, which will be accounted for in the financial statements of the Bank for the year ending June 30, 2017.

48 DATE OF AUTHORISATION

These financial statements were authorised for issue on October 29, 2016 by the Board of Directors of the Bank.

49 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of better presentation and comparison. No significant reclassifications have been made during the current year except for the following:

FROM	TO	2015 Rupees in '000
Foreign currency accounts and investments	Foreign currency accounts and investments	
Deposit accounts	Securities purchased under agreement to resell	4,123,132
Deposit accounts	Investments	23,703,559

50 GENERAL

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

Ashraf Mahmood Wathra
Governor

Riaz Riazuddin
Deputy Governor

Muhammad Haroon Rasheed
Executive Director