First Women Bank Limited

First Women Bank Limited

Financial Statements
For the year ended
31 December 2016

DIRECTORS' REPORT

On behalf of the Board of Directors, I am pleased to present the 27th Annual Report of First Women Bank Limited (the Bank) for the year ended 31 December 2016.

Economic Review

Pakistan's economy maintained its growth momentum during CY16, mainly driven by growth in the industrial sector on the back of better energy supply and improvement in security situation. The country's GDP, which grew at the rate of 4.7% in FY16, is expected to grow by 5.7% in FY17. Furthermore, the exchange rate has stabilized as a result of buildup in foreign exchange reserves, which have increased to USD 23.3 billion at the end of CY16, compared to USD 21.1 billion last year.

An expansionary monetary policy played a vital role in the country's economic development as it encouraged construction and related activities. However, in its latest Monetary Policy meeting, SBP kept the policy rate unchanged at 5.75% on account of rising inflationary expectations. Visible progress on the China Pakistan Economic Corridor (CPEC) over the last 12 months indicates that the country is now on the path to long term and sustainable economic growth.

The Pakistan Stock Exchange (PSX) continued its upward trajectory and has been approaching record level of 50k points. During 2016, the KSE-100 index ended the year at around 48k points, posting a significant year on year growth of 46%, making it the best performing market in Asia during 2016. Strong performance of Pakistan equities in 2016 was mainly led by strong liquidity in the local system owing to low interest rates and rising investor confidence. Economic recovery has positively affected local demand for oil stocks while an improving security situation and exuberance on Pakistan's reclassification in MSCI Emerging Markets Index have also driven the overall bullish sentiment.

In view of the improved economic outlook, Pakistan has issued various global bonds, including Eurobonds and Sukuks, all met by strong interest from international capital markets. Despite overall improvement in the FX reserves, the country's trade deficit deteriorated during H1 FY'17 to a level of USD 14.5 billion, up 22.2% on a YoY basis.

Deposits for the banking sector grew by 15.8% during the year with major impetus coming towards the latter part of the year. Despite overall lower interest rates, loan momentum remained subdued during most part of the year; however, gross advances gained some strength during the latter part of the year with a growth of 13.6% in 2016.

Financial Highlights

Rupees in '000

Profit & Loss Account for the Year Ended,

	December 2016	December 2015	Change (%)
Mark-up / return / interest earned	**1,161,864**	1,516,365	-23.38%
Mark-up / return / interest expensed	**(522,492)**	(818,538)	-36.17%
Net mark-up / interest income	**639,372**	697,827	-8.38%
Non Mark-up Income	**244,557**	409,063	-40.22%
Total income	**883,929**	1,106,890	-20.14%
Administrative expenses	**(879,191)**	(839,859)	4.68%
Other provisions and charges	**(18,351)**	(7,520)	144.03%
(Loss)/profit before reversal/provisions	**(13,613)**	259,511	-105.25%
Reversals / (Provisions)	**17,667**	(225,239)	107.84%
Profit before taxation	**4,054**	34,272	-88.17%
Taxation	**7,270**	19,155	-62.05%
Profit after taxation	**11,324**	53,427	-78.80%
Earnings per share (rupees)	**0.03**	0.21	-85.71%

Statement of Financial Position As at,

	31 December 2016	31 December 2015	Change (%)
Advances - Net	**8,213,247**	7,970,275	3.05%
Investments - Net	**8,032,819**	11,067,137	-27.42%
Deposits	**13,708,791**	15,163,440	-9.59%
Total Assets	**18,520,566**	21,346,622	-13.24%
Total Liabilities	**15,040,042**	18,513,458	-18.76%
Share Capital	**3,494,113**	2,894,113	20.73%
Reserves	**307,718**	294,768	4.39%
Accumulated loss	**(463,974)**	(489,622)	5.24%

Financial Performance

FWBL posted a profit after tax of Rs. 11.3 million. Considering the challenges faced by the Bank in terms of capital structure the financial results for year ended 31 December 2016 are yet satisfying as the Bank has closed the year in profit and has started regaining its pace towards recovering its financial strength. Management focus remained on the recovery side and resulted in the net reversal of 17.67 million non-performing loan portfolio. Gross markup income decreased by 354.5 million overall, mainly on account of divestment in PIBs portfolio in last and current year which contributed in the deceased by around 263.71 million. Markup expense also decreased by 296.05 million mainly due to decline in hyper account deposits as management's prime focus is shifted to build deposit base through CASA and short term repo borrowings. Non-markup income overall decreased by 164.51 million in comparison with the last year mainly due to the decrease in capital gains on sale of securities, as last year Bank earned 295.96 million by disposing off the govt. securities i.e. PIBs. Owing to the cost efficient measures of management, administrative expenses and other charges remained controlled and despite of additional spending on human resource development and on technological front, have only increased by 39.33 million or 4.68%.

Asset base of the bank has reached to Rs. 18.52 billion from Rs. 21.35 billion, decrease of 13.24%. Net investments decreased by 27.42% as compared to investment position as at 31 December 2015. Net Advances have shown a slight increase of 3.05%. Deposit portfolio shown a slight dip of 9.59% in comparison with December 31, 2015.

Bank has always encouraged providing financial support to women for promoting this important component of the economy. During the year 2016, Bank has disbursed Rs. 267.947 million to female individuals and entities run by female entrepreneurs.

Key Business Developments

In the year 2016 the main focus of the management remained on meeting MCR, strategy formulation, improving regulatory compliance, governance, enhancement of core banking platform to newer version and improve policies, processes & internal controls. Its business focus remained on low cost Deposit mobilization and recovery of bad loans. Cash recoveries worth Rs. 38 million were managed during the year.

FWBL is constantly striving for keeping pace with changing market dynamics and customer needs. FWBL has successfully launched Mera Cash (for SME) and Salary Loan Product (for consumer) segment and has managed to disburse a portfolio of Rs. 115.336 million since their launch.

Worldwide Financial Exclusion (an environment where individuals do not have access to formal financial services due to low income or poverty) is being recognized as a risk to a sustainable world economy that impedes economic advancements. In Pakistan too, many people are not part of the country's formal financial system. State Bank of Pakistan (SBP) is continuously making efforts to overcome this challenge for the better economic future of Pakistan. Recently, for the development of an inclusive financial system and providing an enabling environment in the country, SBP issued Guidelines on Low Risk Accounts namely Asaan Account with simplified due diligence. In light of these guidelines, FWBL launched a new product 'FWBL ZINDAGI ASAAN ACCOUNT', offering easy access to a Bank account and secure savings, without the complex account opening procedure.

Bank in collaboration with State Life Insurance Corporation (SLIC) has entered into a strategic partnership to sell insurance products under Bancassurance. Three product plans i.e. Endowment Plan, Three Payment Plan and Sada Bahar Plan are being offered under the partnership.
In the banking sector, Alternate Delivery Channels (ADCs) are effective mediums for providing banking services directly to customers. ADCs have proven their ability to meet customers' expectations by ensuring accuracy, convenience and timeliness in service 24/7. FWBL signed agreements with 1Link,

MasterCard, and Avanza to offer debits cards and internet banking services to it's customers. These initiatives will take FWBL a step forward in providing Fintech services to their existing and future customer base.

Gender Equity Program Grant

The First Women Bank Limited has been awarded a grant of Rs. 27.5 million for developing three new financial products for (GEP) Home based Workers and Small Scale Women Entrepreneurs and Capacity Building of FWBL including Senior management and core banking staff on the new financial products, leadership development and service quality under Gender Equity Program (GEP) of Aurat Foundation (AF) by the support of the American People through United States Agency for International Development (USAID).

The overall Project objective is to enhance the Financial Inclusion of Women, thus leading to poverty alleviation, access to much needed finance, increasing the habit of saving, and provision of other bank services. These asset based/liability oriented/ risk mitigating and insurance covered financial products will be targeted to women clusters, 17 AF affiliated Universities, beneficiaries of GEP and small scale female entrepreneurs.

FWBL will organize a market survey to find out what financial products do Home Based Workers and Small Scale Entrepreneurs want. The sample for this survey on Research and Development of products will be taken from previous trainees (640) and GEP implementing partners of grant cycle 7A and 12 districts of Pakistan consisting approximately 1750 direct beneficiaries. FWBL will develop at least three (3) new banking products / services that it will pretest, pilot and launch through a marketing campaign and three road shows. FWBL will conduct trainings of its senior management as well as its core banking staff on the new developed products as well as impart soft skills trainings on Team Building, Leadership, Customer Service and Sales Management.

FWBL will also utilize GEP's "Pakistan Gender Coalition" (PGC) platform for marketing its products to GEP sub guarantees so that NGOs and CSOs working on women's empowerment and development can access FWBL's services.

FWBL will also engage and develop interventions with 17 GEP affiliated Universities in the close proximity of its branch network to introduce banking services to young women.

It is envisioned that through these campaigns and three road shows financial inclusion of women will be increased and improved leading to women economic empowerment and emancipation.

National Financial Inclusion Strategy

FWBL aims to support women's financial inclusion by taking a holistic and integrated approach and undertaking research and developing products & services based on needs of un-served women markets. Further, it is also planned to participate in schemes of Government aimed to Economic Empowerment of women at all three MACRO, MEZZO and MICRO levels. We aim to build tie ups with organization that are providing financial assistance to low income groups to facilitate and promote SME sector by focusing particularly on S of SME. Management is also planning to develop variety of affordable products for the end users that enhance economic activity & financial inclusion and identify women target markets and clusters which are financially excluded. Even if we aim to target 1% of the total Financial Inclusion target for Pakistan, we would be undertaking a paradigm shift in our existing product mix structures and services mix for the end user. We aim to utilize the GEP project as corner stone in the foundation to achieve the National Financial Inclusion target.

Key IT Developments

One of the key Information Technology achievements for FWBL was deployment of Disaster Recovery Site capable of providing access to banking solutions and other related applications from Disaster Recovery Site. In addition, FWBL Information Technology networking environment was also upgraded that included deployment of Next Generation Firewalls, and Intrusion Prevention System. Information Security related controls were also implemented within FWBL network to manage data traffic and minimize the risk of data leakage. Towards the end of the year, During the year 2016, all FWBL branches were also equipped with Bio-metric devices that are being used to verify consumers using NADRA biometric verification system.

Minimum Capital Requirement

Minimum Capital Requirements (MCR) has been reset for the Bank by SBP, upon recommendation from Government of Pakistan (GoP), as disclosed in note 1.2 to the financial statements. Under the revised requirements, the Bank is required to maintain paid-up capital (net of losses) of Rs. 3 billion and Capital Adequacy Ratio (CAR) of 18% at all times.

However, till the year ended December 31, 2016 the paid up capital of the Bank stood at Rs. 3.03 billion. Whereas bank risk profile remain quite satisfactory as reflected through its CAR 46.56%**.**

Additional Equity Injection by GoP.

During the year 2016 MOF injected Rs. 600 million towards the paid up capital of the Bank thus the paid up share capital of the Bank stands at Rs. 3.49 billion as at the close of the year. GoP through MoF now owns 80.16% of the shareholding of the Bank.

Credit Rating

The Bank has a long-term entity rating of "A-" while the short-term entity rating is "A2". Bank's rating denotes that there is currently a low expectation of credit risk and the capacity for timely payment of financial commitments is considered strong.

Statement under clause xvii of the Public Sector Companies Code of Corporate Governance

The Board of Directors is committed to ensure that the relevant principles of Corporate Governance are complied with. However, the non-compliances, if any (as mentioned in statement of compliance) have been identified and have been recorded along with the reasons. The Directors are pleased to report that;

- The financial statements present fairly the state of affairs of the Bank, the result of its operations, cash flows and changes in equity;
- Proper books of account of the Bank have been maintained;
- Appropriate accounting policies have been consistently applied in the preparation of the financial statements, & Accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting standards, as applicable to Banks in Pakistan, have been followed in the preparation of financial statements and departure(s), (if any) there from have been adequately disclosed in the Annual Financial Statements.
- The system of internal control in the Bank is sound in design, and has been effectively implemented and monitored;
- The appointment of Chairman Board & other Members, the terms of their appointment & the remuneration Policy (Director's fee) adopted are in the best interest of the Bank as well as in line with the best practices.
- The disclosure of the remuneration of the Chief Executive and the Directors is covered under Note 35 of the attached financial statements.
- There are no significant doubts regarding the Bank's ability to continue as a going concern;

- There has been no material departure from the best practices of Corporate Governance;

- The Board has formed the following four committees with defined terms of reference:
  - Board Risk Management Committee (BRMC); met once during the year;
  - Board Human Resource & Compensation Committee (BHRCC); met 2 times during the year;
  - Board Audit Committee (BAC); met 4 times during the year and
  - Board Business Strategy Committee- Recently formed by the Board and the first meeting of the Committee was held in February 2017.

Board & Sub Committee Meetings

Total 6 Board Meetings, 4 BAC meetings, 2 BHRCC meetings and 1 BRMC meeting was held during the period. The number of meetings attended by each of the Director during his/ her tenure is as follows;

Name of Directors	Org.	Board Meeting		BAC		BHRCC		BRMC	
		Meetings Held During Tenur	Attendance	Meetings Held During Tenur	Attendance	Meetings Held During Tenur	Attendance	Meetings Held During Tenur	Attendance
Ms. Tahira Raza	FWBL	7	7	N/A		2	2	1	1
Mr. Mudassir H. Khan	NBP	7	7	N/A		N/A		N/A	
Ms. Naheed Ishaq	MoF	7	6	4	4	2	2	1	1
Mr. Asif Saeed Sindhu*	UBL	5	5	2	2	N/A	N/A	1	-
Ms. Nausheen Ahmed	HBL	7	7	N/A		2	2	N/A	
Mr. Malik Abdul Waheed*	MCB	5	2	2	-	1	1	1	1
Mr. Muhtashim Ahmed Ashai **	MCB	2	1	1	-	1	1	N/A	
Ms. Rukhsana Shah	ID	5	3	N/A		N/A		N/A	
Ms. Huma Baqai	ID	2	1	2	2	N/A		N/A	
Mr. Gholam Kazim Hosein	ID	5	4	N/A		N/A		N/A	

* Nominee Directors resigned from the Board during the period.

** Appointed as nominee Director from MCB in place of Mr. Malik Abdul Waheed who resigned from the Board during the year

Change in the Directors

There have been following changes in the Board:

- Mr. Malik Abdul Waheed (Nominee – MCB) resigned on May 02, 2016. Mr. Muhtashim Ahmed Ashai joined the Board on August 15, 2016 in his place after FPT clearance from SBP.
- Mr. Asif Saeed Sindhu (Nominee-UBL) resigned on May 17, 2016.
- The following three Independent Directors has been appointed on the FWBL's Board during the year 2016 by Ministry of Finance:
  - Ms. Rukhsana Shah- Independent Director
  - Ms. Huma Baqai- Independent Director
  - Mr. Gholam Kazim Hosein-Independent Director

Directors Training Program

In compliance with clause 11(1) of Public Sector Companies Code of Corporate Governance 2013, an Orientation course was conducted for the Directors on February 10, 2017 by the certified training institution.

Directors' Remuneration

With changes in the corporate governance norms, the role of the Non-Executive Directors (NED) and the degree and quality of their engagement with the Board and the Company has undergone significant changes over a period of time. Therefore considering the enhanced roles of the Non Executive Directors and to attract, retain and motivate them, the Shareholders in their 26th Annual General Meeting held on 30 March 2015 on the recommendation of the Board of Directors made in the 140th Board of Directors Meeting held on 6 January 2016, considered and accorded approval for the increase in the Directors remuneration from Rs. 10,000 to Rs. 25,000 per Board & Sub Committee meeting

Moreover, travelling and accommodation is also allowed to out stationed Non Executive Directors as per the criteria approved by the Shareholders in their 27th Annual General Meeting held on 30th March, 2016.

Performance Evaluation of the Directors

The purpose of the performance evaluation of the Directors is to identify the factors that would act as change agent and to help Board (as an entity) to be more successful in assessing its areas of strength and weakness and also to provide a yardstick by which the Board can identify and prioritize its goals for the future in the interest of the Organization. The performance evaluation takes into account the international broad corporate governance norms as well as the responsibilities of the Board as approved by the Board under the FWBL Board Charter (BC) and Board approved Policy on Self Evaluation (BE). Further the Guidelines on the performance evaluation of Board of Directors issued by SBP vide BPRD Circular No. 11 of 2016 dated 22nd August, 2016 were also taken into account and the questionnaires for performance evaluation were developed on line with the said guidelines. Currently the in-house approach for performance evaluation has been adopted, however, as required under the guidelines, the performance evaluation from third party would be undertaken once in three years.

Pattern of Share holding

The pattern of shareholding as required U/s. 236 of the Companies Ordinance, 1984 and Article 17(4) (i) of the Public Sector Companies Code of Corporate Governance 2013 is as follows:

Share Holders	Number of Shares	% of Holding
Federal Government of Pakistan (through Ministry of Finance)	280,088,793	80.16%
MCB Bank Limited	23,095,324	6.61%
Habib Bank Limited	23,095,324	6.61%
Allied Bank Limited	7,734,927	2.22%
National Bank Limited	7,698,441	2.20%
United Bank Limited	7,698,441	2.20%
	349,411,250	**100.00%**

During the year 2016 Ministry of Finance (MoF) injected equity of Rs. 600 Million. Shareholding of MoF increased from 76.05% to 80.16% during the year.

Risk Management Framework

The Board of Directors, through its Board Risk Management Committee (BRMC) ensures that decision making is aligned with the Bank's strategies and risk appetite. The Board Risk Committee (BRMC) and Executive Risk Committee (who are responsible for day to day risk management under the oversight of the Board) are regularly updated by the Risk Management Division (RMD) on key risks of the Bank through a comprehensive portfolio risk review presented on quarterly basis, which summarizes Bank's risk profile and performance of the portfolio.

Bank has taken numerous strategic steps to further strengthen the overall risk management framework, salient features of which are summarized below:

- Revised Credit Policy of the Bank was approved by Board of Directors during the year which aims to establish a robust credit control environment. Furthermore, steps are being taken to strengthen Credit processes continuously in order to achieve earnings targets with a high degree of reliability, improve Credit sanctioning, evaluation and approval process with focus on accountability / expertise with the objective to alleviate future risk of NPL and associated losses.
- The risk rating models have been re-designed, back tested and stand implemented as a first step towards advanced approaches.
- SBP had extended special relaxation in Dec-2013 to meet Minimum Capital requirement to FWBL wherein Bank is required to maintain a paid up capital (net of losses) of Rs. 3 Billion instead of Rs. 10 Billion applicable to other banks. As on date, the Bank complies with the special MCR criteria.
- The Bank also successfully meets the Capital Adequacy Ratio (CAR) & Leverage Ratio requirements as per Basel III guidelines. The Bank has maintained its CAR much above the prescribed 18 % regulatory threshold throughout the year set by SBP which is over and above the required bench mark of 10% for other banks.
- The Market Risk and Treasury Middle Office under the supervision of Integrated Risk Management Division is responsible for ensuring that Bank's market risk exposures are properly monitored and adhere to the approved parameters (risk appetite and tolerance levels). During the year, efforts have continued towards developing and enhancing risk management techniques and monitoring tools to safeguard Bank's investment portfolio against adverse market movements especially now given its exposure in Stock Market which can be highly rewarding but also extremely volatile. The Bank's BoD approved Interest Rate Risk Management Policy in 2016.

- Adequate mechanisms are in place for regular liquidity risk monitoring with analysis and escalation of management actions (if any) as per defined MAPs and Warnings zones to Asset & Liability Committee (ALCO). Further, the Bank is working towards establishing systems for LCR and NSFR reporting.
- The Bank has implemented an effective Operational Risk Management (ORM) framework for managing operational risk. Each department has processes and system controls in place to address operational risks within their area. The Bank's ORM framework consists of tools such as Risk and Controls Self Assessment (RCSA), Loss Database & Key Risk Indicators (KRIs). The operational risk management and Loss data policy of the Bank was approved during 2016 by the Board of Directors. Regular updates on operational risk status are presented to Executive Committee (EC) and the Board of Directors through the Board Risk Management Committee (BRMC). During the year, bank wide RCSA & KRI exercise was completed and notional loss amounts have been earmarked against each risk event category to serve as an estimation of Operational risk.

The Bank's management is committed to allocate considerable efforts and resources in managing the material risks to which it is exposed. The momentum attained so far will be continued in identifying, controlling and managing risk through significant investments in experienced human resource, innovative technology and required trainings.

Key Financial Indicators of FWBL 2011-2016

The significant highlights of the Bank's financial performance during the last 6 years are enclosed as under:

Key Financial Indicators	(Rs. In Millions)					
	2011	2012	2013	2014	2015	2016
Total Assets	16,128	22,506	20,761	18,787	21,347	18,521
Shareholders' Equity	1,720	1,997	1,635	2,212	2,833	3,481
Advances (Gross)	7,901	8,573	9,669	9,401	9,253	9,479
NPLs	523	613	763	1,411	1,895	1,963
Deposits	13,815	19,193	18,338	13,449	15,163	13,709
Investments & Lending's to FIs	6,336	11,484	8,497	7,301	11,067	8,133
Profit / (loss) before tax	400	95	(222)	(666)	34	4
NAV - Rs. / Share	16	13	11	12	11.15	10.09
Profit / (Loss) - Rs. / Share	3.11	0.37	(1.38)	(2.75)	0.21	0.03
Capital Adequacy Ratio - %	35.5%	24.7%	20.1%	29.1%	41.2%	46.56%

Staff Retirement Benefit Funds

The Bank operates two post retirement funds including the Provident Fund and Pension Fund. The carrying value of investments of the approved contributory / non-contributory Provident Fund and Pension Fund based on the last un-audited financial statements of the funds, were:

Value of the Investments and Bank Balances	Provident Fund	Pension Fund
	----------(Rs. '000)----------	
2016	706,686	224,679
2015	162,922	647,803

The Bank also operates un-funded scheme in the form of Compensated Absences.

Events After the Date of Statement of Financial Position

There are no material / significant reportable event after date of statement of financial position.

Appointment of External Auditors

The present auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment in the forthcoming Annual General Meeting. On the suggestion of the Audit Committee, the Board of Directors recommends to reappoint the same as Statutory Auditors of the Bank for the financial year ending December 31, 2017.

Corporate Social Responsibility

We aim to conduct our business that creates value for our customers, clients, partners, shareholders and mostly important our society. We understand that being a good corporate citizen starts with serving responsibly. We have engrained this philosophy in our business operation, in our culture and in our business decisions.

Looking Ahead

Our long term strategy is to evolve our leading segments resulting in deeper market access and creating opportunities through new product development. We believe in further expanding the scope of banking services in Pakistan in future. It is our objective to actively contribute to the development of the economy that is seeking its true potential. With ever changing industry and customer outlook, The Bank is focusing on development of new research based products to address the needs of different market segments, branch network transformation, branding and reshaping its processes. Focus on women empowerment through alliances and linkages with different women oriented forums is also the main pillar of the long term strategy of the Bank.

For the Bank, asset quality will remain a focus area while revitalizing its lending within the selected segments. Further, the management will continue to pursue the major shareholder for an equity injection that address the issue of the minimum paid up capital in line with the regulatory directives strengthening the financial base of the Bank.

Appreciation and Acknowledgement

On behalf of the Board, I wish to place on record their sincere gratitude to the Government of Pakistan, Ministry of Finance, State Bank of Pakistan and Securities & Exchange Commission of Pakistan for their support and continued guidance. We also like to thank our outgoing Directors for the support and insights they had shared to allow us to move ahead and improve the overall governance structure of the bank.

The Directors also thank and appreciate the support and confidence of our valued customers and business partners for their continued trust and patronage. We also have high expectations from the bank's management and staff to turn this Bank around as quickly as possible.

For and on behalf of the Board of Directors

Tahira Raza
President and Chief Executive

Karachi
Date: 10 March 2017

STATEMENT OF INTERNAL CONTROLS

REPORTING OF INTERNAL CONTROL SYSTEM

The Bank's management is primarily responsible for the establishment and maintenance of an adequate and effective system of internal control that could help in the Bank's endeavor to attain a professional and efficient working environment throughout the Bank. The Internal Control System comprises of control procedures, practices and control environment.

The management ensures the efficiency and effectiveness of the Internal Control System by identifying control objectives, reviewing pertinent policies / procedures and establishing relevant control procedures. The Board has approved significant policies / manuals of the Bank, while some policies and procedures are being compared with existing practices and necessary amendments / updates and preparation of additional new policies / manuals are in progress.

Further, the management is conscious of appropriate authentication of transactions, strengthening of control environment, identifying areas requiring improvement in Internal Control System and ensuring relevant appropriate follow-ups / corrective actions, on timely basis. Internal Control System in the Bank is designed to manage, rather than eliminate, the risk of failure to achieve the business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

In compliance with the SBP's directives, the Bank is striving to complete the implementation of Roadmap regarding Internal Controls over Financial Reporting ("ICFR"). In this regard, Bank has completed detailed documentation of the existing processes, comprehensive evaluation of controls, development of detailed remedial action plans for the gaps identified as a result of such evaluation and devising comprehensive testing plans of the controls of all processes. Whole documentation was reviewed by the external auditors and Long Form Report ("LFR") was submitted to SBP on 13 May 2016.

The Bank is actively working towards completing the remaining stages of the ICFR program. On request of the management SBP has allowed a 1 year moratorium for submission of LFR for the year 2016 on the premise significant improvement in 2015 LFR in number of areas in comparison to the same submitted to SBP in year 2014. There has been considerable effort made by the management with respect to the development and implementation of policies and Standard Operating Procedures and we will utilize this moratorium to align / update our documentation with regard to the completion of ICFR framework.

EVALUATION OF EXISTING INTERNAL CONTROL SYSTEM

The Bank strived during the year 2016 to ensure that an effective and efficient internal control system is implemented, any material compromise is not made in implementing the desired control procedures and a suitable environment is maintained in general. However, it is an ongoing process that includes identification, evaluation and management of significant risks being faced by the Bank.

The significant observations and weaknesses found / identified by the auditors, both internal and external, have taken care of largely and necessary steps were taken by the management, to minimize recurrence of those exceptions and elimination of such weaknesses, as far as possible.

Efforts are underway to further strengthen the internal controls. The Board, with assistance of its Sub-Committees including the Audit Committee, provides supervision and overall guidance in improving the effectiveness of the internal control system. Due attention and focus is being given to improve controls and enhance competence level and knowledge of the staff.

For and on behalf of the Board

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Faisal Jan Sarhindi
Chief Financial Officer

Tahira Raza
President and Chief Executive

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Gholam Kazim Hosein
Chairman Board Audit Committee

Date: 10 March 2017

Review Report to the Members On the Statements of Compliance with the Code of Corporate Governance and Public Sector Companies (Corporate Governance) Rules, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance and Public Sector Companies (Corporate Governance) Rules, 2013 (both herein referred to as 'the Codes') prepared by the Board of Directors of First Women Bank Limited ("the Bank") for the year ended 31 December 2016 to comply with the requirements of regulation G-1 of Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan and the provisions of Public Sector Companies (Corporate Governance) Rules, 2013.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the 'Statement of Compliance' does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Codes as applicable to the Bank for the year ended 31 December 2016.

Further, we highlight below instances of non-compliance with the requirements of the Codes as reflected in the note / paragraph reference where these are stated in the Statement of Compliance:

Note / paragraph

S. No.	Statement of Compliance Reference	Description
1	S. No. 7	The Chairman of the Board of Directors has not been elected from amongst independent directors of the Bank.
2	S. No. 11 and 12	The Bank does not have separate conflict of interest and anti-corruption policy.
3	S. No. 17 (c) and Rule 21(9)	Minutes of the meetings of the Board of Directors and one of the minutes of meeting of the Audit Committee were not circulated within the time frame as required by the Codes.
4	S. No. 18	Performance evaluation criteria of the Board has not being carried out although the process has been initiated.

KPMG Taseer Hadi & Co.
Chartered Accountants.

Place: Karachi
Date: 10 March 2017

Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

Name of Bank: **First Women Bank Limited ("the Bank")**
Name of the Ministry: **Ministry of Finance**
For the year ended: **31 December 2016**

I. This statement is being presented to comply with the Public Sector Companies (Corporate Governance) Rules, 2013 ("the Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector Bank is managed in compliance with the best practices of public sector governance.

II. The Bank has complied with the provisions of the Rules in the following manner:

<table>
<tr><th>S.No.</th><th>Provision of the Rules</th><th>Rule No.</th><th>Y</th><th>N</th><th>N/A</th></tr>
<tr><td>1</td><td>The independent directors meet the criteria of independence, as defined under the Rules.</td><td>(*a)</td><td>√</td><td></td><td></td></tr>
<tr><td>2</td><td>The Board has the requisite percentage of independent directors.
The composition of Board of Directors as at 31 December 2016 was as follows;
<table>
<tr><th>Category</th><th>Names</th><th>Date of appointment</th></tr>
<tr><td>Independent Directors</td><td>Mr. Gholam Kazim Hosein
Ms. Rukhsana Shah
Ms. Huma Baqai</td><td>7 January, 2016 vide notification no. F.3(2)Bkg-III/2012/05</td></tr>
<tr><td>Executive Directors</td><td>Ms. Tahira Raza</td><td>4 April 2014</td></tr>
<tr><td>Non-Executive Directors</td><td>Mr. Mudassir H. Khan
Ms. Naheed Ishaq
Mr. Muhtashim Ahmed Ashai
Ms. Nausheen Ahmad</td><td>2 March 2015
21 November 2011
10 May 2016
5 August 2014</td></tr>
</table></td><td>BPRD circular No. 15 of 2016 of SBP</td><td>√</td><td></td><td></td></tr>
<tr><td>3</td><td>A casual vacancy occurring on the Board was filled up by the directors within ninety days.</td><td>3(4)</td><td>√</td><td></td><td></td></tr>
<tr><td>4</td><td>The Directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.</td><td>3(5)</td><td>√</td><td></td><td></td></tr>
<tr><td>5</td><td>The appointing authorities have applied the fit and proper criteria given in the Annexure (to the Rules) in making nominations of the persons for election as board members under the provisions of the Ordinance.</td><td>3(7)</td><td>√</td><td></td><td></td></tr>
<tr><td>6</td><td>The chairman of the Board is working separately from the chief executive of the Bank.</td><td>4(1)</td><td>√</td><td></td><td></td></tr>
</table>

7	The chairman has been elected from amongst the independent directors.	4(4)		√	
8	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission.	5(2)			√
9	(a) The Bank has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures, including posting the same on the Bank's website. (www.fwbl.com.pk) (b) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	√ √		
10	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	√		
11	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5)(b) (ii)		√(*b)	
12	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the Bank.	5(5)(b) (vi)		√(*b)	
13	(a) The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service. (b) A Committee has been formed to investigate deviations from the Bank's code of conduct.	5(5)(c) (ii)	√ √		
14	The Board has ensured compliance with the law as well as the Bank's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5)(c) (iii)	√		
15	The Board has developed a vision or mission statement, corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.	5(6)	√ √		
16	The Board has quantified the outlay of any action in respect of any service delivered or a goods sold by the Bank as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)			✓(*c)
17	(a) The Board has met at least four times during the year. (b) Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. (c) The minutes of the meetings were appropriately recorded and circulated.	6(1) 6(2) 6(3)	√ √	√(*d)	

<table>
<tr><td>18</td><td>The Board has carried out performance evaluation of its members, including the chairman and the chief executive, on the basis of a process, based on specified criteria, developed by it.
The Board has also monitored and assessed the performance of senior management annually.</td><td>8</td><td>√(*e)
√</td><td></td><td></td></tr>
<tr><td>19</td><td>The Board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.</td><td>9</td><td>√</td><td></td><td></td></tr>
<tr><td>20</td><td>The Board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end, and has placed the annual financial statements on the Bank's website.
Monthly accounts were also prepared and circulated amongst the board members.</td><td>10</td><td>√</td><td></td><td></td></tr>
<tr><td>21</td><td>All the Board members underwent an orientation course arranged by the Bank to apprise them of the material developments and information as specified in the Rules.</td><td>11</td><td>√</td><td></td><td></td></tr>
<tr><td>22</td><td>(a) The Board has formed the requisite committees, as specified in the Rules.
(b) The committees were provided with written term of reference defining their duties, authority and composition.
(c) The minutes of the meetings of the committees were circulated to all the board members.
(d) The committees were chaired by the following non – executive directors:
<table>
<tr><th>Committee</th><th>Number of members</th><th>Name of chair</th></tr>
<tr><td>Audit Committee</td><td>Three</td><td>Mr. Gholam Kazim Hosein</td></tr>
<tr><td>Risk Management Committee</td><td>Three</td><td>Mr. Muhtashim Ahmed Ashai</td></tr>
<tr><td>Human Resources Committee</td><td>Three</td><td>Ms. Nausheen Ahmed</td></tr>
<tr><td>Procurement Committee</td><td>Not Applicable</td><td>-</td></tr>
<tr><td>Nomination Committee</td><td>Not Applicable</td><td>-</td></tr>
</table></td><td>12</td><td>√
√
√
√
√</td><td></td><td>√
(*f)
√(*f)
√(*f)</td></tr>
<tr><td>23</td><td>The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, with their remuneration and terms and conditions of employment, and as per their prescribed qualifications.</td><td>13/14</td><td>√</td><td></td><td></td></tr>
<tr><td>24</td><td>The Bank has adopted International Financial Reporting Standards notified by the Commission under clause (i) of subsection (3) of section 234 of the Ordinance.</td><td>16</td><td>√(*g)</td><td></td><td></td></tr>
<tr><td>25</td><td>The directors' report for this year has been prepared in compliance with the requirements of the Ordinance and the Rules and fully describes the salient matters required to be</td><td>17</td><td>√</td><td></td><td></td></tr>
</table>

	disclosed.				
26	The directors, CEO and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.	18	√(*h)		
27	A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place. The annual report of the Bank contains criteria and details of remuneration of each director.	19	√ √		
28	The financial statements of the Bank were duly endorsed by the chief executive and chief financial officer, before approval of the Board.	20	√		
29	The Board has formed an audit committee, with defined and written terms of reference, and having the following members: **Name of Member** / **Category** / **Professional Background** Mr. Gholam Kazim Hosein — Independent Director (Chairman of the Audit Committee) — MSC, LLB & Diploma Project Management through distance learning Ms. Huma Baqai — Independent Director — PhD in International Relations Ms. Naheed Ishaq — Non-Executive Director — Masters in Economics- University of Punjab Ms. Nausheen Ahmed — Non-Executive Director — L.L.M University of London Bar –at-Law; Member of Gray's Inn, London A.K.C; King's College London L.L.B. The chief executive and chairman of the Board are not members of the audit committee.	21	√ √		
30	The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee, and which worked in accordance with the applicable standards.	22	√		
31	The Bank has appointed its external auditors in line with the requirements envisaged under the Rules.	23	√		
32	The external auditors of the Bank have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	23(4)	√		
33	The external auditors have not been appointed to provide non-audit services as per the guidelines issued by IFAC with regards to the restriction of non-audit services and the auditors have confirmed that they have observed applicable guidelines issued by IFAC in this regard.	23(5)	√		
34	The Bank has complied with all the corporate and financial reporting requirements of the Rules.			√ to the extent mentioned above	

*a) State Bank of Pakistan vide its letters dated 29th February 2016 and 28 March 2016 conveyed its clearance for the appointment of the directors mentioned in serial number 2 (in the table) as the independent directors.

*b) The Bank does not have a separate conflict of interest and anti-corruption Policy, however the conflict of interest has been covered under code of conduct of the Bank. Further, with regard to anti-corruption policy, the Bank has developed many policies to minimize perceived and potential conflict of interest and also to minimize perceived corruption eg: expenditure policy, acquisition and disposal of fixed assets policy, related party policy, fraud and forgery policy. The Bank has also obtained declaration from its Directors related to conflict of interest.

*c) The Bank provides Prime Minister Youth Business Loan for which quarterly repayments are being claimed from the Government.

*d) Minutes of the meetings of the Board of Directors were delayed for circulation during the year, while one of the minutes of meeting of the Audit Committee was delayed for circulation during the year; however would be complied in future.

*e) The Policy for the performance evaluation of the Board and its Sub Committees was approved by the Board in 136th Board of Directors meeting held on 29 April 2015. Performance evaluation of the Board and its Sub Committees in light of recently issued SBP guidelines vide BPRD circular No. 11 of 2016 dated 22nd August 2016 on performance evaluation criteria of the Board has been initiated and is expected to be concluded by March 2017.

*f) Procurement and nomination committee as required by the Rules has not been set up. Regarding the procurement committee, regulation G-1 of Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan requires the Board of Directors not to play any role in the day-to-day operations, as that is the role of the Management. As a result, procurement committee is in existence within the Bank at the management level. Regarding the nomination committee, the nomination committee to identify and recommend the candidate to the Board for consideration is not considered necessary since the appointment of Directors on the Board is done by the shareholders of the Bank in accordance with the arrangement between the shareholders.

*g) The SBP, vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard 39, 'Financial Instruments: Recognition and Measurement' (IAS 39) and International Accounting Standard 40, 'Investment Property' (IAS 40) for banking companies till further instructions. Further, Securities and Exchange Commission of Pakistan vide SRO 411 (1) 2008 dated 28 April 2008, has deferred applicability of International Financial Reporting Standard, Financial Instruments Disclosure' (IFRS 7) on banks. Accordingly, the requirements of these standards have not been considered in the preparation of financial statements of the Bank for the year ended 31 December 2016.

*h) No Director holds any interest in the shares of the Bank, However, by virtue of the position of CEO, the President holds two shares of the Bank

Reasons for Non-applicability:

The Public Sector Companies (Corporate Governance) Rules 2013 promulgated by the Securities and Exchange Commission of Pakistan (SECP) has laid down certain provisions which are not considered applicable to the extent of overriding provisions of The Banks (Nationalization) Act, 1974 and Regulation G-1 of Prudential Regulations issued by State Bank of Pakistan.

Additional requirements under Statement of Compliance with the Code of Corporate Governance, 2012

Clause 2(5) of the Public Sector Companies (Corporate Governance Compliance) Guidelines, 2013 issued by the SECP requires that any disclosure required under any other directive, code, regulation or rules shall also be made in the statement of compliance, notwithstanding anything contained in the statement. Moreover, Regulation G-1 of Prudential Regulations (dealing with the responsibilities of the Board of Directors) issued by State Bank of Pakistan and BSD Circular No. 15 dated June 13, 2002 for the purpose of establishing a framework of good governance, also requires all banks to comply with the requirements of Code of Corporate Governance (the Code) issued by Securities and Exchange Commission of Pakistan. Accordingly, below are the additional requirements as specified in the Statement of Compliance with the Code of Corporate Governance, 2012 applicable for listed companies for which parallel provisions do not exist in the Statement of Compliance of Public Sector Companies (Corporate Governance) Rules, 2013.

1. All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
2. All the powers of the Board have been duly exercised and necessary administrative, financial and credit discretionary powers have been delegated to the management and decisions on material transactions have been approved / ratified / confirmed by the Board.
3. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter.
4. One of the director of the Bank had obtained certification as required under Code of Corporate Governance 2012.
5. The Bank has complied with all the corporate and financial reporting requirements of the Code 2012, as applicable.
6. The meetings of the audit committee were held at least once in every quarter prior to approval of interim and final results of the Bank and as required by the Code.
7. The board has formed a HR and Remuneration Committee. It comprises 4 Members, of whom 3 are non-executive directors and the chairman of the committee is a non-executive director.
8. The board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Bank.
9. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank.
10. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations.
11. The Bank has to comply with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and would maintain proper record including basis for inclusion or exclusion of names of persons from the said list. However since the Bank is not listed on stock exchange, the Bank is of the view that the requirement does not have any significant impact / relevance on the Bank.
12. We confirm that all other material principles enshrined in the Code 2012 as applicable have been complied.

.

Explanation for Non-Compliance with the
Public Sector Companies (Corporate Governance) Rules, 2013

We confirm that all other material requirements envisaged in the Rules have been complied with [except for the following, toward which reasonable progress is being made by the Bank to seek compliance by the end of next accounting year]:

S. No. of the table	Rule/sub-rule no.	Reasons for non-compliance	Future course of action
7	4(4)	The chairman has not been elected from amongst the independent directors.	The independent Directors appointed by the MoF are not bankers and they are serving on the Board of a Bank for the first time. In wake of the responsibilities of the Chairman of the Board and considering the specialized nature of the banking industry, it is critical that a seasoned & experienced Banker must be serving as the Chairman, therefore Mr. Mudassir H. Khan (SEVP / Group Chief Commercial & Retail Banking Group NBP) was nominated as Chairman of the Board. We would seek exemption from SECP in this regard shortly.
12	5(5)(b)(ii) & 5(5)(b)(vi)	The Bank does not have separate conflict of interest and anti-corruption policy however, Bank has developed many policies to minimize perceived and potential conflict of interest and also to minimize perceived corruption e.g. Expenditure Policy, Acquisition and disposal of fixed assets policy, related party policy, Fraud & forgery policy. Bank has also obtained declaration from its directors related to conflict of interest.	The same would be complied in accounting year 2017.

S. No. of the table	Rule/sub-rule no.	Reasons for non-compliance	Future course of action
17	6(3)	The minutes of the meetings were appropriately recorded however these were not circulated within the due course of time as required by the Rules.	Will be addressed in 2017.
18	8	Performance evaluation of the Board and its sub committees was initiated in December 2016.	The Policy for the performance evaluation of the Board and its Sub Committees was approved by the Board in 136th Board of Directors meeting held on 29 April 2015. Based on the guidelines then available the process had been initiated by the Bank for the performance evaluation. However in light of the revised guidelines issued by the SBP vide BPRD circular no. 11 of 2016 dated 22 August 2016 the Bank had reinitiated the process and the guidelines were prepared and distributed to the Directors in December 2016. However, the evaluation process is expected to be completed in March 2017.

Tahira Raza
President and Chief Executive

Mudassir H. Khan
Chairman Board

Auditors' Report to the Members

We have audited the annexed statement of financial position of **First Women Bank Limited** ("the Bank") as at 31 December 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 12 branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;

b) in our opinion:

   i) the statement of financial position and the profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of accounts and are further in accordance with the accounting policies consistently applied;

   ii) the expenditure incurred during the year was for the purpose of the Bank's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;

c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 2016 and its true balance of profit, its comprehensive income, its cash flows and its changes in equity for the year then ended; and

d) in our opinion Zakat deductible at source, under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The financial statements of the Bank for the year ended 31 December 2015 were audited by another firm of Chartered Accountants, who vide their report dated 15 March 2016, addressed to the members, had expressed an unmodified opinion thereon.

Date: 10 March 2017

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Amyn Pirani

First Women Bank Limited
Statement of Financial Position
As at 31 December 2016

	Note	2016	2015
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	*6*	**1,081,532**	1,066,852
Balances with other banks	*7*	**112,042**	170,453
Lendings to financial institutions	*8*	**100,000**	-
Investments - net	*9*	**8,032,819**	11,067,137
Advances - net	*10*	**8,213,247**	7,970,275
Operating fixed assets	*11*	**337,077**	337,357
Deferred tax assets - net	*12*	**249,635**	263,579
Other assets - net	*13*	**394,212**	470,969
		18,520,564	21,346,622
LIABILITIES			
Bills payable	*15*	**214,155**	103,166
Borrowings	*16*	**743,909**	2,832,357
Deposits and other accounts	*17*	**13,708,791**	15,163,440
Subordinated loans		**-**	-
Liabilities against assets subject to finance lease		**-**	-
Deferred tax liabilities - net		**-**	-
Other liabilities	*18*	**373,187**	414,495
		15,040,042	18,513,458
NET ASSETS		**3,480,522**	2,833,164
REPRESENTED BY			
Share capital	*19*	**3,494,113**	2,894,113
Reserves	*19*	**307,717**	294,768
Accumulated loss		**(463,975)**	(489,622)
		3,337,855	2,699,259
Surplus on revaluation of assets - net of tax	*20*	**142,667**	133,905
		3,480,522	2,833,164
CONTINGENCIES AND COMMITMENTS	*21*		

The annexed notes 1 to 43 form an integral part of these financial statements.

Faisal Jan Sarhindi
Chief Financial Officer

Tahira Raza
President and Chief Executive

Tahira Raza
President and Chief Executive

Gholam Kazim Hosein
Director

Naheed Ishaq
Director

Mudassir H. Khan
Director

First Women Bank Limited

Profit and Loss Account

For the year ended 31 December 2016

	Note	2016	2015
		(Rupees in '000)	
Mark-up / return / interest earned	23	**1,161,864**	1,516,365
Mark-up / return / interest expensed	24	**522,492**	818,538
Net mark-up / interest income		**639,372**	697,827
(Reversal) / provision against non-performing loans and advances - net	10.3.2	**(17,667)**	229,192
Reversal of diminution in the value of investments	9.6	**-**	(3,953)
Bad debts written off directly		**-**	-
		(17,667)	225,239
Net mark-up / interest income after provisions		**657,039**	472,588
NON-MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		**54,223**	38,817
Dividend income		**24,812**	19,989
Income from dealing in foreign currencies		**13,757**	29,178
Gain on sale of securities - net	25	**94,086**	295,957
Unrealized loss on revaluation of investments classified as held for trading	9.11	**-**	(264)
Other income - net	26	**57,677**	25,386
Total non-mark-up / interest income		**244,555**	409,063
		901,594	881,651
NON-MARK-UP / INTEREST EXPENSES			
Administrative expenses	27	**879,190**	839,859
Other provisions	13.2	**6,767**	-
Other charges	28	**11,584**	7,520
Total non-mark-up / interest expenses		**897,541**	847,379
Extra ordinary / unusual items		**-**	-
Profit before taxation		**4,053**	34,272
Taxation - current year		**13,927**	18,946
- prior year		**-**	(1,845)
- deferred		**(21,196)**	(36,256)
	29	**(7,269)**	(19,155)
Profit after taxation		**11,322**	53,427
		(Rupees)	
Basic and diluted earnings per share - after tax	30	**0.03**	0.21

The annexed notes 1 to 43 form an integral part of these financial statements.

Faisal Jan Sarhindi
Chief Financial Officer

Tahira Raza
President and Chief Executive

Tahira Raza	Gholam Kazim Hosein	Naheed Ishaq	Mudassir H. Khan
President and Chief Executive	**Director**	**Director**	**Director**

First Women Bank Limited

Statement of Comprehensive Income

For the year ended 31 December 2016

	Note	**2016**	2015
		(Rupees in '000)	
Profit after taxation for the year		**11,322**	53,427
Other comprehensive income			
Items not to be reclassified to profit and loss account in subsequent periods			
Remeasurement of post retirement benefits obligations	*33.1.7.2*	**52,924**	9,301
Related deferred tax	*12.2*	**(28,669)**	(3,255)
		24,255	6,046
Comprehensive income transferred to equity		**35,577**	59,473
Components of comprehensive income not reflected in equity			
Items to be reclassified to profit and loss account in subsequent periods			
Net change in fair value of available-for-sale securities	*20.2*	**(14,173)**	252,534
Related deferred tax	*12.2*	**4,961**	(90,794)
		(9,212)	161,740
Total comprehensive income for the year		**26,365**	221,213

The annexed notes 1 to 43 form an integral part of these financial statements.

Faisal Jan Sarhindi
Chief Financial Officer

Tahira Raza
President and Chief Executive

Tahira Raza
President and Chief Executive

Gholam Kazim Hosein
Director

Naheed Ishaq
Director

Mudassir H. Khan
Director

First Women Bank Limited

Cash Flow Statement

For the year ended 31 December 2016

	Note	2016	2015
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**4,053**	34,272
Dividend income		**(24,812)**	(19,989)
		(20,759)	14,283
Adjustments for non-cash charges:			
Depreciation	*11.2*	**63,162**	68,152
Amortisation of intangible assets	*11.3*	**6,769**	6,776
Operating fixed asset written off	*11.2*	**170**	60
Reversal for diminution in value of investments	*9.3*	**-**	(3,953)
(Reversal) / provision against non-performing loans and advances - net	*10.3.2*	**(17,667)**	229,192
Gain/ (Loss) on sale of operating fixed assets	*26*	**9,434**	(1,109)
		61,868	299,118
		41,109	313,401
(Increase) / decrease in operating assets			
Lendings to financial institutions		**(100,000)**	-
Advances		**(225,305)**	145,771
Others assets (excluding advance taxation)		**112,076**	260,984
		(213,229)	406,755
Increase / (decrease) in operating liabilities			
Bills payable		**110,989**	(8,785)
Borrowings		**(2,088,448)**	329,402
Deposits and other accounts		**(1,454,649)**	1,714,576
Other liabilities		**(41,308)**	(104,170)
		(3,473,416)	1,931,023
		(3,645,536)	2,651,179
Income tax paid		**21,213**	(7,065)
Net cash flows from operating activities		**(3,624,323)**	2,644,114
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in securities		**3,025,106**	(3,510,083)
Dividend income received		**13,748**	19,989
Purchase of operating fixed assets		**(67,719)**	(22,158)
Proceeds from disposal of operating fixed assets		**9,457**	1,524
Net cash flows from investing activities		**2,980,592**	(3,510,728)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of share capital		**600,000**	400,000
Net cash flows from financing activities		**600,000**	400,000
Decrease in cash and cash equivalents during the year		**(43,731)**	(466,614)
Cash and cash equivalents at beginning of the year		**1,237,305**	1,703,919
Cash and cash equivalents at end of the year	*31*	**1,193,574**	1,237,305

The annexed notes 1 to 43 form an integral part of these financial statements.

Faisal Jan Sarhindi
Chief Financial Officer

Tahira Raza
President and Chief Executive

Tahira Raza	Gholam Kazim Hosein	Naheed Ishaq	Mudassir H. Khan
President and Chief Executive	**Director**	**Director**	**Director**

First Women Bank Limited
Statement of Changes in Equity
For the year ended 31 December 2016

	Note	Share capital	Statutory reserve	Accumulated loss	Total
		(Rupees in '000)			
Balance as at 1 January 2015		2,494,113	294,768	(552,114)	2,236,767
Changes in equity for the year ended 31 December 2015					
Total comprehensive income for the year ended 31 December 2015					
Profit after tax for the year ended 31 December 2015		-	-	53,427	53,427
Other comprehensive income		-	-	6,046	6,046
		-	-	59,473	59,473
Transferred from surplus on revaluation of operating fixed assets to accumulated loss - net of tax	*20.1*	-	-	3,019	3,019
Transaction with owners					
Issuance of shares against cash		400,000	-	-	400,000
Balance as at 31 December 2015		2,894,113	294,768	(489,622)	2,699,259
Changes in equity for the year ended 31 December 2016					
Total comprehensive income for the year ended 31 December 2016					
Profit after tax for the year ended 31 December 2016		-	-	11,322	11,322
Other comprehensive income		-	-	24,255	24,255
				35,577	35,577
Transferred to statutory reserve	*19.4*	-	12,949	(12,949)	-
Transferred from surplus on revaluation of operating fixed assets to accumulated loss - net of tax	*20.1*	-	-	3,019	3,019
Transaction with owners					
Issuance of shares against cash	*19.2*	600,000	-	-	600,000
Balance as at 31 December 2016		**3,494,113**	**307,717**	**(463,975)**	**3,337,855**

The annexed notes 1 to 43 form an integral part of these financial statements.

Faisal Jan Sarhindi
Chief Financial Officer

Tahira Raza
President and Chief Executive

Tahira Raza	Gholam Kazim Hosein	Naheed Ishaq	Mudassir H. Khan
President and Chief Executive	**Director**	**Director**	**Director**

1. STATUS AND NATURE OF BUSINESS

1.1 First Women Bank Limited (the Bank) was incorporated under the Companies Ordinance, 1984 on 21 November 1989 in Pakistan as an unquoted public limited company and commenced operations on 02 December 1989. The Bank is engaged in commercial banking and related services. The registered office of the Bank is situated at ground floor, S.T.S.M. Foundation Building, Civil Lines, Karachi. The Bank operates a network of forty two branches as at 31 December 2016 (2015: forty two branches). The short term and long term credit ratings of the Bank rated by PACRA in April 2016 are 'A2' and 'A-' respectively. The Bank is controlled by Government of Pakistan through Ministry of Finance.

1.2 Being a public sector Bank, and in terms of the State Bank of Pakistan prescribed minimum capital requirements vide its letter reference BPRD/BA&CP/627/32/2014 dated 01 January 2014, the Bank is required to have a minimum paid up capital (net of losses) (MCR) of Rs. 3 billion and capital adequacy ratio of 18% at all times, subject to the condition that MCR level shall remain enforced until the Bank remains a public sector entity, the Bank will not be allowed to pay dividend until its paid up capital and reserves reach Rs. 6 billion and the per party exposure limit of the Bank will be 50% of the prudential regulations limits until the Bank's paid up capital and reserves reach Rs. 6 billion.

As of 31 December 2016, the Bank's MCR (representing paid up capital net of accumulated losses) was Rs. 3.030 billion, including due to the injection of Rs. 600 million by the Government of Pakistan as more fully explained in note 19.2 to these financial statements.

In addition the Government of Pakistan (GoP) has made a budgetary allocation of Rs. 500 million for equity injection in the Bank during the year 2016-17. The Bank has requested the GoP for the release of the above amount.

2. BASIS OF PRESENTATION

These financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan.

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

3. STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and the directives issued by the SBP. In case the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and the directives issued by the SBP andSECP shall prevail.

3.2 The SBP, vide BSD Circular letter No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for banking companies till further instructions. Further, according to a notification of the Securities and Exchange Commission of Pakistan (SECP) through S.R.O No. 411(1)/2008 dated 28 April 2008, IFRS 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP. Further, segment information has been disclosed in accordance with SBP's prescribed format as per BSD Circular No. 04 dated 17 February 2006.

3.3 New and Revised Approved Accounting Standards Not Yet Effective

The following standards, amendments and interpretations of Approved Accounting Standards will be effective for accounting periods on or after 01 January 2017:

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Bank's financial statements.

- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

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

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Bank's financial statements.

- Annual improvements to IFRS standards 2014 - 2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

  - Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 - 'Non - current Assets Held for Sale and Discontinued Operations'. The amendments are not likely to have an impact on Bank's financial statements.

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

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

The above amendments are not likely to have an impact on Bank's financial statements.

4. BASIS OF MEASUREMENT

4.1 Accounting convention

These financial statements have been prepared under the historical cost convention except that certain operating fixed assets are stated at revalued amounts less accumulated depreciation, available- for-sale and held-for-trading investments and derivative financial instruments are measured at fair values.

4.2 Functional and Presentation Currency

The financial statements are presented in Pakistan Rupees, which is also the Bank's functional currency. Except as indicated, financial information presented in Pakistan Rupees has been rounded to nearest thousand.

4.3 Critical accounting judgments and key sources of estimation of uncertainty

The preparation of these financial statements is in conformity with approved accounting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgement in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and 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 in future periods if the revision affects both current and future periods.

a) Classification of investments

- In classifying investments as 'held-for-trading', the Bank determines the securities which are acquired with the intention to trade by taking advantage of short term market / interest rate movements.
- These are investments with fixed or determinable payments and fixed maturities and the Bank has the positive intent and ability to hold them till maturity.
- The investments which are not classified as 'held-for-trading' or 'held-to-maturity' are classified as 'available-for-sale'.

b) Valuation and impairment of available-for-sale equity investments

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

c) Provision against non-performing loans and advances and debt securities classified as investments

The Bank reviews its loan portfolio and debt securities classified as investments to assess amount of non-performing loans and advances and debt securities and provision required there against on a regular basis. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower, and the requirements of the Prudential Regulations are considered. The Bank also maintains general provision against consumer and small and medium enterprises advances in accordance with the requirements set out in Prudential Regulations of the SBP. These provisions change due to changes in requirements.

d) Income taxes

In making the estimates for income taxes currently payable by the Bank, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Bank's future taxable profits are taken into account.

e) Operating fixed assets, depreciation, amortisation and revaluation

The Bank estimates the revalued amount of land and buildings on a regular basis. The estimates are based on valuations carried out by independent professional valuers and such valuations are carried out with sufficient regulatory so that the valuation at the year end is close to their fair values. In making estimates of the depreciation / amortisation method, the management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The estimates made are reviewed at each financial year end and if there is a

change in the expected pattern of consumption of the future economic benefits embodied in the assets, the estimates are changed to reflect the changed pattern. Such a change is accounted for as change in accounting estimates in accordance with International Accounting Standard - 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'.

f) Staff retirement benefits

Liability is determined on the basis of actuarial advice using the Projected Unit Credit Method. The actuarial assumptions used to determine the liability and related expense are disclosed in note 33.1. Actuarial assumptions are entity's best estimates of the variables that will determine the ultimate cost of providing post employment benefits. Changes in these assumptions in future years may effect the liability / asset under these plans in those years.

g) Fair value hierarchy of assets and liabilities

The fair value of the assets and liabilities is the amount at which these could be exchanged in a current transaction between willing parties, other than in a forced of liquidation sale. The Bank categorizes fair value measurements within the following fair value hierarchy;

i) Level 1

These are quoted prices (unadjusted) in active markets for identical assets or liabilities that the bank can access at the measurement date.

ii) Level 2

These are inputs other than quoted prices included within Level 1 inputs that are observable for asset or liability, either directly or indirectly.

iii) Level 3

These are unobservable inputs for the asset or liability.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the financial statements of the Bank for the year ended 31 December 2015. Significant accounting policies are enumerated as follows:

5.1 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, balances with treasury banks, balances with other banks in current and deposit accounts, national prize bonds, any overdrawn nostro accounts and call lendings having maturity of three months or less.

5.2 Investments

The Bank classifies its investment portfolio into following categories:

a) Held-for-trading

These are securities which are either acquired for generating profit from short-term fluctuations in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

b) Held-to-maturity

These are securities with fixed or determinable payments and fixed maturity in respect of which the Bank has the positive intent and ability to hold till maturity.

c) Available-for-sale

These are securities that do not fall under the 'held-for-trading'and 'held-to-maturity' categories.

5.2.1 Regular way contracts

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognised at trade date, which is the date at which the Bank commits to purchase or sell the investments except for money market contracts which are recognised on the settlement date.

5.2.2 Initial recognition and measurement

Investments other than those classified as 'held for trading' are initially recognised at cost. Transaction costs associated with these investment are included in cost of investments. Investments classified as 'held for trading' are initially recognised at fair value and transaction costs are expensed in the profit and loss account.

5.2.3 Subsequent measurement

In accordance with the requirements of State Bank of Pakistan, quoted securities other than those classified as 'held to maturity', are subsequently remeasured to market value. Surplus / (deficit) arising on revaluation of securities classified as 'available for sale' is included in the statement of comprehensive income but is taken to a separate account shown in the statement of financial position below equity. Surplus / (deficit) arising on revaluation of investments classified as 'held for trading' is taken to the profit and loss account. Investments classified as 'held to maturity' are carried at amortised cost.

Unquoted equity securities, are valued at lower of cost and the break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements.

5.2.4 Impairment

Impairment loss in respect of equity securities classified as available for sale and other held to maturity investments are recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investment below its cost is also considered an objective evidence of impairment. Provision for diminution in the value of debt securities is made as per the Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available for sale securities, the cumulative loss that has been recognised directly in surplus / (deficit) on revaluation of securities on the statement of financial position below equity is removed there from and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

Gains or losses on disposal of investments during the year are taken to the profit and loss account.

5.3 Lendings to / borrowings from financial institutions

The Bank enters into transactions of borrowing (repurchase) from and lending (reverse repurchase) to financial institutions, at contracted rates for a specified period of time. These are recorded as under:

Sale under repurchase obligation

Securities sold with a simultaneous commitment to repurchase at a specified future date (repo) continue to be recognized in the balance sheet and are measured in accordance with accounting policies for investments and counter party liability is included in borrowing from financial institutions. The difference between sale and repurchase price is accrued or a time proportionate basis over the period of the contract and recorded as an expense.

Purchase under resale obligation

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognized in the balance sheet and instead amounts paid under these arrangements are included in lendings to financial institutions. The difference between purchase and resale price is accrued on a time proportionate basis over the period of the contract and recorded as income.

Other obligations

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

5.4 Advances

Advances are stated net of specific and general provisions. Specific and general provision is determined on the basis of the Prudential Regulations and other directives issued by the SBP. The net provision made/reversed during the year is charged to profit and loss account and accumulated provision is netted off against advances. Advances are written-off when there is no realistic prospect of recovery.

5.5 Operating fixed assets

5.5.1 Tangible assets

Except for land and buildings, other items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Land is stated at revalued amounts whereas the buildings are stated at revalued amounts less subsequent accumulated depreciation and impairment losses, if any.

Depreciation is charged to the profit and loss account applying straight line method. The rates of depreciation are given in note 11.2 to these financial statements. The residual values, useful lives and depreciation methods are reviewed and changes, if any, are treated as change in accounting estimates, at each balance sheet date [also refer note 4.3(e)]. Depreciation on additions is charged from the month the assets are available for use, while no depreciation is charged in the month in which the assets are disposed off.

Surplus arising on revaluation of land and buildings is credited to the surplus on revaluation of fixed assets account. Deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets, is transferred directly to accumulated loss.

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses on sale of property and equipment are included in the profit and loss account in the year the asset is de-recognized, except that the related surplus on revaluation of land and buildings (net of deferred tax) is transferred directly to accumulated loss.

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

5.5.2 Intangible assets

Intangible assets comprise of cost of computer software and are stated at cost less accumulated amortisation and accumulated impairment losses, if any. The cost of intangible assets are amortized over their estimated useful lives using the straight line method at the rates stated in note 11.3. Costs associated with maintaining the computer software are recognized as expense in the profit and loss account as and when incurred. The useful lives of intangible assets are reviewed and adjusted, if appropriate, at each balance sheet date.

5.5.3 Capital work-in-progress

Capital work-in-progress is stated at cost less impairment losses, if any.

5.6 Grants

Grants are assistances in the form of transfer of resources to the Bank in return for past or future compliance with certain conditions relating to the operating activities of the Bank. They exclude those forms of assistances which cannot reasonably have a value placed upon them.

Grants are recognized in the profit and loss account on a systematic basis over the periods in which the Bank recognizes as expenses the related costs for which the grants are intended to compensate.

Grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income.

5.7 Impairment - non financial assets

At each balance sheet date, the Bank reviews the carrying amount of its assets (other than deferred tax assets) to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of assets is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the greater of net selling price and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. The resulting impairment loss is recognized as an expense immediately, except that the impairment loss on revalued fixed assets is first adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of those assets.

5.8 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to items recognised directly in other comprehensive income / surplus on revaluation of assets in which case it is recognised in statement of comprehensive income / surplus on revaluation of assets.

5.8.1 Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation on income earned. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the profits for the year. The charge for current tax also includes adjustments where considered necessary, relating to prior years which arise from assessments finalized during the year for such years.

5.8.2 Deferred

Deferred tax is recognised using the balance sheet liability method on all major temporary differences as at the statement of financial position date between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The Bank records deferred tax assets / liabilities using tax rates, enacted or substantially enacted at the statement of financial position date, that are expected to be applicable at the time of their reversal.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Bank recognizes a deferred tax asset / liability on deficit / surplus on revaluation of assets in accordance with the requirements of IAS 12 "Income Taxes". The related deferred tax asset / liability is adjusted against the related deficit / surplus.

The Bank recognizes a deferred tax asset for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilized in accordance with the requirements of IAS 12 "Income Taxes".

5.9 Provisions

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

Provision against identified non-funded losses is recognized when intimated and reasonable certainty exists for the Bank to settle the obligation. The loss is charged to the profit and loss account net of expected recovery and is classified under other liabilities.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

5.10 Staff retirement benefits

Approved funded pension scheme (defined benefit plan)

The Bank operates a funded pension scheme for its employees. The fund was granted approval by the Commissioner of Income Tax on 6 March 2000 to take effect from 1 October 1999. Provision is made in these financial statements based on the actuarial valuation (conducted at the balance sheet date - 31 December 2016) using the projected unit credit method. The above benefits are payable to staff at the time of separation / retirement from the Bank's services subject to

the completion of qualifying period of service. Remeasurement component, which is the net of actuarial gains and losses is recognized immediately in other comprehensive income whereas service cost and net interest income / expense are charged to the profit and loss account.

Above benefit is available to the employees who had joined the Bank by September 2013.

Approved non contributory provident fund (defined contribution plan)

The Bank operates a non contributory provident fund in which monthly contributions are made by employees at a rate of 12% of basic salary.

Unfunded gratuity scheme

The Bank operates an unfunded gratuity scheme for its President only. Liability and expense are recorded in accordance with the terms of the scheme.

5.11 Employees' compensated absences

The Bank recognizes liability in respect of compensated absences of its employees in the period in which these are earned on the basis of actuarial valuation (conducted at the balance sheet date - 31 December 2016) carried out using the Projected Unit Credit Method. Actuarial gains / losses are immediately recognised in the profit and loss account.

5.12 Revenue recognition

- Mark-up / return / interest on regular advances and investments is recognized on a time proportion basis using effective interest method. Where debt securities are purchased at premium or discount, the same is amortized through the profit and loss account over the remaining maturity using the effective interest method. Mark-up income due on non-performing advances are suspensed as per the requirements of the Prudential Regulations.
- Mark-up / return / interest recoverable on classified advances and investments is recognized on receipt basis. Mark-up / return / interest on classified rescheduled / restructured advances and investments is recognized as permitted by the regulations of the SBP.
- Dividend income is recognized when the Bank's right to receive dividend is established.
- Gain / loss on sale of investments is recognized to the profit and loss account currently.
- Fees, brokerage and commission on letters of credit / guarantee are recognized at the time of the performance of services. Account maintenance and service charges are recognized when realized.

5.13 Foreign currencies

5.13.1 Foreign currency transactions

Transactions in foreign currencies are translated into rupees at the foreign exchange rates prevalent on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the balance sheet date.

5.13.2 Translation gains and losses

Translation gains and losses are included in the profit and loss account.

5.13.3 Commitments

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

5.14 Financial instruments

5.14.1 Financial assets and financial liabilities

Financial assets and financial liabilities are recognized at the time when the Bank becomes a party to the contractual provision of the instrument. Financial assets are de-recognized when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognized when obligation specific in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial

assets and liabilities is recognized in the profit and loss account of the current period. The particular recognition and subsequent measurement methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

5.14.2 Derivative financial instruments

Derivative financial instruments are initially recognized at cost value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair values. All derivative financial instruments are carried as assets when the fair value is positive and liability when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account currently.

5.15 Off-setting

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

5.16 Borrowing / Deposits and their cost

Borrowing / deposits are initially recorded at the amount of proceeds received. Mark-up accrued on deposits is recognized separately as part of other liabilities and is charged to the profit and loss account on a time proportion basis.

5.17 Dividend distribution and appropriations

Bonus dividend, cash dividend and other appropriations (except for the appropriations required by law), declared / approved subsequent to balance sheet date are considered as non-adjusting event and are not recorded in financial statements of the current year. These are recognized in the period in which these are declared / approved.

5.18 Earning per share

The Bank presents basic and diluted earnings per share. Basic earning is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

5.19 Segment reporting

A segment is a distinguishable component of the Bank that is engaged in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment information is presented as per the Bank's functional structure and guidance of the SBP. The Bank comprises of following main segments:

5.19.1 Business segments

a) Corporate finance

Corporate finance includes syndications and advances to corporate enterprises

b) Treasury

It includes fixed income, equity, foreign exchange commodities, lendings to financial institutions and borrowings.

c) Retail and consumer banking

It includes retail lending and deposits, banking services, private lending and deposits, retail offered to its retail customers and small and medium enterprises.

d) Commercial banking

It includes project finance, export finance, trade finance, other lendings, guarantees and bills of exchange.

5.19.2 Geographical segment

The Bank operates in Pakistan only.

6.	CASH AND BALANCES WITH TREASURY BANKS	Note	2016	2015
			(Rupees in '000)	
	In hand			
	Local currency	*6.1*	**263,944**	249,520
	Foreign currencies		**45,691**	45,798
	With State Bank of Pakistan in			
	Local currency current accounts	*6.2*	**591,268**	561,239
	Foreign currency deposit accounts	*6.3*	**89,589**	141,662
	US Dollar collection account	*6.4*	**2,333**	3,080
	With National Bank of Pakistan in local currency current accounts - a related party		**88,707**	65,553
			1,081,532	1,066,852

6.1 This includes National Prize Bonds of Rs. 0.666 million (2015: Rs. 0.228 million).

6.2 This represents statutory liquidity reserves with the SBP as per the requirements of Section 22 of the Banking Companies Ordinance, 1962.

6.3 The balance held in foreign currency deposit accounts with the SBP represents the 5% cash reserve requirement and 15% special cash reserve for holding FE-25 deposits. The SBP has not remunerated these deposit accounts during the year.

6.4 This represents US Dollar collection account maintained with SBP.

7.	BALANCES WITH OTHER BANKS			
	In Pakistan - Current accounts	*7.1*	**71,621**	91,769
	Outside Pakistan - Current accounts	*7.2*	**40,421**	78,684
			112,042	170,453

7.1 These represent balances with related parties.

7.2 These include related party balances amounting to Rs. 35.896 million (2015: Rs. 77.203 million).

8.	LENDINGS TO FINANCIAL INSTITUTIONS			
	Call lending - related party	*8.1*	**100,000**	-
	Term lendings	*8.2*	**139,089**	139,089
			239,089	139,089
	Provision against term lendings		**(139,089)**	(139,089)
			100,000	-

8.1 This carries mark-up at the rate of 5.7% per annum (2015: Nil) and had matured on 3 January 2017 (2015: Nil).

8.2 This represents financing to two financial institutions that matured on 31 December 2012. Due to default in repayments, full provision has been made against this amount.

9. INVESTMENTS - net

9.1 Investments by types

	Note	2016 Held by bank	2016 Given as collateral	2016 Total	2015 Held by bank	2015 Given as collateral	2015 Total
		(Rupees in '000)					
Held for trading							
- Ordinary shares of listed companies	*9.11*	**-**	**-**	**-**	20,458	-	20,458
Available-for-sale							
- Market Treasury Bills	*9.4*	**7,248,144**	**598,280**	**7,846,424**	6,746,008	2,775,736	9,521,744
- Pakistan Investment Bonds	*9.5*	**126**	**-**	**126**	1,405,487	-	1,405,487
- Term Finance Certificates (TFCs)	*9.8*	**12,380**	**-**	**12,380**	13,911	-	13,911
- Units of mutual funds		**-**	**-**	**-**	20,000	-	20,000
- Preference shares of a listed company	*9.9*	**10,000**	**-**	**10,000**	10,000	-	10,000
- Ordinary shares of listed companies	*9.7.7*	**161,478**	**-**	**161,478**	59,217	-	59,217
- Ordinary shares of an unlisted company	*9.10*	**954**		**954**	954		954
Investments at cost		**7,433,082**	**598,280**	**8,031,362**	8,276,035	2,775,736	11,051,771
Provision for diminution in value of investments	*9.6*	**(17,781)**	**-**	**(17,781)**	(17,781)	-	(17,781)
Investments (net of provisions)		**7,415,301**	**598,280**	**8,013,581**	8,258,254	2,775,736	11,033,990
Deficit on revaluation of held for trading securities - net	*9.11*	**-**	**-**	**-**	(264)	-	(264)
Surplus / (deficit) on revaluation of available-for-sale securities - net of tax	*20.2*	**19,255**	**(17)**	**19,238**	29,007	4,404	33,411
Investments at revalued amount - net of provision		**7,434,556**	**598,263**	**8,032,819**	8,286,997	2,780,140	11,067,137

9.2 Investments by segments

	Note	2016 (Rupees in '000)	2015
Federal Government Securities			
- Market Treasury Bills	*9.4*	**7,846,424**	9,521,744
- Pakistan Investment Bonds	*9.5*	**126**	1,405,487
Fully paid-up ordinary shares / units			
- Listed mutual funds		**-**	20,000
- Listed companies	*9.7.7*	**161,478**	79,675
- Unlisted company	*9.10*	**954**	954
Fully paid-up preference shares			
- Listed company	*9.9*	**10,000**	10,000
Term Finance Certificates			
- Listed Term Finance Certificates	*9.8*	**4,599**	7,781
- Unlisted Term Finance Certificates	*9.8*	**7,781**	6,130
		12,380	13,911
Investments at cost		**8,031,362**	11,051,771
Provision for diminution in value of investments	*9.6*	**(17,781)**	(17,781)
Investments (net of provisions)		**8,013,581**	11,033,990
Deficit on revaluation of held-for-trading securities - net	*9.11*	**-**	(264)
Surplus on revaluation of available-for-sale securities - net	*20.2*	**19,238**	33,411
Investments at revalued amount		**8,032,819**	11,067,137

9.3 Investments include certain approved / government securities of Rs. 7,248.95 million (2015: Rs. 8,182.57) million which are held by the Bank to comply with the Statuary Liquidity Requirement determined on the basis of the Bank's demand and time liabilities as set out under section 29 of the Banking Companies Ordinance, 1962.

9.4 Market treasury Bills are for the periods of three months, six months and one year. The effective rate of profit on Market Treasury Bills range between 5.8% to 6.3% per annum (2015: 6.3% to 8.4% per annum) with maturities up to March 2017 (2015: August 2016). Repurchase agreement borrowings of Rs. 598.07 million (2015: Rs. 2,436.55 million) are secured against Market Treasury Bills of carrying value Rs. 598.26 million (2015: Rs. 2,780.14 million).

9.5 Pakistan Investment Bonds (PIBs) are for the period of ten years. The rates of profit are 11.1% and 13.2% (2015: 7.3% to 13.2%) with maturities on August 2021 and August 2022 (2015: July 2016 to July 2022).

		Note	**2016**	2015
9.6	**Particulars of provision**		**(Rupees in '000)**	
	Opening balance		**17,781**	21,734
	Reversals - due to repayments		**-**	(53)
	- on disposals		**-**	(3,900)
			-	(3,953)
	Closing balance		**17,781**	17,781
9.6.1	**Provision for diminution in value of investment by type - available-for-sale securities**			
	- Term Finance Certificates (TFCs)	*9.8*	**7,781**	7,781
	- Preference shares of a listed company	*9.9*	**10,000**	10,000
			17,781	17,781
9.6.2	**Provision for diminution in value of investment by segment - available-for-sale securities**			
	Equity securities			
	- Preference shares of a listed company	*9.9*	**10,000**	10,000
	Debt securities			
	- Term Finance Certificates (TFCs)	*9.8*	**7,781**	7,781
			17,781	17,781

9.7 Quality of available-for-sale securities

		2016			2015		
		Market value/ carrying value of investments (Rupees in '000)	**Credit rating**		Market value/ carrying value of investments (Rupees in '000)	Credit rating	
			Long term	**Short term**		Long term	Short term
9.7.1	Market Treasury Bills	**7,847,063**	**(Unrated - Government Securities)**		9,530,961	(Unrated - Government Securities)	
9.7.2	Pakistan Investment Bonds	**148**	**(Unrated - Government Securities)**		1,431,752	(Unrated - Government Securities)	
9.7.3	**Listed Term Finance Certificates**						
	Telecard Limited - I	**-**	**(Unrated)**	**(Unrated)**	-	(Unrated)	(Unrated)
9.7.4	**Un-listed Term Finance Certificates**						
	Pakistan International Airlines Corporation	**4,599**	**(Unrated)**	**(Unrated)**	6,130	(Unrated)	(Unrated)
9.7.5	**Units of mutual funds**						
	Meezan Balanced Fund	**-**	**(Unrated)**	**(Unrated)**	20,383	(Unrated)	(Unrated)
9.7.6	**Preference shares of a listed company**						
	Chenab Limited - preference shares	**-**	**(Unrated)**	**(Unrated)**	-	(Unrated)	(Unrated)

9.7.7 Ordinary shares of listed companies - at market value

	2016			2015		
	Market value/ carrying value of investments (Rupees in '000)	**Credit rating**		Market value/ carrying value of investments (Rupees in '000)	Credit rating	
		Long term	**Short term**		Long term	Short term
Allied Bank Limited	**2,980**	AA-	A1+	-	-	-
Attock Petroleum Limited	**9,379**	**(Unrated)**	**(Unrated)**	4,293	(Unrated)	(Unrated)
Attock Refinery Limited	**-**	**-**	**-**	636	AA	A1+
Bank Al-Habib Limited	**885**	**AA+**	**A1+**	-	-	-
D.G. Khan Cement Company Limited	**1,109**	**(Unrated)**	**(Unrated)**	-	-	-
Engro Corporation Limited	**2,529**	**AA**	**A1+**	-	-	-
Engro Fertilizer Limited	**4,759**	**AA-**	**A1+**	-	-	-
Engro Foods Limited	**-**	**-**	**-**	440	A+	Not available
Fatima Fertilizer Company Limited	**-**	**-**	**-**	2,907	AA -	A1+
Fauji Cement Company Limited	**902**	**(Unrated)**	**(Unrated)**	2,228	(Unrated)	(Unrated)
Fauji Fertilizer Bin Qasim Limited	**1,997**	**(Unrated)**	**(Unrated)**	3,688	(Unrated)	(Unrated)
Fauji Fertilizer Company Limited	**13,746**	**AA**	**A1+**	-	-	-
Faysal Bank Limited	**-**	**-**	**-**	2	AA	A1+
Fauji Fertilizer Company Limited	**-**	**-**	**-**	8,258	(Unrated)	(Unrated)
Habib Bank Limited	**12,296**	**AAA**	**A1+**	-	-	-
The Hub Power Company Limited	**9,508**	**AA +**	**A1+**	4,104	AA +	A1+
Indus Motor Company Limited	**21,150**	**(Unrated)**	**(Unrated)**	3,561	(Unrated)	(Unrated)
Kot Addu Power Company Limited	**9,023**	**AA+**	**A1+**	4,860	AA+	A1+
Lucky Cement Limited	**3,465**	**(Unrated)**	**(Unrated)**	2,129	(Unrated)	(Unrated)
Maple Leaf Cement Factory Limited	**-**	**-**	**-**	746	A	A1
MCB Bank Limited	**14,127**	**AAA**	**A1+**	433	AAA	A1+
National Bank of Pakistan	**7,526**	**AAA**	**A1+**	2,702	AAA	A1+
Nishat Chunian Power Limited	**2,497**	**(Unrated)**	**(Unrated)**	-	-	-
Nishat Power Limited	**1,827**	**A+**	**A1**	-	-	-
Oil & Gas Development Company Limited	**9,094**	**AAA**	**A1+**	-	-	-
Pakistan International Bulk Terminal Limited	**-**	**-**	**-**	2,399	(Unrated)	(Unrated)
Pakgen Power Limited	**-**	**-**	**-**	177	AA	A1+
Pakistan Oilfields Limited	**35,016**	**(Unrated)**	**(Unrated)**	10,184	(Unrated)	(Unrated)
Pakistan Petroleum Limited	**2,448**	**(Unrated)**	**(Unrated)**	1,218	(Unrated)	(Unrated)
Pakistan State Oil Company Limited	**3,041**	**AA**	**A1+**	652	AA	A1+
Saif Power Limited	**-**	**-**	**-**	1,146	A +	A1
United Bank Limited	**10,751**	**AAA**	**A1+**	-	-	-
Investments at revalued amount (note 9.7.7.1)	**180,055**			56,763		

9.7.8 Shares of unlisted company

National Institutional Facilitation Technologies (Private) Limited	**954**	**(Unrated)**	**(Unrated)**	954	(Unrated)	(Unrated)
Available-for-sale investments at revalued amount	**8,032,819**			11,046,943		

9.7.8.1 Investments at cost	**161,478**	59,217	
Surplus / (deficit) on revaluation of available-for-sale securities - net	**18,577**	(2,454)	
Investments at revalued amount	**180,055**	56,763	

9.7.9 Available-for-sale Market Treasury Bills and Pakistan Investment Bonds are eligible for rediscounting with the State Bank of Pakistan.

9.8 Term Finance Certificates (TFCs) - available-for-sale

Investee	Number of certificates held	Paid up value per certificate	Total paid up value (before redemption)	Profit rate	Principal redemption terms	Carrying Value as at 31 December 2016	Name of the Chief Executive Officer
		(Rupees)	(Rupees in '000)			(Rupees in '000)	
Listed TFCs							
Telecard Limited	5,000	5,000	25,000	3 months KIBOR + 5.04% p.a.	This represents the listed Term Finance Certificates (TFCs) issued by the Company, effective from 31 December 2015 these TFCs have been restructured for the period of five years carrying mark-up payable on quarterly basis and principal amount redeemable in 12 unequal quarterly instalments starting from 31 March 2018. These TFCs carry mark-up at the rate of three months kibor (2015: three months kibor plus 5.04%). These are secured against a first specific charge over the fixed assets of the Company and specific charge over the intangible assets (frequently spectrum) procured from the PTA. The balance has been fully provided.	**7,781**	Syed Aamir Hussain
Unlisted TFCs							
Pakistan International Airlines Corporation Limited	1,133	5,000	5,665	6 months KIBOR + 1.25% p.a.	6.25% of total issue in 16 equal quarterly instalments starting from May 2016.	**4,599**	Mr. Bernd Hildenbrand
Total (at cost)						**12,380**	
Provision for diminution (against Telecard Limited)						**(7,781)**	
Total (net of provision) - carrying value as at 31 December 2016						**4,599**	

9.9 Preference shares of a listed company

This represents 1 million cumulative redeemable preference shares of a listed company (Chenab Limited) having face value of Rs. 10 each, carrying dividend entitlement at 9.25% per annum on the face value.

Market value of these shares at 31 December 2016 amounted to Rs. 3.11 million (2015: Rs. 1.53 million). Given the financial position and market price of the Company's shares, the Bank has made full provision against these preference shares.

9.10 Ordinary shares of an unlisted company - a related party

This represents investment in 1,416,985 ordinary shares (2015: 1,416,985 ordinary shares) of Rs. 10 each of National Institutional Facilitation Technologies (Private) Limited (NIFT). The Bank's investment in NIFT is carried at cost and is not accounted under the equity method of accounting, as the Bank does not have significant influence over the entity. However, one employee of the Bank is a Director of NIFT. The Bank has 5.67% (2015: 5.67%) stake in the above company.

The details of assets, liabilities, net assets, revenue and profit of the above company as at 30 June 2016 (latest available audited financial statements) are as follows:

	30 June 2016	30 June 2015
	(Rupees in '000)	
Assets	**1,148,971**	1,248,366
Liabilities	**322,489**	359,744
Net assets	**826,482**	888,622
Revenue	**1,730,617**	2,061,090
Profit	**12,860**	202,780

Based on the financial statements of the above investee company as of 30 June 2016, the break-up value per share amounts to Rs. 33.06 per share (2015: Rs. 35.54 per share).

9.11 (Deficit) / surplus on revaluation of held for trading investments - net

	Unrealized (loss) / gain		Cost	
	2016	2015	**2016**	2015
	---------- (Rupees in '000) ----------			
Investee company				
Amreli Steels Limited	-	(16)	-	1,217
Engro Corporation Limited	-	(12)	-	851
Fatima Fertilizer Company Limited	-	8	-	439
Fauji Fertilizer Company Limited	-	10	-	1,170
Lucky Cement Limited	-	(5)	-	1,737
MCB Bank Limited	-	10	-	1,723
Pak Elektron Limited	-	(43)	-	668
Pakistan International Bulk Terminal Limited	-	(15)	-	575
Pakgen Power Limited	-	1	-	29
Pakistan Oilfields Limited	-	(67)	-	3,283
Pakistan Petroleum Limited	-	11	-	3,033
Pakistan State Oil Company Limited	-	(47)	-	1,676
The Searle Company Limited	-	(99)	-	4,057
	-	(264)	-	20,458

			2016	2015
10.	**ADVANCES - net**	*Note*	**(Rupees in '000)**	
	Loans, cash credits, running finances, etc. in Pakistan		**9,478,671**	9,249,996
	Foreign bills discounted and purchased (excluding treasury bills) payable in Pakistan		**-**	3,385
	Advances - gross	*10.1*	**9,478,671**	9,253,381
	Provision against non-performing loans and advances			
	Specific provision	*10.3*	**(1,256,793)**	(1,277,954)
	General provision	*10.3*	**(8,631)**	(5,152)
			(1,265,424)	(1,283,106)
	Advances - net		**8,213,247**	7,970,275

10.1 Particulars of advances (gross)

10.1.1	In local currency	**9,478,671**	9,249,996
	In foreign currency	**-**	3,385
		9,478,671	9,253,381
10.1.2	Short-term (for up to one year)	**6,914,775**	7,009,637
	Long-term (for over one year)	**2,563,896**	2,243,744
		9,478,671	9,253,381

10.2 Advances include Rs. 1,963.210 million (2015: Rs. 1,894.617 million) which have been placed under the non-performing status as detailed below:

Category of classification	2016								
	Classified advances			Specific provision required			Specific provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other Assets									
Especially Mentioned	**58**	**-**	**58**	**-**	**-**	**-**	**-**	**-**	**-**
Substandard	**10,642**	**-**	**10,642**	**1,359**	**-**	**1,359**	**1,359**	**-**	**1,359**
Doubtful	**103,031**	**-**	**103,031**	**749**	**-**	**749**	**749**	**-**	**749**
Loss	**1,849,479**	**-**	**1,849,479**	**1,254,685**	**-**	**1,254,685**	**1,254,685**	**-**	**1,254,685**
	1,963,210	**-**	**1,963,210**	**1,256,793**	**-**	**1,256,793**	**1,256,793**	**-**	**1,256,793**

Category of classification	2015								
	Classified advances			Specific provision required			Specific provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other Assets									
Especially Mentioned	-	-	-	-	-	-	-	-	-
Substandard	112,564	-	112,564	13,828	-	13,828	13,828	-	13,828
Doubtful	721,928	-	721,928	204,001	-	204,001	204,001	-	204,001
Loss	1,060,125	-	1,060,125	1,060,125	-	1,060,125	1,060,125	-	1,060,125
	1,894,617	-	1,894,617	1,277,954	-	1,277,954	1,277,954	-	1,277,954

10.2.1 In accordance with BSD Circular No. 1 dated 21 October 2011 issued by the State Bank of Pakistan, the Bank has availed the benefit of Forced Sale Value (FSV) against the non-performing advances. During the year ended 31 December 2016, total FSV benefit taken resulted in increase in profit before tax of Rs. 475.592 million (31 December 2015: Rs. 81.841 million). Had the benefit under the said circular not been taken by the Bank, specific provision against non - performing advances as of the year end would have been higher by Rs. 646.868 Million (31 December 2015: Rs. 171.276 million). The FSV benefit recognized will not be available for the distribution of cash and stock dividend to shareholders. Further, during the year, the management has decided to take the benefit of forced sale value on the advances categorised as loss (earlier the same was taken against substandard and doubtful classified advances only). Such benefit is as per the prudential regulations of SBP. Effect of this is that profit before taxation for the current year is higher by Rs. 594.475 million while provision against non-performing loans and advances due to this would have been higher by the same amount.

10.2.2 As per the revised Prudential Regulations issued for the Corporate / Commercial Banking vide BPRD Circular No. 06 of 2014 dated 26 June 2014, the cumulative FSV benefit recognized in respect of customers under Corporate / Commercial Banking is Rs. 459.5 million (31 December 2015: Rs. 121.976 million) and is not available for distribution of cash or stock dividend / bonus to employees. However State Bank of Pakistan vide its letter dated 04 November 2016 has given an exemption to the Bank to distribute the performance bonus / award to its employees eligible under Bank's performance award policy (excluding the President and key executives) for the year ended 31 December 2015 which is subject to approval of Bank's Board of Directors and limited up to the maximum amount of Rs. 7 million only.

10.3 Particulars of provision against non-performing loans and advances

	Note	2016			2015		
		Specific	**General**	**Total**	Specific	General	Total
		(Rupees in '000)					
Opening balance		**1,277,954**	**5,152**	**1,283,106**	1,050,605	5,536	1,056,141
Charge for the year		**225,810**	**5,581**	**231,391**	283,490	912	284,402
Reversals		**(246,956)**	**(2,102)**	**(249,058)**	(53,914)	(1,296)	(55,210)
	10.3.2	**(21,146)**	**3,479**	**(17,667)**	229,576	(384)	229,192
Amounts written off	*10.4*	**(15)**	**-**	**(15)**	(2,227)	-	(2,227)
Closing balance		**1,256,793**	**8,631**	**1,265,424**	1,277,954	5,152	1,283,106

10.3.1 Particulars of provision against non-performing loans and advances

	2016			2015		
	Specific	**General**	**Total**	Specific	General	Total
	(Rupees in '000)					
In local currency	**1,256,793**	**8,631**	**1,265,424**	1,277,954	5,152	1,283,106
In foreign currencies	**-**	**-**	**-**	-	-	-
	1,256,793	**8,631**	**1,265,424**	1,277,954	5,152	1,283,106

10.3.2 The following amounts have been (credited) / charged to the profit and loss account:

	Note	**2016**	2015
		(Rupees in '000)	
Specific provision		**(21,146)**	229,576
General provision	*10.3.3*	**3,479**	(384)
		(17,667)	229,192

10.3.3 General provision represents provision against consumer loans maintained at an amount equal to 1% of the fully secured performing portfolio and 4% of the unsecured performing portfolio as required by the Prudential Regulations issued by the SBP. General provision also includes provision against Small Enterprise Financing maintained at an amount equal to 1% of the fully secured performing portfolio and 2% of the unsecured performing portfolio as required under the Prudential Regulations issued by SBP.

10.3.4 At 31 December 2016, Rs. 151.022 million (2015: Rs. 109.430 million) was outstanding against Prime Minister Youth Business Loan. These loans carry mark-up at KIBOR + 500bps per annum. No General provision against Prime Minister Youth Business Loan has been maintained as allowed by SBP vide its IH & SMEFD Circular No. 1 of 2016 dated 25 February 2016.

	Note	**2016**	2015
		(Rupees in '000)	
10.4 Particulars of write offs			
10.4.1 Against provisions		**15**	2,227
Directly charged to the profit and loss account		**-**	-
		15	2,227
10.4.2 Write offs of Rs. 500,000 and above		**-**	1,993
Write offs of below Rs. 500,000		**15**	234
		15	2,227

10.5 Details of loans write off of Rs. 500,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of Rupees five hundred thousand or above allowed to a person(s) during the year ended 31 December 2016 has not been given as there were no write-offs of Rs. 0.5 million and above.

10.6 Particulars of advances to directors, associated companies, etc.

10.6.1 Debts due from executives or officers of the Bank or any of them either severally or jointly with any other persons:

	2016	2015
	(Rupees in '000)	
Balance at beginning of the year	**173,805**	157,508
Loans granted during the year	**65,359**	54,398
Repayments / adjustments during the year	**(40,008)**	(38,101)
Balance at end of the year	**199,156**	173,805

10.6.2 Debts due from companies or firms in which the directors of the bank are interested as directors, partners or in the case of private companies as members:

	2016	2015
	(Rupees in '000)	
Balance at beginning of year	**-**	140,000
Repayments / adjustments during the year	**-**	(140,000)
Balance at end of the year	**-**	-

		Note	2016	2015
			(Rupees in '000)	
10.6.3	Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties:			
	Balance at beginning of the year		-	(204)
	Repayments / adjustments during the year		-	204
	Balance at end of the year		-	-
11.	**OPERATING FIXED ASSETS**			
	Capital work-in-progress	*11.1*	**21,305**	4,545
	Property and equipment	*11.2*	**283,755**	294,823
	Intangible assets	*11.3*	**32,017**	37,989
			337,077	337,357
11.1	**Capital work-in-progress**			
	Software up gradation (advance to the consultant)		**7,585**	2,022
	Equipments		**11,817**	-
	Payments to consultant for up gradation of IT setup		**1,903**	-
	Civil work at branches		-	2,523
			21,305	4,545

11.2 Property and equipment

2016

Description	Cost / revalued amount				Accumulated depreciation				Net book value at 31 December 2016	Annual rate of depreciation
	At 1 January 2016	Additions / (disposals) / (written off*)	Surplus on revaluation / (reversal*)	At 31 December 2016	At 1 January 2016	Charge for the year / (deprecation on on disposals) / (written off*)	Adjustment due to revaluation	At 31 December 2016		
	(Rupees in '000)									%
Leasehold lands	**58,025**		**2,080** * **(2,318)**	**57,787**	**-**	**-**	**-**	**-**	**57,787**	**-**
Buildings	**155,739**	**-**	**16,723**	**172,462**	**10,701**	**7,666**	**(15,940)**	**2,427**	**170,035**	**5**
Building improvement (rented premises)	**38,161**	**7,859** * **(136)**	**-**	**45,884**	**23,041**	**6,490** * **(85)**	**-**	**29,446**	**16,438**	**20**
Furniture and fixtures (note 11.2.7)	**66,229**	**5,768** **(1,045)** * **(1,166)**	**-**	**69,786**	**50,232**	**6,013** **(1,042)** * **(1,056)**	**-**	**54,147**	**15,639**	**20**
Electrical, office and computer equipment (note 11.2.7)	**227,744**	**6,235** **(1,494)** * **(7,399)**	**-**	**225,086**	**172,319**	**41,019** **(1,493)** * **(7,390)**	**-**	**204,455**	**20,631**	**33.33**
Vehicles	**33,425**	**-** **(15,191)**	**-**	**18,234**	**28,207**	**1,974** **(15,172)**	**-**	**15,009**	**3,225**	**20**
	579,323	**19,862** **(17,730)** * **(8,701)**	**18,803** **(2,318)**	**589,239**	**284,500**	**63,162** **(17,707)** * **(8,531)**	**(15,940)**	**305,484**	**283,755**	

2015

Description	Cost / revalued amount				Accumulated depreciation				Net book value at 31 December 2015	Annual rate of depreciation
	At 1 January 2015	Additions / (disposals) / (written off*)	Surplus on revaluation	At 31 December 2015	At 1 January 2015	Charge for the year / (deprecation on on disposals) / (written off*)	Adjustment due to revaluation	At 31 December 2015		
	(Rupees in '000)									%
Leasehold lands	58,025	-	-	58,025	-	-	-	-	58,025	-
Buildings	155,739	-	-	155,739	606	10,095 -	-	10,701	145,038	5
Building improvement (rented premises)	33,252	4,909	-	38,161	17,443	5,598	-	23,041	15,120	20
Furniture and fixtures	61,089	5,623 (407) * (76)	-	66,229	44,304	6,319 (375) * (16)	-	50,232	15,997	20
Electrical, office and computer equipment	216,155	12,943 (1,354)	-	227,744	129,404	44,222 (1,307)	-	172,319	55,425	33.33
Vehicles	43,043	1,072 (10,690)	-	33,425	36,643	1,918 (10,354)	-	28,207	5,218	20
	567,303	24,547 (12,451) * (76)	-	579,323	228,400	68,152 (12,036) * (16)	-	284,500	294,823	

11.2.1 The land and buildings of the Bank were revalued on 31 December 2016 by an independent valuer KG Traders (Private) Limited on market value basis after making independent market inquires from local estate agents / realtors in the vicinity to establish the present market value. The revaluations of the above assets were last carried out in 2014, 2011, 2008 and 2006. The resulting surplus has been credited to the revaluation surplus account, net of related tax effect. The impact of valuation was incorporated in the financial statements as at 31 December 2016 which resulted in surplus of Rs. 32.425 million. The details of revalued amounts (gross) as at 31 December 2016 are as follows:

	Note	**(Rupees in '000)**
Total revalued amount of land	*11.2.3*	**57,787**
Total revalued amount of buildings	*11.2.3*	**170,035**
		227,822

Had the land and buildings not been revalued, total carrying amounts as at 31 December 2016 would have been as follows (at cost less accumulated depreciation):

Land	**3,287**
Buildings	**53,682**
	56,969

11.2.2 The cost of fully depreciated assets that are still in use are as follows:

Building improvement	**14,299**
Furniture and fixtures	**39,571**
Electrical, office and computer equipment	**132,799**
Vehicles	**12,392**
Computer softwares	**20,213**
	219,274

11.2.3 Summarized details of the valuation of properties across the country:

Location of properties	*Note*	**Original cost**			**Revalued amount (net of depreciation) / cost***		
		Land	**Buildings**	**Total**	**Land**	**Buildings**	**Total**
		---------- (Rupees in '000) ----------			---------- (Rupees in '000) ----------		
Mehdi Tower, Karachi		-	5,167	5,167	-	20,178	20,178
New Town, Karachi		-	1,348	1,348	-	15,345	15,345
Sukkur		-	1,017	1,017	-	16,335	16,335
Faisalabad		-	4,873	4,873	-	18,360	18,360
F.B. Area, Karachi		-	815	815	-	12,720	12,720
Gulshan-e-Iqbal, Karachi		-	1,322	1,322	-	6,156	6,156
P.E.C.H.S., Karachi		3,000	6,760	9,760	57,500	9,661	67,161
Mirpurkhas *	*11.2.4*	162	-	162	* 162	-	162
Kohat	*11.2.4*	-	708	708	-	-	-
Nawabshah *	*11.2.4 & 11.2.5*	125	-	125	* 125	-	125
Regional Office Lahore		-	60,000	60,000	-	71,280	71,280
		3,287	**82,010**	**85,297**	**57,787**	**170,035**	**227,822**

* at cost due to the reasons given below. Amounts are not considered to be material.

11.2.4 Represents temporarily idle properties for which extension in time specified in Section 10 of the Banking Companies Ordinance, 1962 is applicable. However, the Bank is allowed to retain the property at Mirpurkhas till the order in suo moto case remains effective. Kohat property has been written down to book value of Re. 1 owing to difficulties faced by the Bank in disposing off the said property.

11.2.5 The land in Nawabshah is under litigation. Sindh High Court has issued an injunction in favour of the Bank under which the sale of land (by a party who illegally transferred the title in his own name) has been stayed. SBP has granted the extension to retain this property till the Court orders are executed by the Revenue Officials, Nawabshah.

11.2.6 Disposals of fixed assets during the year

		Cost	**Accumulated depreciation**	**Carrying value**	**Sale proceeds**	**Mode of disposal**	**Particulars of buyers**
		---------- (Rupees in '000) ----------					
Furniture and fixtures							
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000:							
Miscellaneous items		1,045	1,042	3	103	Auction /	Various
Electrical, office and computer equipment							
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000:							
Miscellaneous items		1,494	1,493	1	117	Auction /	Various
Vehicles							
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000:		15,191	15,172	19	9,237	Bank's policy	Employees
Total	**2016**	**17,730**	**17,707**	**23**	**9,457**		
Total	2015	12,451	12,036	415	1,524		

11.2.7 Net book value of furniture and fixtures and office equipment include Rs. 0.504 million and Rs. 0.707 million (2015:Rs. 0.694 million and Rs. 1.039 million) respectively received as grant from non-government organization. Depreciation charged during the year on these assets aggregated to Rs. 0.813 million (2015: Rs. 0.813 million) and same amount is charged in other income as per the accounting policy stated in note 5.6.

11.3 Intangible assets

	2016							
	Cost			Accumulated amortisation			Net book value at 31 December 2016	Rate of amortisation
	At 1 January 2016	Additions	At 31 December 2016	At 1 January 2016	Amortisation for the year	At 31 December 2016		
	(Rupees in '000)							%
Computer softwares	**70,946**	**797**	**71,743**	**32,957**	**6,769**	**39,726**	**32,017**	**10 and 20**

	2015							
	Cost			Accumulated amortisation			Net book value at 31 December 2015	Rate of amortisation
	At 1 January 2015	Additions	At 31 December 2015	At 1 January 2015	Amortisation for the year	At 31 December 2015		
	(Rupees in '000)							%
Computer softwares	70,592	354	70,946	26,181	6,776	32,957	37,989	10 and 20

12. DEFERRED TAX ASSETS - net

	Note	2016	2015
		(Rupees in '000)	
12.1 The details of the tax effect of taxable and deductible temporary differences are as follows:			
Taxable temporary differences on:			
Surplus on revaluation of operating fixed assets	*20.1*	**(40,691)**	(30,884)
Surplus on revaluation of investments	*20.2*	**(6,733)**	(11,694)
		(47,424)	(42,578)
Deductible temporary differences on:			
Provision against non-performing loans and advances		**157,104**	250,817
Remeasurement of post retirement benefits obligations		**-**	28,669
Accelerated tax depreciation		**31,246**	26,671
Losses brought forward		**108,709**	-
		297,059	306,157
Net deferred tax asset recognized by the Bank		**249,635**	263,579

12.2 Reconciliation of deferred tax

	Balance at 1 January 2015	recognized in the profit and loss	recognized in surplus / (deficit) on revaluation of assets	recognized in other comprehensive income	Balance at 31 December 2015	recognized in the profit and loss	recognized in surplus / (deficit) on revaluation of assets	recognized in other comprehensive income	Balance at 31 December 2016
	(Rupees in '000)								
Taxable temporary differences on:									
Surplus on revaluation of operating fixed assets	(32,509)	1,625	-	-	**(30,884)**	**1,625**	**(11,432)**	-	**(40,691)**
Surplus on revaluation of investment	-	-	(11,694)	-	**(11,694)**	**-**	**-**	**4,961**	**(6,733)**
	(32,509)	1,625	(11,694)	-	**(42,578)**	**1,625**	**(11,432)**	**4,961**	**(47,424)**
Deductible temporary differences on:									
Provision against non-performing loans and advances	216,662	34,155	-	-	**250,817**	**(93,713)**	**-**	**-**	**157,104**
Remeasurement of post retirement benefits obligations	31,924	-		(3,255)	**28,669**	**-**	**-**	**(28,669)**	**-**
Accelerated tax depreciation	24,347	2,324	-	-	**26,671**	**4,575**		**-**	**31,246**
Compensated leave absences	1,848	(1,848)		-	**-**	**-**	**-**	**-**	**-**
Losses brought forward (note 12.2.2)	-	-	-	-	**-**	**108,709**	**-**	**-**	**108,709**
Deficit on revaluation on investments	79,100	-	(79,100)	-	**-**	**-**	**-**	**-**	**-**
	353,881	34,631	(79,100)	(3,255)	**306,157**	**19,571**	**-**	**(28,669)**	**297,059**
	321,372	36,256	(90,794)	(3,255)	**263,579**	**21,196**	**(11,432)**	**(23,708)**	**249,635**

12.2.1 In recording the deferred tax asset, estimates of the Bank's future taxable profits are taken into account, which are on the basis of the projections prepared by the Bank. The management has recorded deferred tax asset based on the financial projections indicating absorption of deferred tax asset over a number of future years through reversals as a result of recoveries from borrowers and absorption of remaining deferred tax asset against future taxable profits. The financial projections involve certain key assumptions such as deposits composition, interest rates, growth of deposits and advances, investment returns and potential provision / reversals against assets. Any significant change in the key assumptions may have an effect on the absorption of the deferred tax asset.

12.2.2 This includes deferred tax of Rs. 65.51 million recorded on unabsorbed tax depreciation and amortisation.

12.2.3 As a matter of abundant caution, the Bank has not recognised deferred tax asset on deductible temporary differences (representing taxable business losses) of Rs. 44.57 million on taxable losses of Rs. 127.35 million.

13. OTHER ASSETS - net	Note	2016	2015
		(Rupees in '000)	
Mark-up / return / interest accrued in local currency		**126,862**	223,969
Mark-up / return / interest accrued in foreign currency		**757**	1,602
Advances, deposits, prepayments and other receivables		**32,404**	49,464
Advance taxation (net of provisions)		**142,367**	156,299
Dividend receivable		**11,064**	-
Receivable from defined benefit plan	*33 and 13.3*	**57,832**	29,964
Stationery and stamps on hand		**3,648**	1,825
Suspense account (fully provided)		**3,253**	3,228
Branch adjustment account		**4,733**	-
ATM settlement account		**5,893**	4,160
Receivable from the Government of Pakistan against the encashment of Government instruments		**12,294**	4,804
Others		**3,526**	833
		404,633	476,148
Provision against other assets	*13.1*	**(10,421)**	(5,179)
		394,212	470,969

13.1 Provision against other assets

Opening balance		**5,179**	5,179
Provision made during the year	*13.2*	**6,129**	-
Written off during the year		**(887)**	-
Closing balance		**10,421**	5,179

13.2 Other provisions included in the profit and loss account for the year ended 31 December 2016 include above provision of Rs. 6.129 million.

13.3 The Bank has not shown payable against employee's gratuity scheme of Rs. 3.279 million separately for the year ended 31 December 2015 as the reclassification is not considered to be material.

14. CONTINGENT ASSETS

There were no contingent assets of the Bank as at 31 December 2016 and 31 December 2015.

15. BILLS PAYABLE

In Pakistan	**214,155**	99,284
Outside Pakistan	**-**	3,882
	214,155	103,166

16. BORROWINGS

In Pakistan - in local currency	*16.1*	**743,909**	2,832,166

16.1 Details of borrowings (secured)

Secured			
Borrowings from State Bank of Pakistan under:			
- Export refinance scheme	*16.2*	**145,839**	52,700
Repurchase agreement borrowings	*16.3*	**598,070**	2,779,657
		743,909	2,832,357

16.2 The Bank has entered into arrangement for financing with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the arrangement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP. This carries mark-up rate of 3% to 4.5% per annum (2015: 4.5% per annum). These borrowings are repayable up to September 2024.

16.3 This carries mark-up rate of 5.9% per annum (2015: ranging from 6.50% per annum) and are secured against government securities of carrying value Rs. 598.26 million (2015: Rs. 2,780.14 million).

17. DEPOSITS AND OTHER ACCOUNTS

	Note	2016	2015
		(Rupees in '000)	
Customers			
Fixed deposits		**1,990,482**	1,729,639
Savings deposits		**5,488,724**	5,409,318
Current accounts - remunerative		**2,651,561**	4,230,991
Current accounts - non remunerative		**3,391,291**	3,368,498
Call deposits		**93,069**	288,397
Sundry deposits	*17.1*	**91,974**	134,961
		13,707,101	15,161,804
Financial institutions			
Remunerative deposits		**1,500**	1,500
Non-remunerative deposits		**190**	136
		1,690	1,636
		13,708,791	15,163,440

17.1 Sundry deposits include margin account balance of Rs. 86.562 million (2015: Rs. 134.959 million).

17.2 Particulars of deposits

In local currency	**13,262,694**	14,457,889
In foreign currencies	**446,097**	705,551
	13,708,791	15,163,440

18. OTHER LIABILITIES

Mark-up / return / interest payable in local currency	**233,900**	263,670
Mark-up / return / interest payable in foreign currency	**250**	422
Accrued expenses	**51,771**	52,837
Payable against purchase of fixed assets	**3,989**	7,288
Payable against employee's gratuity scheme *33.2*	**5,153**	-
Provision for employees' compensated absences *34*	**60,989**	49,360
Workers' Welfare Fund liability *26.1*	**-**	16,607
Branch adjustment account	**-**	823
Unrealized loss on forward foreign exchange contracts	**6,472**	6,117
Clearing proceeds awaiting	**935**	5,871
Others	**9,728**	11,500
	373,187	414,495

19. SHARE CAPITAL AND STATUTORY RESERVE

19.1 Authorized capital

2016	2015		2016	2015
(Number of shares)			(Rupees in '000)	
600,000,000	600,000,000	Ordinary shares of Rs. 10 each	**6,000,000**	6,000,000

19.2 Issued, subscribed and paid up capital

This comprises of fully paid-up ordinary shares of Rs. 10 each as follows:

284,365,000	224,365,000	Issued for cash	**2,843,650**	2,243,650
65,046,250	65,046,250	Issued as bonus shares	**650,463**	650,463
349,411,250	289,411,250		**3,494,113**	2,894,113

During the year, Government of Pakistan through Ministry of Finance, injected share capital of Rs. 600 million. Further, issue of capital was under section 86 of the Companies Ordinance, 1984. The said right shares were offered for subscription to all the shareholders in proportion to their shareholding outstanding as at 15 January 2016. However, since none of the right shares were subscribed by other shareholders, the entire 60 million right shares were offered for subscription to the Government of Pakistan (GoP), which were duly subscribed by GoP, and as a result Rs. 600 million (comprising of 60 million ordinary shares of Rs. 10 each) were injected by the GoP. The revised shareholding structure after the said issue of ordinary right shares as mentioned above is mentioned in note 19.3.

19.3 Shareholders (associated undertakings)

	2016	
	Number of shares held	**Percentage of shareholding %**
Federal Government of Pakistan through Ministry of Finance	**280,088,793**	**80.16**
MCB Bank Limited	**23,095,324**	**6.61**
Habib Bank Limited	**23,095,324**	**6.61**
Allied Bank Limited	**7,734,927**	**2.21**
National Bank of Pakistan	**7,698,441**	**2.21**
United Bank Limited	**7,698,441**	**2.20**
	349,411,250	**100.00**

	2015	
	Number of shares held	Percentage of shareholding %
Federal Government of Pakistan through Ministry of Finance	220,088,793	76.05
MCB Bank Limited	23,095,324	7.98
Habib Bank Limited	23,095,324	7.98
Allied Bank Limited	7,734,927	2.67
National Bank of Pakistan	7,698,441	2.66
United Bank Limited	7,698,441	2.66
	289,411,250	100.00

19.4 Statutory reserve

In the previous year, transfer to reserve fund of an amount not less than twenty percent of the balance of the profit for the year as per the requirement of the Banking Companies Ordinance, 1962 was not made by the Bank. Accordingly during the current period, twenty percent of the previous year's profit amounting to Rs. 10.685 million has been made in the current year. Retrospective adjustment has not been made as the amount is not considered to be material by the Bank.

20. SURPLUS ON REVALUATION OF ASSETS - net of tax	*Note*	2016 (Rupees in '000)	2015
Surplus arising on revaluation (net of tax) of:			
- operating fixed assets	*20.1*	**130,162**	112,188
- available-for-sale securities	*20.2*	**12,505**	21,717
		142,667	133,905

		2016	2015
		(Rupees in '000)	
20.1	**Surplus on revaluation of fixed assets - net of tax**		
	Surplus on revaluation of fixed assets as at 1 January	**143,072**	147,716
	Transferred to accumulated profit representing incremental depreciation charged during the year - net of tax	**(3,019)**	(3,019)
	Related deferred tax liability	**(1,625)**	(1,625)
		(4,644)	(4,644)
	Revaluation surplus during the year - net	**32,425**	-
		170,853	143,072
	Less:		
	Deferred tax liability on:		
	Revaluation surplus as at 1 January	**30,884**	32,509
	Incremental depreciation charged during the year	**(1,625)**	(1,625)
	Revaluation surplus during the year	**11,432**	-
		40,691	30,884
		130,162	112,188
20.2	**Surplus / (deficit) on revaluation of available-for-sale securities - net of tax**		
	Federal Government Securities	**661**	35,482
	Listed Securities		
	- Ordinary shares of listed companies	**18,577**	(2,071)
		19,238	33,411
	Related deferred tax liability - net	**(6,733)**	(11,694)
		12,505	21,717
21.	**CONTINGENCIES AND COMMITMENTS**		
21.1	**Transaction-related contingent liabilities**		
	Guarantees in favour of		
	Government	**581,934**	577,873
	Others	**496,262**	52
		1,078,196	577,925
21.2	**Trade-related contingent liabilities**		
	Letters of credit and acceptances on behalf of		
	Government	**-**	-
	Others	**338,471**	446,833
		338,471	446,833

21.3 Commitments in respect of lending

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

		2016	2015
		(Rupees in '000)	
21.4	**Other contingencies**		
	Claims against the Bank not acknowledged as debt	**-**	-
21.5	**Commitments in respect of forward foreign exchange contracts**		
	Purchase	**-**	110,638
	Sale	**157,542**	42,160
21.6	**Commitments in respect of forward Swaps**		
	Purchase	**567,134**	643,316
	Sale	**124,206**	69,816
21.7	**Commitment for the acquisition of operating fixed assets**		
	Capital commitments for tangible assets	**7,617**	3,091

22. DERIVATIVE INSTRUMENTS

The Bank, as a policy does not enter into derivatives except for forward foreign exchange contracts and foreign exchange currency swaps, which are primarily backed by trade finance related business of customers.

23. MARK-UP / RETURN / INTEREST EARNED

On loans and advances to:		
Customers	**638,273**	718,459
Financial institutions	**3,205**	11,213
	641,478	729,672
On investments in:		
Available-for-sale securities	**513,671**	730,218
Held-to-maturity securities	**-**	47,159
	513,671	777,377
On deposits with financial institutions (including lendings)	**581**	461
On securities purchased under resale agreements	**6,134**	8,855
	1,161,864	1,516,365

24. MARK-UP / RETURN / INTEREST EXPENSED

On deposits	**424,190**	633,312
On securities sold under repurchase agreements	**98,290**	185,215
On other short-term borrowings	**12**	11
	522,492	818,538

25. GAIN ON SALE OF SECURITIES - net

	Note	2016	2015
		(Rupees in '000)	
Government securities		**32,373**	286,675
Shares of listed companies / units of mutual funds		**61,713**	9,282
		94,086	295,957

26. OTHER INCOME - net

Gain on sale of operating fixed assets - net		**9,434**	1,109
Rent on lockers		**13,233**	13,274
Grant income		**4,440**	813
Reversal of provision of Worker's Welfare Fund liability	*26.1*	**16,607**	-
Charges recovered from customers		**13,963**	10,190
		57,677	25,386

26.1 The Supreme Court of Pakistan passed a judgment on 10 November 2016, which upheld the view of Lahore High Court, declaring the insertion of amendments introduced in the Finance Acts 2006 and 2008 pertaining to Workers Welfare Fund (WWF) as unlawful and thereby striking down the amendments introduced through these Finance Acts. The Federal Board of Revenue has filled a review petition against the above judgment. The petition is currently pending with the Supreme Court of Pakistan.

The provision maintained against Federal Workers Welfare Fund as at 31 December 2016 has been reversed to the extent mentioned in the above Supreme Court's Judgment.

Furthermore, as a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. Liability to that extent is being maintained by the Bank.

27. ADMINISTRATIVE EXPENSES

Salaries and allowances		**443,681**	412,574
Charge of employees' compensated absences	*34*	**13,140**	9,484
Charge for defined benefit plans:			
Approved pension fund	*33.1.7.1*	**28,335**	29,446
Unfunded gratuity scheme	*33.2*	**1,874**	3,279
		30,209	32,725
Non-executive directors' fees		**1,842**	1,040
Rent, taxes, insurance, electricity		**140,997**	127,412
Legal and professional charges		**12,518**	13,601
Communications		**34,004**	35,728
Repairs and maintenance		**38,481**	36,310
Stationery and printing		**12,955**	12,500
Advertisement and publicity		**15,041**	10,447
Auditors' remuneration	*27.1*	**3,562**	4,732
Depreciation	*11.2*	**63,162**	68,152
Operating fixed assets written off	*11.2*	**170**	60
Amortization of intangible asset	*11.3*	**6,769**	6,776
Remittances, cash handling service charges		**9,889**	9,700
Conveyance, travelling, etc.		**7,750**	9,227
Outsourced security services		**29,312**	33,520
Entertainment		**6,341**	6,199
Brokerage and commission		**2,276**	2,988
Others		**7,091**	6,684
		879,190	839,859

			2016 KPMG Taseer Hadi & Co.	2015 Deloitte Yousuf Adil & Co.
27.1	**Auditors' remuneration**		**(Rupees in '000)**	
	Audit fee		**1,300**	1,300
	Fee for half yearly review of financial statements		**475**	475
	Fee for special certifications, etc.		**625**	2,575
	Taxation services		**420**	-
	Out of pocket expenses		**742**	382
			3,562	4,732
28.	**OTHER CHARGES**			
	Penalties imposed by State Bank of Pakistan		**11,584**	7,520
29.	**TAXATION**			
	For the year			
	Current	*29.1*	**13,927**	18,946
	Deferred	*12.2*	**(21,196)**	(36,256)
			(7,269)	(17,310)
	Prior years			
	Current		**-**	(1,845)
	Deferred		**-**	-
			-	(1,845)
			(7,269)	(19,155)

29.1 The current tax represents minimum tax under Section 113 of the Income Tax Ordinance, 2001, therefore reconciliation between accounting profit and taxable loss has not been given in these financial statements.

29.2 Return for the tax year 2016 (financial year ended 31 December 2015) has been filed which is deemed to have been assessed under Section 120 of the Income Tax Ordinance, 2001 (unless selected for audit).

29.3 While finalizing the assessments for tax years from 1997 to 2000 and from 2004 to 2008 (financial years ended from 31 December 1996 to 31 December 1998 and from 31 December 2003 to 31 December 2007 respectively), the tax authorities, from time to time, made certain disallowances against nostro account balances, apportionment of expenses, interest suspensed etc., against which appeals were filed by the Bank at the Appellate Tribunal Inland Revenue (ATIR). The ATIR vide its order dated 31 May 2012 decided all the matters (except disallowance of nostro balances, interest suspensed and apportionment of expenses) for tax years from 2004 to 2008 in favour of the Bank against which CIR had filed an appeal in the Sindh High Court (SHC) which is pending for hearing. Further, the matter of nostro balances written off was remanded back by 'ATIR to the CIR whereas the matter of apportionment of expenses have been disallowed against which the Bank has filed an appeal in SHC, which is pending adjudication. In case of adverse decisions, additional charge to the Bank would be Rs. 14.174 million. However, the management is confident that the decision in appeals would be in its favour and as such no provision is required to be made against the above amount in these financial statements.

29.4 The Additional Commissioner Inland Revenue (ACIR), has amended the assessment orders for the tax years 2010, 2011 and 2012 and Deputy Commissioner Inland Revenue (ICIR) has amended the assessment order for tax year 2013 (financial years ended 31 December 2009 to 31 December 2012) respectively from time to time under Sections 122 (4) and 122 (5A) of the Income Tax Ordinance, 2001. Demands aggregated to Rs. 40.195 million on account of certain disallowances have been made relating to these tax years. The Bank filed appeal before the Commissioner Inland Revenue (Appeals) who has decided all matters in favour of the Bank except the matter of workers welfare fund against which the Bank is in the process of filing appeals at higher forums. The management believes that the matter will ultimately be decided in the favour of the Bank. Accordingly, no provision has been made against the said claims of Rs. 7.5 million in these financial statements.

29.5 In 2012, the Deputy Commissioner Inland Revenue (DCIR) has raised demands aggregating to Rs. 13.477 million on account of Federal Excise Duty (FED) on fee, commission and brokerage income of the Bank for the period from 01 January 2009 to 31 December 2011. The Bank has filed appeals against the said orders before Commissioner Inland Revenue (Appeals), who has remanded the case back to the DCIR for proper scrutiny of the facts.

In 2014, the Deputy Commissioner Inland Revenue (DCIR) issued Order-In-Original for the recovery of short payment of Rs. 12.304 million on account of FED on fee, commission and brokerage income, income from dealing in foreign currencies and other income of the Bank for the year ended 31 December 2012. The Bank filed appeal against the said order before Commissioner Inland Revenue (Appeals) who maintained the said demand of DCIR against which the bank has filed appeal before the Appellate Tribunal Inland Revenue (ATIR) which is pending adjudication.

Provision against the above claims have not been made as the Bank is confident of the decisions in its favour.

29.6 In 2015, the Deputy Commissioner Inland Revenue (DCIR) issued order under Sections 161 and 205 of the Income Tax Ordinance, 2001 raising the demand of 7.071 million (inclusive of default surcharge) on account of the non-deduction of tax on certain payments during the tax year 2014. The Bank has filed appeal before the Commissioner Inland Revenue (Appeals) which is pending adjudication. Management is confident that this matter will ultimately be decided in the favour of the Bank. Accordingly, no provision is required to be made in this regard in these financial statements.

		Note	**2016**	2015
30.	**BASIC AND DILUTED EARNINGS PER SHARE**		**(Rupees in '000)**	
	Profit after taxation		**11,322**	53,427
			(Number of shares)	
	Weighted average number of ordinary shares outstanding during the year		**344,985,020**	254,123,579
			(Rupees)	
	Basic and diluted earnings per share		**0.03**	0.21
31.	**CASH AND CASH EQUIVALENTS**		**(Rupees in '000)**	
	Cash and balances with treasury banks	*6*	**1,081,532**	1,066,852
	Balances with other banks	*7*	**112,042**	170,453
			1,193,574	1,237,305

32. STAFF STRENGTH

	2016	2015
	(Number of employees)	
Permanent	**478**	462
Temporary / on contractual basis	**22**	78
Bank's own staff strength at the end of the year	**500**	540
Outsourced	**56**	24
	556	564

33. STAFF RETIREMENT AND OTHER BENEFITS

	Note	2016	2015
		(Rupees in '000)	
Receivable from approved pension fund	*33.1*	**(57,832)**	(33,243)
Payable against employee's gratuity scheme	*33.2*	**-**	3,279
		(57,832)	(29,964)

In addition, the Bank also makes provisions for employees compensated absences details of which are given in note 34.

33.1 Approved pension fund

33.1.1 General description

The Bank operates an approved pension fund for its employees as explained in detail in note 5.11 to these financial statements.

33.1.2 Principal Actuarial assumptions

The latest actuarial valuations of the approved pension fund and employees' compensated absences were carried out as at 31 December 2016 under the Projected Unit Credit Method. The principal actuarial assumptions used are as follows:

		Approved pension fund	
	Note	2016	2015
		(Percentage)	
Discount rate per annum		**9.50%**	10.00%
Salary increase rate per annum for first year		**5.00%**	9.00%
Long term salary increase rate		**8.50%**	9.00%
Pension increase rate		**1.50%**	2.00%
Mortality rate		**SLIC (2001-05)-1**	SLIC (2001-05)-1
Rates of employee turnover		**Light**	Light

33.1.3 The amounts recognized in the Statement of Financial Position

		Approved pension fund	
		2016	2015
		(Rupees in '000)	
Present value of defined benefit obligations	*33.1.4*	**643,180**	609,226
Fair value of plan assets	*33.1.5*	**(701,012)**	(642,469)
Surplus		**(57,832)**	(33,243)

			Approved pension fund	
33.1.4	**Movement in present value of defined benefit obligations**	*Note*	**2016**	2015
			(Rupees in '000)	
	Present value of obligations as at 01 January		**609,226**	564,952
	Current service cost		**31,426**	34,444
	Interest cost		**61,658**	63,731
	Actual benefits paid during the year		**(17,089)**	(29,786)
	Benefit payable for the year		**(6,880)**	(5,061)
	Remeasurement: actuarial gains on obligation		**(35,161)**	(19,054)
	Present value of obligation as at 31 December		**643,180**	609,226
33.1.5	**Movement in fair value of plan assets**			
	Fair value of plan assets as at 01 January		**642,469**	611,812
	Interest income on assets		**64,749**	68,729
	Contributions made during the year		**-**	6,528
	Benefits paid		**(17,089)**	(29,786)
	Benefit payable for the year		**(6,880)**	(5,061)
	Remeasurement: actuarial (losses) / gains on plan assets		**17,763**	(9,753)
	Fair value of plan assets as at 31 December		**701,012**	642,469
33.1.6	**Movements in net asset recognized in the Statement of Financial Position**			
	Opening balance		**(33,243)**	(46,860)
	Charge for the year	*33.1.7.1*	**28,335**	29,446
	Remeasurement recognized in OCI during the year		**(52,924)**	(9,301)
	Contribution to the fund made during the year		**-**	(6,528)
	Closing balance		**(57,832)**	(33,243)
33.1.7	**Defined benefit cost for the year**			
33.1.7.1	**Cost recognized in profit and loss account**			
	Current service cost		**31,426**	34,444
	Net interest cost		**(3,091)**	(4,998)
	Cost for the year ended		**28,335**	29,446
33.1.7.2	**Re-measurement recognized in OCI**			
	Actuarial gain on obligation		**(35,161)**	(19,054)
	Return on plan assets over interest income loss / (gain)		**(17,763)**	9,753
	Re-measurement recognized in OCI		**(52,924)**	(9,301)
33.1.8	**Actual return on plan assets**		**82,512**	58,976
33.1.9	**Components of plan assets as percentage of total assets**			
	Government securities		**99.78%**	99.71%
	Cash at bank - First Women Bank Limited		**0.22%**	0.29%
			100.00%	100.00%

33.1.10 Other relevant details of above funds are as follows:

33.1.10.1 The expected charge in respect of pension fund for the year ending 31 December 2017 is Rs. 26.864 million.

33.1.10.2 Sensitivity analysis on significant actuarial assumptions: Pension Fund

	2016	2015
	(Rupees in '000)	
Discount rate: +1%	**566,693**	533,484
Discount rate: -1%	**735,128**	701,112
Long term salary increase: +1%	**704,465**	676,029
Long term salary increase: -1%	**588,557**	550,458
Long term pension increase: +1%	**670,580**	636,597
Long term pension increase: -1%	**619,223**	585,438

33.1.10.3 Maturity profile of the defined benefit obligation

	2016	2015
Weighted average duration of obligation in years	**10.61**	13.76
Distribution of timing of benefit payments (time in years)		
1	**7,486**	14,479
2	**15,807**	7,606
3	**15,048**	10,875
4	**29,274**	9,911
5	**16,761**	16,000
6-10	**348,297**	191,409
11-15	**945,336**	450,683
16-20	**853,817**	291,857
20+	**4,405,763**	796,543
	6,637,589	1,789,363

33.1.10.4 Total staff covered under the scheme at 31 December 2016 were 371 (2015: 371).

33.2 Unfunded gratuity scheme

The Company operates an unfunded gratuity scheme for its President. The liability determined in accordance with the terms of the Scheme as at 31 December 2016 was Rs. 5.153 million (2015: Rs 3.279 million). As the amount is not material in relation to the size of financial statements taken as a whole, actuarial valuation has not been carried out.

34. EMPLOYEE COMPENSATED ABSENCES

The liability of the Bank in respect of long-term employees compensated absences is determined based on actuarial valuation carried out using Projected Unit Credit Method. The liability of the Bank as per the latest actuarial valuation carried out as at 31 December 2016 amounted to Rs. 60.989 million (2015: Rs. 49.360 million) which has been fully provided by the Bank. The charge for the year in respect of these absences is Rs. 13.140 million (2015: Rs. 9.484 million) which is included in note 27 to these financial statements. Discount rate of 9.5% (2015: 10%) and salary increase of 5% (2015: 9%) per annum have been used for the above valuation.

35. DEFINED CONTRIBUTION PLAN

The Bank operates an approved non-contributory provident fund for those employees who have opted for the new scheme, where contributions are made by the employee at 12% (2015: 12%) per annum of the basic salary.

36. COMPENSATION OF DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for compensation, including all benefits, to the Chief Executive, Directors and Executives of the Bank was as follows:

	President / Chief Executive		Directors		Executives	
	2016	2015	**2016**	2015	**2016**	2015
	(Rupees in '000)					
Fees	**-**	-	**1,842**	1,040	**-**	-
Managerial remuneration	**12,000**	12,000	**-**	-	**97,267**	82,444
Charge for approved employees pension fund	**-**	-	**-**	-	**7,707**	7,650
Charge for employee's gratuity scheme	**1,874**	3,279	**-**	-	**-**	-
Rent and house maintenance	**6,600**	6,600	**-**	-	**37,978**	31,168
Utilities	**1,800**	1,800	**-**	-	**10,191**	8,245
Medical	**206**	510	**-**	-	**12,042**	10,984
Conveyance	**553**	629	**-**	-	**31,528**	29,805
Others (bonus, special allowance, expense reimbursement, etc.)	**3,154**	3,262	**-**	-	**20,044**	13,650
	26,187	28,080	**1,842**	1,040	**216,757**	183,946
Number of persons	**1**	1	**7**	5	**101**	96

The Chief Executive is provided with free use of the Bank's maintained car and household equipment in accordance with the terms of their employment.

37. FAIR VALUE MEASUREMENT

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

On balance sheet financial instruments	2016							
	Held for trading	Available for sale	Loans and receivables	Financial liabilities	Total	Fair value		
						Level 1	Level 2	Total
	(Rupees in '000)							
Financial assets measured at fair value								
Investments								
- Market Treasury Bills	-	7,847,063	-	-	7,847,063	-	7,847,063	7,847,063
- Pakistan Investment Bonds	-	148	-	-	148	-	148	148
- Shares of listed companies	-	180,055	-	-	180,055	180,055	-	180,055
Financial assets not measured at fair value								
Investments								
- Term Finance Certificates	-	4,599	-	-	4,599			
- Shares of an unlisted company	-	954	-	-	954			
Cash and balances with treasury banks	-	-	1,081,532	-	1,081,532			
Balances with other banks	-	-	112,042	-	112,042			
Lending to financial instruments	-	-	100,000	-	100,000			
Advances	-	-	8,213,247	-	8,213,247			
Other assets	-	-	152,889	-	152,889			
	-	8,032,819	9,659,710	-	17,692,529			
Financial liabilities measured at fair value								
Other liabilities	6,472	-	-	-	6,472	-	6,472	6,472
Financial liabilities not measured at fair value								
Bills payable	-	-	-	214,155	214,155			
Borrowings	-	-	-	743,909	743,909			
Deposits and other accounts	-	-	-	13,708,791	13,708,791			
Other liabilities	-	-	-	290,844	290,844			
	6,472	-	-	14,957,699	14,964,171			

Off-balance sheet financial instruments	Contract Price	Fair Value
Forward purchase of foreign exchange	573,663	567,134
Forward sale of foreign exchange	281,805	281,748

On balance sheet financial instruments	2015							
	Held for trading	Available for sale	Loans and receivables	Financial liabilities	Total	Fair value		
						Level 1	Level 2	Total
	(Rupees in '000)							
Financial assets measured at fair value								
Investments								
- Market Treasury Bills	-	9,530,961	-	-	9,530,961	-	9,530,961	9,530,961
- Pakistan Investment Bonds	-	1,431,752	-	-	1,431,752	-	1,431,752	1,431,752
- Shares of listed companies	20,194	56,763	-	-	76,957	76,957	-	76,957
- Units of mutual funds	-	20,383	-	-	20,383	-	20,383	20,383
Financial assets not measured at fair value								
Investments								
- Term Finance Certificates	-	6,130	-	-	6,130			
- Shares of an unlisted company	-	954	-	-	954			
Cash and balances with treasury banks	-	-	1,066,852	-	1,066,852			
Balances with other banks	-	-	170,453	-	170,453			
Advances	-	-	7,970,275	-	7,970,275			
Other assets	-	-	232,606	-	232,606			
	20,194	11,046,943	9,440,186	-	20,507,323			
Financial liabilities measured at fair value								
Other liabilities	6,117	-	-	-	6,117	-	6,117	6,117
Financial liabilities not measured at fair value								
Bills payable	-	-	-	103,166	103,166			
Borrowings	-	-	-	2,832,357	2,832,357			
Deposits and other accounts	-	-	-	15,163,440	15,163,440			
Other liabilities	-	-	-	330,088	330,088			
	6,117	-	-	18,429,051	18,435,168			

Off-balance sheet financial instruments	Contract Price	Fair Value
Forward purchase of foreign exchange	759,520	753,954
Forward sale of foreign exchange	111,424	111,976

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

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

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

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

38. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2016					
	Corporate finance	Treasury	Retail & consumer banking	Commercial banking	Inter-segment elimination	Total
	(Rupees in '000)					
Total income	**490,665**	**644,007**	**149,457**	**495,158**	**(372,867)**	**1,406,420**
Total expenses	**309,210**	**880,714**	**504,409**	**80,898**	**(372,867)**	**1,402,364**
Income tax	**-**	**-**	**-**	**-**	**-**	**(7,269)**
Net loss	**181,455**	**(236,707)**	**(354,952)**	**414,260**	**-**	**11,325**
Segment assets - (gross of non-performing loans provision)	**7,590,761**	**8,826,608**	**2,324,207**	**8,677,888**	**(8,034,107)**	**19,385,357**
Advance tax	**-**	**-**	**-**	**-**	**-**	**142,367**
Deferred tax assets	**-**	**-**	**-**	**-**	**-**	**249,635**
Total assets	**7,590,761**	**8,826,608**	**2,324,207**	**8,677,888**	**(8,034,107)**	**19,777,359**
Segment non performing loans	**1,181,649**	**-**	**781,561**	**-**	**-**	**1,963,210**
Segment specific provision required	**787,714**	**-**	**469,078**	**-**	**-**	**1,256,792**
Segment liabilities	**1,334,959**	**8,638,921**	**12,607,787**	**492,480**	**(8,034,107)**	**15,040,040**
Segment return on assets (ROA)	**6.77%**	**7.92%**	**6.73%**	**5.71%**	-	**7.89%**
Segment cost of funds	**3.09%**	**10.19%**	**4.00%**	**16.43%**	-	**9.32%**

	2015					
	(Rupees in '000)					
Total income	572,828	1,121,096	621,197	66,642	(456,335)	1,925,428
Total expenses	589,546	1,130,972	593,672	33,301	(456,335)	1,891,156
Income tax	-	-	-	-	-	(19,155)
Net income / (loss)	(16,718)	(9,876)	27,525	33,341	-	53,427
Segment assets - (gross of non-performing loans provision)	7,503,099	12,103,327	2,054,387	9,066,138	(8,522,253)	22,204,698
Advance tax	-	-	-	-	-	156,299
Deferred tax assets	-	-	-	-	-	263,579
Total assets	7,503,099	12,103,327	2,054,387	9,066,138	(8,522,253)	22,624,576
Segment non performing loans	1,365,585	-	529,032	-	-	1,894,617
Segment specific provision required	908,914	-	369,040	-	-	1,277,954
Segment liabilities	2,645,004	11,303,786	12,782,034	304,887	(8,522,253)	18,513,458
Segment return on assets (ROA)	7.89%	10.15%	7.84%	6.50%	-	9.02%
Segment cost of funds	4.97%	6.96%	4.97%	4.50%	-	5.97%

39. TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities. However, the Bank is holding investments of other entities in its IPS account maintained with the State Bank of Pakistan.

40. RELATED PARTY TRANSACTIONS AND BALANCES

The Bank has related party relationships with associated undertakings, employee benefits, directors and key management personnel and companies with common directors.

Details of advances to the companies or firms in which the directors of the Bank are interested as directors, partners or in case of private companies as members, are given in note 10.6.2 to these financial statements. There are no transactions with key management personnel other than under their terms of employment. Contributions to and accruals in respect of staff retirement benefit plans are made in accordance with the actuarial valuation / terms of the contribution plan as disclosed in notes 33 and 34. Other transactions are at agreed terms. Remuneration to the executives and disposals of vehicles are disclosed in notes 35 and 11.2.6 to these financial statements. Details of transactions and balances with related parties, except as disclosed elsewhere in the financial statements, are as follows:

A. Balances as at year end	President and Directors		Associated undertakings		Key management personnel		Other related parties	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	(Rupees in '000)							
Deposits								
Balance at beginning of the year	**6,607**	9,061	**-**	100,022	**2,679**	9,592	**9,518**	14,027
Deposited during the year	**41,385**	101,844	**-**	-	**50,477**	56,013	**874,315**	52,021
Withdrawn / adjustments during the year	**(42,349)**	(104,298)	**-**	(100,022)	**(49,843)**	(62,926)	**(878,521)**	(56,530)
Balance at end of the year	**5,643**	6,607	**-**	-	**3,313**	2,679	**5,312**	9,518
Advances (secured)								
Balance at beginning of the year	**-**	-	**-**	140,000	**31,869**	16,134	**-**	(204)
Loans granted during the year	**-**	-	**-**	-	**5,348**	16,014	**-**	-
Repayments / adjustments during the year	**-**	-	**-**	(140,000)	**(6,495)**	(279)	**-**	204
Balance at end of the year	**-**	-	**-**	-	**30,722**	31,869	**-**	-
Mark-up payable in local currency	**34**	95	**-**	-	**31**	78	**138**	356
Mark-up receivable in local currency	**-**	-	**-**	-	**416**	315	**-**	-
Bank balance	**-**	-	**196,223**	234,525	**-**	-	**-**	-
Investment in listed shares of related parties - Available for sale	**-**	-	**47,680**	3,135	**-**	-	**-**	-
Investment in listed shares of related parties - Held for trading	**-**	-	**-**	1,733	**-**	-	**-**	-
Investment in National Institutional Facilitation Technologies (Private) Limited	**-**	-	**954**	954	**-**	-	**-**	-
Lendings to financial institutions	**-**	-	**100,000**	-	**-**	-	**-**	-
Salary payable	**4,852**	1,496	**-**	-	**-**	-	**-**	-
Net receivable from approved pension fund (note 33)	**-**	-	**-**	-	**-**	-	**57,832**	29,964
Payable against employee's gratuity scheme	**5,153**	3,279	**-**	-	**-**	-	**-**	-
Contingencies & Commitments - Foreign exchange contracts								
- Purchase	**-**	-	**389,602**	568,905	**-**	-	**-**	-
- Sell	**-**	-	**262,488**	69,721	**-**	-	**-**	-

B. Transactions during the period	For the year							
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	(Rupees in '000)							
Mark-up / return / interest expensed	**72**	152	**-**	4,862	**62**	151	**302**	654
Deposits carry mark-up rate ranging from 0% to 3.75% per annum (31 December 2015: 0.05% to 4.5% per annum).								
Mark-up / return / interest earned	**-**	-	**-**	7,158	**1,157**	1,227	**-**	-
Advances carry profit rates ranging from 0% to 18.5% per annum (2015: 0% to 5% per annum)								
Lendings to financial institutions during the year	**-**	-	**14,751,799**	19,754,653	**-**	-	**-**	-
Borrowing from financial institutions during the year	**-**	-	**9,742,916**	7,387,896	**-**	-	**-**	-
Investments purchased - (Ordinary shares of listed companies)								
- Available for sale	**-**	-	**75,578**	3,884	**-**	-	**-**	-
- Held for trading	**-**	-	**31,072**	4,043	**-**	-	**-**	-
Investments sold - (Ordinary shares of listed companies)								
- Available for sale	**-**	-	**37,264**	388	**-**	-	**-**	-
- Held for trading	**-**	-	**34,232**	2,212	**-**	-	**-**	-
Interest income on lendings to financial institutions	**-**	-	**3,106**	4,102	**-**	-	**-**	-
Interest expense on borrowings	**-**	-	**1,158**	1,507	**-**	-	**-**	-
Dividend income	**-**	-	**14,321**	19,380	**-**	-	**-**	-
Contribution to approved pension fund	**-**	-	**-**	-	**-**	-	**-**	6,528
Charges paid to National Institutional Facilitation Technologies (Private) Limited	**-**	-	**3,524**	3,628	**-**	-	**-**	-
Issue of shares to Federal Government of Pakistan through Ministry of Finance	**-**	-	**-**	-	**-**	-	**600,000**	400,000
Remuneration of key management personnel	**26,187**	28,080	**-**	-	**55,425**	46,056	**-**	-
Director's meeting fee	**1,842**	1,040	**-**	-	**-**	-	**-**	-

Related parties by virtue of common directorship and GoP holdings

The Federal Government of Pakistan directly holds 80.16% of the Bank's issued share capital and is entitled to appoint members of the Board. The Bank, therefore, considers that the GOP is in a position to exercise control over it and therefore regards the GOP and its various bodies as related parties for the purpose of the disclosures in respect of related parties.

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

As at the Statement of Financial position date, the significant loans and advances, deposits and contingencies relating to Government-related entities amount to Rs. 3,120 million, Rs. 1,533 million and Rs. 516 million respectively and income earned on advances and profit paid on deposits (domestic only) amounted to Rs. 236 million and Rs. 89 million only.

41. CAPITAL ASSESSMENT AND ADEQUACY

41.1 Scope of Applications

The Basel-III Framework is applicable to the Bank on a stand-alone basis and the Bank has adopted the Standardized approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk while using the simple approach for Credit Risk Mitigation.

41.2 Capital management

Objective of capital management:

The Bank manages its capital to attain following objectives and goals:

- To comply with statutory capital requirements set by regulators;
- Ensuring sufficient liquidity to support its financial obligations and execute its operating and strategic plans;
- Maintaining healthy liquidity reserves and access to capital;
- To mitigate all expected and unexpected losses to keep institution a going concern so it can continue to provide adequate return to share holders; and
- To extend credit to support growth even in adverse and stressed economic environment.

Statutory minimum capital requirement and management of capital

As stated in note 1.2, the Bank is required to comply with MCR of Rs 3 billion (free of losses) and CAR of 18% at all times. As at 31 December 2016, the paid up capital (free of losses) of the Bank is Rs. 3,030.142 million which is more than the SBP revised requirement applicable to the Bank. The CAR of the Bank as at 31 December 2016 is 46.56%.

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

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

Ratio	**Year**						**As on Dec 31**
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
CET I	5.00%	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%
ADT I	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Tier 1	6.50%	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%
Total Capital	**10.00%**	**10.00%**	**10.00%**	**10.00%**	**10.00%**	**10.00%**	**10.00%**
*CCB	-	-	0.25%	0.65%	1.28%	1.90%	2.50%
Total Capital plus CCB	**10.00%**	**10.00%**	**10.25%**	**10.65%**	**11.28%**	**11.90%**	**12.50%**

*(Consisting of CET1 only)

Bank's regulatory capital is analysed into following tiers.

Common Equity Tier 1 capital (CET1), which includes fully paid up capital, reserves as per the financial statements and accumulated loss after all regulatory adjustments applicable on CET1 (refer to note 41.3).

Tier 2 capital, which includes general provisions for loan losses (up to a maximum of 1.25 % of credit risk weighted assets) and surplus / deficit on revaluation of fixed assets and equity investments up to a maximum of 45% of the balance after all regulatory adjustments applicable on Tier-2 (refer to note 41.3). Bank has also implemented transitional standards of Basel III up to the extent of 60% as at 31 Dec 2016 as per road map laid down by SBP through BPRD Circular #6 dated August,15, 2013.

The required capital adequacy ratio is tested with reference to the risk weighted exposure of the Bank. It is achieved by the Bank through improvement in the asset quality at the existing volume level, ensuring better recovery management and striking compromise proposal and settlement and composition of asset mix with low risk. Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to on-balance sheet and off-balance sheet exposures. The total risk-weighted exposures comprise of the credit risk, market risk and operational risk.

On and off-balance sheet assets in the banking book are broken down to various asset classes for 'calculation of credit risk. Ratings for assets are applied using various External Credit Assessment Institutions' (ECAI) and aligned with appropriate 'risk buckets. Collaterals if any, are used as an outflow adjustment. Risk weights notified, are applied at net 'adjusted exposure. Collaterals used include: Government of Pakistan guarantees for advances and 'investments in PSE / GOP, deposits / margins, lien on deposits, saving certificates and lending of securities '(repo & reverse repo).

The Bank's risk weighted amount for market risk comprise of equity price risk and foreign exchange rate risk, which includes net spot positions. Trading book consists of positions in financial instruments held either with trading intent or in order to hedge other elements of the trading book. To be eligible for trading book, financial instruments must be held with the intent of trading and free of any restrictive covenants on their tradability. In addition, positions need to be frequently and accurately valued and the portfolio should be actively managed.

All investments excluding trading book are considered as part of banking book, which includes:

i) Available for sale securities.

ii) Held for trading securities.

iii) Other strategic investments, if any.

Treasury investments parked in the banking book include:

i) Government securities.

ii) Capital market investments (except for investments in closed end mutual funds, considered as part of trading book).

iii) Strategic investments, if any.

iv) Investments in bonds, certificates, etc.

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

The Bank uses reputable and SBP approved rating agencies for deriving risk weight to specific credit exposures. These are applied consistently across the Bank credit portfolio for both on-balance sheet and off-balance sheet exposures.

For domestic claims, External Credit Assessment Institutions (ECAIs) recommended by the State Bank of Pakistan (SBP), namely Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited (JCR-VIS) are used. Exposures not rated by any of the aforementioned rating agencies were categorized as unrated.

Exposures	31 December 2016	
	JCR VIS	PACRA
Corporate	✓	✓
Banks	✓	✓
Others	✓	✓

SBP indicative mapping process as instructed in SBP circular "Minimum Capital Requirements for Banks and DFIs" (indicated in table below) was used to map alphanumeric ratings of PACRA, JCR-VIS, S&P's. Moody's, Fitch Ratings, and numeric scores of ECAs, to SBP rating grades.

Mapping to SBP Rating Grades

Long-term rating grade mapping

SBP Rating Grade	PACRA	JCR-VIS	ECA Scores
1	AAA AA+ AA AA-	AAA AA+ AA AA-	0,1
2	A+ A A-	A+ A A-	2
3	BBB+ BBB BBB-	BBB+ BBB BBB-	3
4	BB+ BB BB-	BB+ BB BB-	4
5	B+ B B-	B+ B B-	5,6
6	CCC+ and Below	CCC+ and Below	7

Short-term rating grade mapping

SBP Rating Grade	PACRA	JCR-VIS
S1	A-1	A-1
S2	A-2	A-2
S3	A-3	A-3
S4	Others	Others

41.2.1 Leverage Ratio

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

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

$$\text{Leverage Ratio} = \frac{\text{Tier 1 capital (after related deductions)}}{\text{Total Exposure}}$$

As at December 31, 2016, Bank's Leverage ratio stood at 14.67% which is above the minimum requirement of 3.0%.

	2016	2015
	(Rupees in '000)	
On-Balance Sheet Assets		
Cash and balances with treasury banks	**1,081,532**	1,066,852
Balances with other banks	**112,042**	170,453
Lendings to financial institutions	**100,000**	-
Investments (including assets held for sale)	**8,032,819**	11,067,137
Advances	**8,213,247**	7,970,275
Operating fixed assets	**337,077**	337,357
Deferred tax assets	**249,635**	263,579
Other assets	**394,212**	470,969
Total Assets (A)	**18,520,564**	21,346,622
Derivatives (On-Balance Sheet)		
Interest Rate	**-**	-
Equity	**-**	-
Foreign Exchange & gold	**-**	-
Precious Metals (except gold)	**-**	-
Commodities	**-**	-
Credit Derivatives (protection brought & sold)	**-**	-
Any other derivatives	**-**	-
Total Derivatives (A.1)	**-**	-
Off-Balance Sheet Items excluding derivatives		
Direct Credit Substitutes (i.e.	**23,634**	577,923
Performance-related Contingent Liabilities (i.e. Guarantees)	**1,078,196**	-
Trade-related Contingent Liabilities (i.e. Letter of Credits)	**314,837**	446,846
Lending of securities or posting of securities as collaterals	**598,070**	2,775,736
Undrawn committed facilities (which are not cancellable)	**972,348**	687,817
Unconditionally cancellable commitments	**-**	-
Commitments in respect of operating leases	**-**	-
Commitments for the acquisition of operating fixed assets	**7,617**	3,091
Other commitments	**-**	-
Total Off-Balance Sheet Items excluding Derivatives (B)	**2,994,702**	4,491,413
Commitments in respect of Derivatives - Off Balance Sheet Items (Derivatives having negative fair value are also included)		
Interest Rate	**-**	-
Equity	**-**	-
Foreign Exchange & gold	**8,306**	8,204
Precious Metals (except gold)	**-**	-
Commodities	**-**	-
Credit Derivatives (protection sold and bought)*	**-**	-
Other derivatives	**-**	-
Total Derivatives (C)	**8,306**	8,204
Tier-1 Capital	**3,158,233**	2,640,497
Total Exposures (sum of A,B and C)	**21,523,571**	25,846,239
Leverage Ratio	**14.67%**	10.22%

41.3 Capital Structure

		31 December 2016	31 December 2015
		(Rupees in '000)	
		Amount	Amount
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	**3,494,113**	2,894,113
2	Balance in Share Premium Account	**-**	-
3	Reserve for issue of Bonus Shares	**-**	-
4	General/ Statutory Reserves	**307,717**	294,768
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	**-**	-
6	Unappropriated/unremitted profits/ (losses)	**(463,975)**	(489,622)
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	**-**	-
8	**CET 1 before Regulatory Adjustments**	**3,337,855**	2,699,259
9	Total regulatory adjustments applied to CET1 **(Note 41.3.1)**	**179,622**	58,762
10	**Common Equity Tier 1**	**3,158,233**	2,640,497
	Additional Tier 1 (AT 1) Capital		
11	Qualifying Additional Tier-1 instruments plus any related share premium	**-**	-
12	of which: Classified as equity	**-**	-
13	of which: Classified as liabilities	**-**	-
14	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by	**-**	-
15	of which: instrument issued by subsidiaries subject to phase out	**-**	-
16	**AT1 before regulatory adjustments**	**-**	-
18	Total of Regulatory Adjustment applied to AT1 capital **(Note 41.3.2)**	**-**	-
19	Additional Tier 1 capital after regulatory adjustment	**-**	-
20	**Additional Tier 1 capital recognized for capital adequacy**	**-**	-
21	**Tier 1 Capital (CET1 + admissible AT1) (11 + 20)**	**3,158,233**	2,640,497
	Tier 2 Capital		
22	Qualifying Tier 2 capital instruments under Basel III	**-**	-
23	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	**-**	-
24	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	**-**	-
25	of which: instruments issued by subsidiaries subject to phase out	**-**	-
26	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	**8,631**	5,152
27	Revaluation Reserves		
28	of which: Revaluation reserves on Property	**101,526**	75,166
29	of which: Unrealized Gains/Losses on AFS	**9,754**	14,550
30	Foreign Exchange Translation Reserves	**-**	-
31	Undisclosed/Other Reserves (if any)	**-**	-
32	**T2 before regulatory adjustments**	**119,911**	94,868
33	Amount of Regulatory Adjustment applied to T2 capital **(Note 41.3.3)**	**-**	-
34	Tier 2 capital (T2) after regulatory adjustments	**119,911**	94,868
35	Tier 2 capital recognized for capital adequacy	**119,911**	94,868
36	Excess Additional Tier 1 capital recognized in Tier 2 capital	**-**	-
37	Total Tier 2 capital admissible for capital adequacy	**119,911**	94,868
38	**TOTAL CAPITAL (T1 + admissible T2) (21 + 37)**	**3,278,144**	2,735,365
39	**Total Risk Weighted Assets (Note 41.6)**	**7,040,365**	6,634,905
	Capital Ratios and buffers (in percentage of risk weighted assets)		
40	CET1 to total RWA	**44.86%**	39.80%
41	Tier-1 capital to total RWA	**44.86%**	39.80%
42	Total capital to RWA	**46.56%**	41.23%
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	**-**	-
44	of which: capital conservation buffer requirement	**-**	-
45	of which: countercyclical buffer requirement	**-**	-
46	of which: D-SIB or G-SIB buffer requirement	**-**	-
47	CET1 available to meet buffers (as a percentage of risk weighted assets)	**-**	-
	National minimum capital requirements prescribed by SBP		
48	CET1 minimum ratio	**6.00%**	5.50%
49	Tier 1 minimum ratio	**7.50%**	7.00%
50	Total capital minimum ratio	*** 10.65%**	10.25%

* Being a public sector Bank, and in terms of the State Bank of Pakistan prescribed minimum capital requirements vide its letter reference BPRD/BA&CP/627/32/2014 dated 01 January 2014, the Bank is required to have a minimum paid up capital (net of losses) (MCR) of Rs. 3 billion and capital adequacy ratio of 18% at all times, subject to the condition that MCR level shall remain enforced until the Bank remains a public sector entity, the Bank will not be allowed to pay dividend until its paid up capital and reserves reach Rs. 6 billion and the per party exposure limit of the Bank will be 50% of the prudential regulations limits until the Bank's paid up capital and reserves reach Rs. 6 billion.

		31 December 2016		31 December 2015	
		---------- (Rupees in '000) ----------			
		Amount	**Amounts subject to Pre - Basel III treatment**	Amount	Amounts subject to Pre - Basel III treatment
41.3.1	**Common Equity Tier 1 capital: Regulatory adjustments**				
1	Goodwill (net of related deferred tax liability)	**-**		-	
2	All other intangibles (net of any associated deferred tax liability)	**32,017**		40,011	
3	Shortfall of provisions against classified assets	**-**		-	
4	Deferred tax assets that rely on future profitability excluding those	**65,225**	**43,484**	-	
5	Defined-benefit pension fund net assets	**34,699**	**23,133**	13,297	19,946
6	Reciprocal cross holdings in CET1 capital instruments	**47,680**		4,868	
7	Cash flow hedge reserve	**-**		-	
8	Investment in own shares/ CET1 instruments	**-**		-	
9	Securitization gain on sale	**-**		-	
10	Capital shortfall of regulated subsidiaries	**-**		-	
11	Deficit on account of revaluation from bank's holdings of property/ AFS	**-**		-	
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	**-**		-	
13	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	**-**		-	
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	**-**		586	879
15	Amount exceeding 15% threshold	**-**		-	
16	of which: significant investments in the common stocks of financial entities	**-**		-	
17	of which: deferred tax assets arising from temporary differences	**-**		-	
18	National specific regulatory adjustments applied to CET1 capital	**-**		-	
19	Investment in TFCs of other banks exceeding the prescribed limit	**-**		-	
20	Any other deduction specified by SBP (mention details)	**-**		-	
21	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	**-**		-	
22	**Total regulatory adjustments applied to CET1**	**179,622**		**58,762**	
41.3.2	**Additional Tier 1 Capital: regulatory adjustments**				
23	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	**-**		-	
24	Investment in own AT1 capital instruments	**-**		-	
25	Reciprocal cross holdings in Additional Tier 1 capital instruments	**-**		-	
26	Investments in the capital instruments of banking, financial and	**-**		-	
27	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	**-**		-	
28	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	**-**		-	
29	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	**-**		-	
30	**Total of Regulatory Adjustment applied to AT1 capital**	**-**		**-**	

		31 December 2016		31 December 2015	
		(Rupees in '000)			
		Amount	**Amounts subject to Pre - Basel III treatment**	Amount	Amounts subject to Pre - Basel III treatment
41.3.3	**Tier 2 Capital: regulatory adjustments**				
31	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-		-	
32	Reciprocal cross holdings in Tier 2 instruments	-		-	
33	Investment in own Tier 2 capital instrument	-		-	
34	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-	
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-		-	
36	**Amount of Regulatory Adjustment applied to T2 capital**	-		-	

		31 December 2016	31 December 2015
		(Rupees in '000)	
41.3.4	**Additional Information**		
	Risk Weighted Assets subject to pre-Basel III treatment		
37	Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment	-	-
(i)	of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
(ii)	of which: deferred tax assets	**43,484**	879
(iii)	of which: Defined-benefit pension fund net assets	**23,133**	19,946
(iv)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
	Amounts below the thresholds for deduction (before risk weighting)		
38	Non-significant investments in the capital of other financial entities	-	-
39	Significant investments in the common stock of financial entities	-	-
40	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
	Applicable caps on the inclusion of provisions in Tier 2		
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	**8,631**	5,152
42	Cap on inclusion of provisions in Tier 2 under standardized approach	-	-
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

41.4 Capital Structure Reconciliation

Table: 41.4.1	Balance sheet as in published financial statements	Under regulatory scope of consolidation
(in thousand PKR)	As at 31 December 2016	As at 31 December 2016
Assets		
Cash and balances with treasury banks	**1,081,532**	**1,081,532**
Balanced with other banks	**112,042**	**112,042**
Lending to financial institutions	**100,000**	**100,000**
Investments	**8,032,819**	**8,032,819**
Advances	**8,213,247**	**8,213,247**
Operating fixed assets	**337,077**	**337,077**
Deferred tax assets	**249,635**	**249,635**
Other assets	**394,212**	**394,212**
Total assets	**18,520,564**	**18,520,564**
Liabilities & Equity		
Bills payable	**214,155**	**214,155**
Borrowings	**743,909**	**743,909**
Deposits and other accounts	**13,708,791**	**13,708,791**
Sub-ordinated loans	**-**	**-**
Liabilities against assets subject to finance lease	**-**	**-**
Deferred tax liabilities	**-**	**-**
Other liabilities	**373,187**	**373,187**
Total liabilities	**15,040,042**	**15,040,042**
Share capital/ Head office capital account	**3,494,113**	**3,494,113**
Reserves	**307,717**	**307,717**
Accumulated losses	**(463,975)**	**(463,975)**
Minority Interest	**-**	**-**
Total equity	**3,337,855**	**3,337,855**
Surplus on revaluation of assets	**142,667**	**142,667**
Total liabilities & equity	**18,520,564**	**18,520,564**

Table: 41.4.2	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref
(in thousand PKR)	As at 31 December 2016	As at 31 December 2016	
Assets			
Cash and balances with treasury banks	**1,081,532**	**1,081,532**	
Balanced with other banks	**112,042**	**112,042**	
Lending to financial institutions	**100,000**	**100,000**	
Investments	**8,032,819**	**8,032,819**	
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	**-**	**-**	a
of which: significant capital investments in financial sector entities exceeding regulatory threshold	**-**	**-**	b
of which: Mutual Funds exceeding regulatory threshold	**-**	**-**	c
of which: reciprocal crossholding of capital instrument	*47,680*	*47,680*	d
of which: others (CAP 2 deductions under Basel II (50% from Tier-1 and 50% from Tier-2))	**-**	**-**	e
Advances	**8,213,247**	**8,213,247**	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	**-**	**-**	f
general provisions reflected in Tier 2 capital	*8,631*	*8,631*	g
Fixed Assets	**337,077**	**337,077**	
of which: Goodwill	-	-	j
of which: Intangibles	*32,017*	*32,017*	k
Deferred Tax Assets	**249,635**	**249,635**	
of which: DTAs excluding those arising from temporary differences	*108,709*	*108,709*	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Other assets	**394,212**	**394,212**	
of which: Goodwill	-	-	j
of which: Intangibles	-	.	k
of which: Defined-benefit pension fund net assets	*57,832*	*57,832*	l
Total assets	**18,520,564**	**18,520,564**	

Table: 41.4.2	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref
(in thousand PKR)	As at 31 December 2016	As at 31 December 2016	
Liabilities & Equity			
Bills payable	**214,155**	**214,155**	
Borrowings	**743,909**	**743,909**	
Deposits and other accounts	**13,708,791**	**13,708,791**	
Sub-ordinated loans	-	-	
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier 2	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	-	
of which: DTLs related to goodwill	-	-	o
of which: DTLs related to intangible assets	-	-	p
of which: DTLs related to defined pension fund net assets	-	-	q
of which: other deferred tax liabilities	-	-	r
Other liabilities	**373,187**	**373,187**	
Total liabilities	**15,040,042**	**15,040,042**	
	As at 31 December 2015	**As at 31 December 2015**	
Share capital	**3,494,113**	**3,494,113**	
of which: amount eligible for CET1	*3,494,113*	*3,494,113*	s
of which: amount eligible for AT1	-	-	t
Discount on issue of right shares			
Reserves	**307,717**	**307,717**	
of which: portion eligible for inclusion in CET1:Statutory Reserves	*307,717*	*307,717*	u
of which: portion eligible for inclusion in Tier 2	-	-	v
Convertible preference shares	-	-	
Accumulated loss	**(463,975)**	**(463,975)**	w
Minority Interest	-	-	
of which: portion eligible for inclusion in CET1	-	-	x
of which: portion eligible for inclusion in AT1	-	-	y
of which: portion eligible for inclusion in Tier 2	-	-	z
Surplus on revaluation of assets	**142,667**	**142,667**	
of which: Revaluation reserves on Property	*130,162*	*130,162*	aa
of which: Unrealized Gains/Losses on AFS	*12,505*	*12,505*	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total Equity	**3,480,522**	**3,480,522**	
Total liabilities & Equity	**18,520,564**	**18,520,564**	

Basel III Disclosure Template (with added column)			
Table: 41.4.3		**Component of regulatory capital reported by bank (amount in thousand PKR)**	**Source based on reference number from 41.4.2**
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	3,494,113	(s)
2	Balance in Share Premium Account	-	
3	Reserve for issue of Bonus Shares	-	
4	General/ Statutory Reserves	307,717	(u)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated/unremitted profits/(losses)	(463,975)	(w)
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)
8	**CET 1 before Regulatory Adjustments**	**3,337,855**	

Basel III Disclosure Template (with added column)			
	Table: 41.4.3	**Component of regulatory capital reported by bank (amount in thousand PKR)**	**Source based on reference number from 41.4.2**
	Common Equity Tier 1 capital: Regulatory adjustments		
9	Goodwill (net of related deferred tax liability)	-	(j) - (o)
10	All other intangibles (net of any associated deferred tax liability)	32,017	(k) - (p)
11	Shortfall of provisions against classified assets	-	(f)
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{(h) - (r} * 60%
13	Defined-benefit pension fund net assets	34,699	{(l) - (q)} * 60%
14	Reciprocal cross holdings in CET1 capital instruments	47,680	(d)
15	Cash flow hedge reserve	-	
16	Investment in own shares/ CET1 instruments	-	
17	Securitization gain on sale	-	
18	Capital shortfall of regulated subsidiaries	-	
19	Deficit on account of revaluation from bank's holdings of property/ AFS	-	(ab)
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ac) - (ae)
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23	Amount exceeding 15% threshold	-	
24	of which: significant investments in the common stocks of financial entities	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments applied to CET1 capital	-	
27	Investment in TFCs of other banks exceeding the prescribed limit	-	
28	Any other deduction specified by SBP (mention details)	-	
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	
30	Total regulatory adjustments applied to CET1 (sum of 9 to 25)	114,396	
	Common Equity Tier 1	**3,223,459**	
	Additional Tier 1 (AT 1) Capital		
31	Qualifying Additional Tier-1 instruments plus any related share premium	-	
32	of which: Classified as equity	-	(t)
33	of which: Classified as liabilities	-	(m)
34	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
35	of which: instrument issued by subsidiaries subject to phase out	-	
36	**AT1 before regulatory adjustments**	-	

Basel III Disclosure Template (with added column)			
	Table: 41.4.4	**Component of regulatory capital reported by bank (amount in thousand PKR)**	**Source based on reference number from 41.4.2**
	Additional Tier 1 Capital: regulatory adjustments		
37	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
38	Investment in own AT1 capital instruments	-	
39	Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
40	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
41	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
42	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	
43	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
44	Total of Regulatory Adjustment applied to AT1 capital	-	
45	Additional Tier 1 capital	-	
46	**Additional Tier 1 capital recognized for capital adequacy**	-	
	Tier 1 Capital (CET1 + admissible AT1)	**3,223,459**	
	Tier 2 Capital		
47	Qualifying Tier 2 capital instruments under Basel III	-	(n)
48	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	
49	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(z)
50	of which: instruments issued by subsidiaries subject to phase out	-	
51	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	8,631	(g)
52	Revaluation Reserves eligible for Tier 2		
53	of which: portion pertaining to Property	101,526	portion of (aa)
54	of which: portion pertaining to AFS securities	9,754	
55	Foreign Exchange Translation Reserves	-	(v)
56	Undisclosed/Other Reserves (if any)	-	
57	**T2 before regulatory adjustments**	**119,911**	
	Tier 2 Capital: regulatory adjustments		
58	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	
59	Reciprocal cross holdings in Tier 2 instruments	-	
60	Investment in own Tier 2 capital instrument	-	
61	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
62	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
63	Amount of Regulatory Adjustment applied to T2 capital	-	
64	Tier 2 capital (T2)	-	
65	Tier 2 capital recognized for capital adequacy	-	
66	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
67	Total Tier 2 capital admissible for capital adequacy	119,911	
	TOTAL CAPITAL (T1 + admissible T2)	**3,343,370**	

41.5 Main Features Template of Regulatory Capital Instruments

	Main Features	Common Shares
1	Issuer	First Women Bank Limited
2	Unique identifier (e.g. PSX Symbol or Bloomberg identifier etc.)	FWBL
3	Governing law(s) of the instrument	SECP
	Regulatory treatment	-
4	Transitional Basel III rules	Common Equity Tier I
5	Post-transitional Basel III rules	Common Equity Tier I
6	Eligible at solo/ group/ group & solo	Solo
7	Instrument type	Ordinary Shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	Rs. (Thousand) 3,494,113
9	Par value of instrument	PKR 10
10	Accounting classification	Shareholders' Equity
11	Original date of issuance	1989
12	Perpetual or dated	-
13	Original maturity date	-
14	Issuer call subject to prior supervisory approval	-
15	Optional call date, contingent call dates and redemption amount	-
16	Subsequent call dates, if applicable	-
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	-
18	coupon rate and any related index/ benchmark	-
19	Existence of a dividend stopper	-
20	Fully discretionary, partially discretionary or mandatory	-
21	Existence of step up or other incentive to redeem	-
22	Noncumulative or cumulative	-
23	Convertible or non-convertible	
24	If convertible, conversion trigger (s)	-
25	If convertible, fully or partially	-
26	If convertible, conversion rate	-
27	If convertible, mandatory or optional conversion	-
28	If convertible, specify instrument type convertible into	-
29	If convertible, specify issuer of instrument it converts into	-
30	Write-down feature	-
31	If write-down, write-down trigger(s)	-
32	If write-down, full or partial	-
33	If write-down, permanent or temporary	-
34	If temporary write-down, description of write-up mechanism	-
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument	-
36	Non-compliant transitioned features	-
37	If yes, specify non-compliant features	-

41.6 Capital Adequacy

The risk weighted assets to capital ratio, calculated in accordance with the prescribed revised MCR limit for the Bank as stated in note 1.2 was as follows:

	Capital Requirements		Risk Weighted Assets	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015
Credit Risk	---------- (Rupees in '000) ----------			
Portfolios subject to standardized approach (Simple or Comprehensive)				
Cash and Cash Equivalents	**-**	-	**-**	-
Claims on Government of Pakistan	**-**	-	**-**	-
Foreign Currency claims on SBP arising out of statutory obligations of banks in Pakistan	**-**	-	**-**	-
Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	**420**	554	**2,333**	3,080
Claims on Bank for International Settlements, International Monetary Fund, European Central Bank, and European Community	**-**	-	**-**	-
Claims on Multilateral Development Banks	**-**	-	**-**	-
Claims on Public Sector Entities in Pakistan	**442**	567	**2,453**	3,152
Claims on Banks	**5,772**	5,664	**32,066**	31,464
Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	**1,455**	2,832	**8,084**	15,736
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	**3,600**	-	20,000	-
Claims on Corporates (excluding equity exposures)	**481,025**	414,887	**2,672,361**	2,304,928
Claims categorized as retail portfolio	**52,622**	38,856	**292,344**	215,865
Claims fully secured by residential property (Residential Mortgage Finance as defined in Section 2.1)	**9,149**	7,870	**50,825**	43,722
Past Due loans:	**172,001**	132,823	**955,562**	737,904
Significant investment and DTA above threshold	**63,417**	117,951	**352,316**	655,284
Listed Equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book.	**-** **-**	-		-
Unlisted equity investments (other than that deducted from capital) held in banking book	**258**	258	**1,431**	1,431
Significant investment and DTAs above 15% threshold	**-**	-		-
Fixed assets	**-**	53,522		297,346
Claims on all fixed assets under operating lease	**54,911**	-	**305,060**	-
All other assets (excluding mark-up receivables)	**24,171**	14,108	**134,285**	78,376
	869,242	789,892	**4,829,121**	4,388,288
Off- Balance Sheet - Non Market related Exposures				
Direct Credit Substitutes/ Lending of securities of securities as collateral	**5,200**	43,986	**28,888**	244,367
Performance related contingencies	**38,895**	-	**216,081**	-
Trade Related contingencies	**35,782**	28,595	**198,791**	158,860
Off- Balance Sheet - Non market related	**-**	-		-
	79,877	72,581	**443,760**	403,227
Off- Balance Sheet -Market related Exposures	**545**	525	**3,025**	2,915
Total Credit Risk (A)	**949,663**	862,997	**5,275,906**	4,794,430
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	**2,104**	4,472	**11,688**	24,842
Equity position risk	**47,655**	32,702	**264,750**	181,676
Foreign Exchange risk	**2,617**	34,029	**14,538**	189,050
Operational Risk	**265,227**	260,083	**1,473,484**	1,444,907
TOTAL	**1,267,266**	1,194,283	**7,040,365**	6,634,905

Capital Adequacy Ratio	**Current Year**	**Prior Year**
Total eligible regulatory capital held	**3,278,144**	2,735,365
Total Risk Weighted Assets	**7,040,365**	6,634,905
Capital Adequacy Ratio	**46.56%**	41.23%

42. RISK MANAGEMENT

The Bank's activities expose it to a variety of financial risks. The management's aim is to achieve an appropriate balance between risk and return, and minimize potential adverse effects on its financial performance. The Bank's risk management policies are designed to identify and analyse financial and non-financial risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to set limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by the Bank under policies approved by the Board of Directors. The principal risks associated with the banking business are credit risk, market risk, liquidity risk and operational risk. The Bank is focused to further refine its risk management processes in line with the changing economic scenario and Bank's business expansions. The Bank's management intends to review and assess its risk management methodology on continuous basis and is determined to improve it on regular basis. The Bank has established a specialized division for risk management.

42.1 Credit risk

Credit risk is the possibility that a borrower or counter party will fail to meet its obligations in accordance with agreed terms. The Bank's credit policy and manual contains detailed procedures and guidelines and define credit risk methodology for identifying, assessing, monitoring and mitigating risk factors.

Bank has established an appropriate credit risk environment which is operating under a sound credit-granting process; maintaining an appropriate credit administration, measurement and monitoring process and ensuring adequate controls. For risk management reporting purposes the Bank considers and consolidates all elements of credit risk exposures.

Credit Risk Management Policy

A sound credit risk management framework is fundamental for the overall business strategy and credit operations of the Bank. The Bank has recently developed its credit risk policy which is under consideration of Board of Directors (BoD) for approval. The principles for credit risk management have been laid down in detail in the Bank's credit policy. The policy has been developed in accordance with the requirements of the State Bank of Pakistan and will be reviewed and updated (where required) on periodic basis. After approval of the credit risk policy, the credit manual of the Bank will also be revised accordingly.

Credit Risk Assessment

The Bank has a well established process of credit risk embedded in each credit transaction executed by the business units. The entire process broadly encompasses gathering relevant information on the borrower, detailed credit appraisal, and credit risk assessment and measurement. There is a proper credit delegation matrix for review and approving credit applications.

Credit Risk Rating

The credit risk rating system provides support for the assessment and measurement of credit risk against each obligor. The Bank has a BoD approved Obligor Risk Rating (ORR) systems for corporate, small and medium enterprises and consumer finance obligors and also has BoD approved facility risk rating system (FRR) for its borrowers.

Credit Portfolio Management

Besides managing credit risk at transaction level, the Bank regularly monitors credit risk at portfolio level and ensures that no undue concentration of risk is present in the overall credit exposure at Bank level. In addition to monitoring credit limits specified in the Prudential Regulations of the State Bank of Pakistan, credit limit structure of the Bank includes internal limits as established by the senior management and the BoD. All these limits are monitored on regular basis and any exceptions are reported to the relevant authorities for their timely action where necessary. Post-disbursement maintenance of accounts is done through Credit Administration Department ("CAD"). The CAD has direct reporting line to the President.

Impaired financial assets

Impaired financial assets including loans and debt instruments are those which the Bank determines that it is probable that it will not be able to collect all principal and interest due according to the contractual terms of the agreement(s) underlying the financial assets.

42.2 Concentration of credit and deposit

Concentrations of credit risk exist if clients are engaged in similar activities, or are located in the same geographical region, or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. Currently, the Bank faces concentration of credit and deposit risks which are managed through prudent credit and liquidity risk management policies.

The following financial assets are guaranteed by the Federal / Provincial Government or the State Bank of Pakistan.

	2016	2015
	(Rupees in '000)	
Advances	**3,199,693**	3,340,790
Investments	**7,854,992**	10,968,843
Mark-up receivable on Government guaranteed financial assets	**135,747**	135,747
Cash and balances with the State Bank of Pakistan	**683,190**	705,981

42.3 Segmental information

Segmental information is presented in respect of the class of business and geographical distribution of advances (gross), deposits, contingencies and commitments. The details are as follows:

42.3.1 Segments by class of business

	2016					
	Advances (gross)		**Deposits**		**Contingencies and commitments**	
	(Rupees in '000)	**Percent (%)**	**(Rupees in '000)**	**Percent (%)**	**(Rupees in '000)**	**Percent (%)**
Agriculture, Forestry, Hunting and Fishing	**39,310**	**0.415**	**70,182**	**0.51**	**-**	**-**
Automobile and Transportation Equipment	**2,292**	**0.024**	**1,327**	**0.01**	**-**	**-**
Chemicals and Pharmaceuticals	**119,899**	**1.265**	**43,687**	**0.32**	**66,573**	**2.860**
Construction	**1,205,531**	**12.718**	**904,232**	**6.60**	**70,591**	**3.033**
Electronics and Electrical Appliances	**72,035**	**0.760**	**17,486**	**0.13**	**37,464**	**1.609**
Exports / Imports	**131,916**	**1.392**	**-**	**-**	**-**	**-**
Financial	**350**	**0.004**	**-**	**-**	**848,882**	**36.469**
Food and Beverages	**3,661,376**	**38.628**	**21,609**	**0.16**	**227**	**0.010**
Footwear and Leather Garments	**1,195**	**0.013**	**-**	**-**	**-**	**-**
Individuals	**344,692**	**3.637**	**4,973,384**	**36.28**	**765,830**	**32.901**
Mining and Quarrying	**-**	**-**	**68,301**	**0.50**	**-**	**-**
Oil and Gas	**-**	**-**	**1**	**0.00**	**176,040**	**7.563**
Paper and Printing	**-**	**-**	**6,440**	**0.05**	**-**	**-**
Power, Gas, Water, Sanitary	**216,013**	**2.279**	**-**	**-**	**-**	**-**
Services	**1,336,177**	**14.097**	**1,723,849**	**12.57**	**291,115**	**12.507**
Sugar	**222,739**	**2.350**	**-**	**-**	**-**	**-**
Textile	**899,871**	**9.494**	**65,568**	**0.48**	**1,630**	**0.070**
Transport, Storage and Communication	**11,355**	**0.120**	**128,947**	**0.94**	**-**	**-**
Wholesale and Retail Trade	**128,085**	**1.351**	**-**	**-**	**850**	**0.037**
Cement, Glass and Ceramics	**2,000**	**0.021**	**17,034**	**0.12**	**-**	**-**
Others	**1,083,835**	**11.434**	**5,666,744**	**41.34**	**68,490**	**2.942**
	9,478,671	**100.00**	**13,708,791**	**100.00**	**2,327,692**	**100.00**

	2015					
	Advances (gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent (%)	(Rupees in '000)	Percent (%)	(Rupees in '000)	Percent (%)
Agriculture, forestry, hunting and fishing	50,942	0.55	75,857	0.50	-	-
Cement	1,117	0.01	-	-	-	-
Chemical and pharmaceuticals	204,339	2.21	15,958	0.11	6,055	0.32
Construction	496,542	5.37	781,704	5.16	478,631	25.27
Electronics and electrical appliances	146,519	1.58	2,247	0.01	19,815	1.05
Financial	70,350	0.76	4,600	0.03	865,931	45.73
Food, beverages and allied	4,073,618	44.02	49,836	0.33	-	-
Footwear and leather garments	166,563	1.80		-	-	-
Individuals	225,840	2.44	5,019,326	33.10	-	-
Insurance	-	-	-	-	-	-
Oil and gas	329,957	3.57	-	-	87,320	4.61
Services / social development and education	1,634,330	17.66	732,742	4.83	87,647	4.63
Textile and garments	904,119	9.77	67,977	0.45	1,630	0.09
Transport, storage and communication	79,565	0.86	342,296	2.26	1,875	0.10
Wholesale and retail trade	333,769	3.61	159,315	1.04	343,721	18.14
Others	535,811	5.79	7,911,582	52.18	55,680	0.06
	9,253,381	100.00	15,163,440	100.00	1,948,305	100.00

42.3.2 Segment by sector

	2016					
	Advances (gross)		**Deposits**		**Contingencies and commitments**	
	(Rupees in '000)	**Percent (%)**	**(Rupees in '000)**	**Percent (%)**	**(Rupees in '000)**	**Percent (%)**
Public / Government	**3,199,693**	**33.76**	**4,239,593**	**30.93**	**636,460**	**27.34**
Private	**6,278,978**	**66.24**	**9,469,198**	**69.07**	**1,691,232**	**72.66**
	9,478,671	**100.00**	**13,708,791**	**100.00**	**2,327,692**	**100.00**

	2015					
	Advances (gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent (%)	(Rupees in '000)	Percent (%)	(Rupees in '000)	Percent (%)
Public / Government	3,340,790	36.10	5,277,855	34.81	632,399	30.51
Private	5,912,591	63.90	9,885,585	65.19	1,315,906	69.49
	9,253,381	100.00	15,163,440	100.00	1,948,305	100.00

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

	2016		2015	
	Classified advances	**Specific provision held**	Classified advances	Specific provision held
	---------- (Rupees in '000) ----------			
Agriculture, Forestry, Hunting and Fishing	**159**	**159**	159	159
Automobile and Transportation Equipment	**258**	**258**		
Chemicals and Pharmaceuticals	**100,000**	**-**	62,786	7,603
Construction	**581,393**	**187,420**	346,585	45,622
Electronics and Electrical Appliances	**69,543**	**28,341**	86,098	86,097
Exports / Imports	**40,815**	**40,815**		
Financial	**-**	**-**	350	350
Food and Beverages	**101,326**	**97,577**	133,252	90,650
Footwear and Leather Garments	**-**	**-**	87,198	87,148
Services	**194,730**	**153,122**	58,272	58,274
Sugar	**-**	**-**		
Textile	**799,013**	**688,583**	821,849	669,379
Transport, Storage and Communication	**-**	**-**	76,847	76,847
Wholesale and Retail Trade	**67,561**	**58,561**	13,449	4,450
Cement, Glass and Ceramics	**-**	**-**		
Others	**8,412**	**1,957**	206,882	150,485
	1,963,210	**1,256,793**	1,894,617	1,277,954

42.3.4 Details of non-performing advances and specific provisions by sector

Private	**1,963,210**	**1,256,793**	1,894,617	1,277,954

42.3.5 Geographical segment analysis

	2016			
	Profit before taxation	**Total assets employed**	**Net assets employed**	**Contingencies and commitments**
	---------- (Rupees in '000) ----------			
Pakistan	**4,053**	**18,520,564**	**3,480,522**	**2,327,692**

	2015			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	---------- (Rupees in '000) ----------			
Pakistan	34,272	21,346,622	2,833,164	1,948,305

42.4 Market risk management

Market risk is the risk that the fair value of a financial instrument will fluctuate due to movements in market prices. It results from changes in interest rates, exchange rates and equity prices as well as from changes in the correlations between them.

Bank has adopted a market risk management structure that commensurate with its size and the nature of its business activities and facilitates effective management oversight and execution of market risk management and control processes.

Interest rate risk

Interest Rate Risk is the adverse impact on the bank's shareholder's equity due to changes in the interest rates. It may be further elaborated as changes in the present value of the asset, liabilities and commitments due to changes in the term structure of the interest rates.

42.4.1 Foreign exchange risk

Main objective of foreign exchange risk management is to ensure that foreign exchange exposure of the Bank remains within the defined risk appetite. The Bank uses tool such as Foreign Exchange Exposure Limit (FEEL) to manage such risk. Details of the Bank's currency risk exposure are as follows:

	2016			
	Assets	**Liabilities**	**Off-balance sheet items**	**Net foreign currency exposure**
	----------(Rupees in '000)----------			
Pakistan Rupee	**18,368,206**	**14,568,190**	**(563,267)**	**3,236,749**
United States Dollar	**111,920**	**412,859**	**543,912**	**242,973**
Great Britain Pound	**22,251**	**32,314**	**-**	**(10,063)**
Japanese Yen	**80**	**26,679**	**-**	**(26,599)**
Euro	**11,712**	**-**	**19,355**	**31,067**
Others	**6,395**	**-**	**-**	**6,395**
	152,358	**471,852**	**563,267**	**243,773**
	18,520,564	**15,040,042**	**-**	**3,480,522**

	2015			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----------(Rupees in '000)----------			
Pakistan Rupee	21,075,765	17,803,504	(641,979)	2,630,282
United States Dollar	220,889	658,007	630,394	193,276
Great Britain Pound	31,364	31,378	(14)	(28)
Japanese Yen	905	-	-	905
Euro	14,297	20,569	11,599	5,327
Others	3,402	-	-	3,402
	270,857	709,954	641,979	202,882
	21,346,622	18,513,458	-	2,833,164

42.4.2 Equity price risk

Equity investment risk arises due to the risk of changes in the prices of individual stocks held by the bank. The Bank’s equity investments are classified as Available for Sale (AFS) investments. The Bank maintains AFS portfolio with a medium term view of capital gains and dividend income. The Bank’s Investment Committee is primarily responsible for the oversight of the equity investment risk.

42.4.3 Mismatch of interest rate sensitive assets and liabilities

Yield / interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date.

	2016											
	Effective yield / interest rate	Total	Exposed to yield / interest risk									Not exposed to yield / interest risk
			Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	1,081,532	-	-	-	-	-	-	-	-	-	1,081,532
Balances with other banks	-	112,042	-	-	-	-	-	-	-	-	-	112,042
Lendings to financial institutions	5.50%	100,000	100,000	-	-	-	-	-	-	-	-	-
Investments - net	4.77% - 9.01%	8,032,819	3,290,443	4,556,620	-	4,599	-	-	64	84	-	181,009
Advances - net	0% - 18.65%	8,212,957	6,782,462	17,032	121,400	188,671	7,807	12,758	39,851	123,885	198,091	721,000
Other assets - net	-	152,889	-	-	-	-	-	-	-	-	-	152,889
		17,692,239	10,172,905	4,573,652	121,400	193,270	7,807	12,758	39,915	123,969	198,091	2,248,472
Liabilities												
Bills payable	-	214,155	-	-	-	-	-	-	-	-	-	214,155
Borrowings	3% - 6.5%	743,910	601,184	34,114	18,314	6,227	12,455	24,910	37,365	9,341	-	-
Deposits and other accounts	0% - 6.36%	13,708,790	5,317,006	267,241	3,957,719	331,300	162,143	82,991	13,866	-	-	3,576,524
Other liabilities	-	297,316	-	-	-	-	-	-	-	-	-	297,316
		14,964,171	5,918,190	301,355	3,976,033	337,527	174,598	107,901	51,231	9,341	-	4,087,995
On-balance sheet gap		2,728,068	4,254,715	4,272,297	(3,854,633)	(144,257)	(166,791)	(95,143)	(11,316)	114,628	198,091	(1,839,523)
Non Financial Net Assets		752,454										
Total Net Assets		3,480,522										
Off-balance sheet financial instruments												
Foreign exchange contracts - purchase		567,134	71,775	283,577	211,782	-	-	-	-	-	-	-
Foreign exchange contracts - sale		281,748	124,206	157,542	-	-	-	-	-	-	-	-
Off-balance sheet gap		285,386	(52,431)	126,035	211,782	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			4,202,284	4,398,332	(3,642,851)	(144,257)	(166,791)	(95,143)	(11,316)	114,628	198,091	(1,839,523)
Cumulative yield / interest risk sensitivity gap			4,202,284	8,600,616	4,957,765	4,813,508	4,646,717	4,551,574	4,540,258	4,654,886	4,852,977	3,013,454

	2015											
	Effective yield / interest rate	Total	Exposed to yield / interest risk									Not exposed to yield / interest risk
			Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	1,066,852	-	-	-	-	-	-	-	-	-	1,066,852
Balances with other banks	-	170,453	-	-	-	-	-	-	-	-	-	170,453
Investments - net	6.2% - 13.4%	11,067,137	1,448,215	6,613,749	1,373,111	1,308,458	1,416	105,156	106,362	12,376	-	98,294
Advances - net	0% - 19%	7,970,275	5,147,069	286,255	1,614,835	73,239	40,145	3,768	5,603	2,510	3,888	792,963
Other assets - net	-	232,606	-	-	-	-	-	-	-	-	-	232,606
		20,507,323	6,595,284	6,900,004	2,987,946	1,381,697	41,561	108,924	111,965	14,886	3,888	2,361,168
Liabilities												
Bills payable	-	103,166	-	-	-	-	-	-	-	-	-	103,166
Borrowings	4.5% - 6.5%	2,832,357	2,779,657	31,000	21,700	-	-	-	-	-	-	-
Deposits and other accounts	2% - 5.69%	14,947,972	5,074,302	628,438	5,073,056	324,823	116,752	129,742	24,335	-	-	3,576,524
Other liabilities	-	336,205	-	-	-	-	-	-	-	-	-	336,205
		18,219,700	7,853,959	659,438	5,094,756	324,823	116,752	129,742	24,335	-	-	4,015,895
On-balance sheet gap		2,287,623	(1,258,675)	6,240,566	(2,106,810)	1,056,874	(75,191)	(20,818)	87,630	14,886	3,888	(1,654,727)
Non Financial Net Assets		545,541										
Total Net Assets		2,833,164										
Off-balance sheet financial instruments												
Foreign exchange contracts - purchase		753,954	52,519	296,245	405,190	-	-	-	-	-	-	-
Foreign exchange contracts - sale		111,976	-	111,976	-	-	-	-	-	-	-	-
Off-balance sheet gap		641,978	52,519	184,269	405,190	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(1,206,156)	6,424,835	(1,701,620)	1,056,874	(75,191)	(20,818)	87,630	14,886	3,888	(1,654,727)
Cumulative yield / interest risk sensitivity gap			(1,206,156)	5,218,679	3,517,059	4,573,933	4,498,742	4,477,924	4,565,554	4,580,440	4,584,328	2,929,601

42.4.4 Liquidity risk

Liquidity risk is defined as the potential loss arising from the Bank's inability to meet its own contractual obligations, when due. The liquidity risk is managed through liquidity policy through different controls and limits defined in the policy which cover liquidity triggers, Management Action Plan (MAP) and Contingency Funding Plan (CFP). The policy and controls ensure that Bank maintains diversified sources of funding to meet its contractual obligations.

The Assets and Liability Management Committee (ALCO) of the Bank is responsible for the oversight of liquidity management and meets on a monthly basis or more frequently, if required.

The Bank's approach to liquidity management is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

42.4.5 Maturities of assets and liabilities

42.4.5.1 Maturities of assets and liabilities - Based on contractual maturity of the assets and liabilities of the Bank

	2016									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	1,081,532	1,081,532	-	-	-	-	-	-	-	-
Balances with other banks	112,042	112,042	-	-	-	-	-	-	-	-
Lendings to financial institutions	100,000	100,000	-	-	-	-	-	-	-	-
Investments - net	8,032,819	3,290,443	4,556,620	-	185,608	-	-	64	84	-
Advances - net	8,213,248	6,702,337	1,887	372	210,179	149,856	340,468	406,076	283,160	118,913
Operating fixed assets	337,077	2,403	4,807	28,515	14,421	28,842	28,844	43,931	42,509	142,805
Deferred tax assets - net	249,643	28,257	42,730	64,058	17,940	639	639	108,712	(6,223)	(7,109)
Other assets - net	394,214	148,929	114,207	43,693	87,385	-	-	-	-	-
	18,520,575	11,465,943	4,720,251	136,638	515,533	179,337	369,951	558,783	319,530	254,609
Liabilities										
									-	-
Bills payable	214,155	214,155	-	-	-	-	-	-	-	-
Borrowings	743,910	601,184	34,114	18,314	6,227	12,455	24,910	37,365	9,341	-
Deposits and other accounts	13,708,790	10,455,850	402,688	995,727	486,491	305,214	434,099	628,721	-	-
Other liabilities	373,184	331,499	15,492	20,899	588	1,176	1,176	2,354	-	-
	15,040,039	11,602,688	452,294	1,034,940	493,306	318,845	460,185	668,440	9,341	-
Net assets	3,480,536	(136,745)	4,267,957	(898,302)	22,227	(139,508)	(90,234)	(109,657)	310,189	254,609
Share capital	3,494,113									
Reserves	307,717									
Accumulated loss	(463,975)									
Surplus on revaluation of assets - net of tax	142,667									
	3,480,522									

	2015									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	(Rupees in '000)									
	Restated									
Assets										
Cash and balances with treasury banks	1,066,852	1,066,852	-	-	-	-	-	-	-	-
Balances with other banks	170,453	170,453	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments - net	11,067,137	1,448,215	6,613,749	1,393,305	1,386,558	1,416	105,156	106,362	12,376	-
Advances - net	7,970,275	6,789,174	11,575	154,722	54,166	227,841	291,095	87,045	259,128	95,529
Operating fixed assets	337,357	7,928	6,765	10,147	20,295	40,590	40,595	44,233	36,260	130,544
Deferred tax assets - net	263,579	250,208	(5,885)	238	1,913	1,010	(220)	(1,782)	(1,800)	19,897
Other assets - net	470,969	131,993	109,480	126,626	102,870	-	-	-	-	-
	21,346,622	9,864,823	6,735,684	1,685,038	1,565,802	270,857	436,626	235,858	305,964	245,970
Liabilities										
Bills payable	103,166	103,166	-	-	-	-	-	-	-	-
Borrowings	2,832,357	2,779,657	31,000	21,700	-	-	-	-	-	-
Deposits and other accounts	15,163,440	13,540,398	628,438	398,951	324,824	116,752	129,742	24,335	-	-
Other liabilities	414,495	225,192	53,508	11,607	116,312	3,396	3,774	706	-	-
	18,513,458	16,648,413	712,946	432,258	441,136	120,148	133,516	25,041	-	-
Net assets	2,833,164	(6,783,590)	6,022,738	1,252,780	1,124,666	150,709	303,110	210,817	305,964	245,970
Share capital	2,894,113									
Reserves	294,768									
Accumulated loss	(489,622)									
Surplus on revaluation of assets - net of tax	133,905									
	2,833,164									

The above maturity profile has been prepared in accordance with International Financial Reporting Standard 7, Financial Instruments: Disclosures, based on contractual maturities. Consequently, all demand assets and liabilities such as running finance, current accounts and saving accounts are shown as having a maturity up to one month. However, based on historical behaviour, management is of the opinion that the possibility of these inflows / outflows actually occurring entirely within one month is remote, as these flows normally occur over a longer period of time.

42.4.5.2 Maturities of assets and liabilities - Based on working prepared by the Asset and Liability Management Committee (ALCO) of the Bank

	2016									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	1,081,532	1,081,532	-	-	-	-	-	-	-	-
Balances with other banks	112,042	112,042	-	-	-	-	-	-	-	-
Lendings to financial institutions	100,000	100,000	-	-	-	-	-	-	-	-
Investments - net	8,032,819	3,290,443	4,556,620	-	185,608	-	-	64	84	-
Advances - net	8,213,248	1,771,153	3,369,281	1,210,447	563,894	149,856	340,468	406,076	283,160	118,913
Operating fixed assets	337,077	2,403	4,807	28,515	14,421	28,842	28,844	43,931	42,509	142,805
Deferred tax assets - net	249,633	28,257	42,730	64,058	17,940	639	639	108,712	(6,233)	(7,109)
Other assets - net	394,214	148,929	114,207	43,693	87,385	-	-	-	-	-
	18,520,565	6,534,759	8,087,645	1,346,713	869,248	179,337	369,951	558,783	319,520	254,609
Liabilities										
Bills payable	214,155	214,155	-	-	-	-	-	-	-	-
Borrowings	743,910	601,184	34,114	18,314	6,227	12,455	24,910	37,365	9,341	-
Deposits and other accounts	13,708,790	1,599,046	489,287	1,180,855	1,086,449	1,408,886	2,291,864	5,652,403	-	-
Other liabilities	373,184	331,499	15,492	20,899	588	1,176	1,176	2,354	-	-
	15,040,039	2,745,884	538,893	1,220,068	1,093,264	1,422,517	2,317,950	5,692,122	9,341	-
Net assets	3,480,526	3,788,875	7,548,752	126,645	(224,016)	(1,243,180)	(1,947,999)	(5,133,339)	310,179	254,609
Share capital	3,494,113									
Reserves	307,717									
Accumulated loss	(463,975)									
Surplus on revaluation of assets - net of tax	142,667									
	3,480,522									

	2015									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	1,066,852	1,066,852	-	-	-	-	-	-	-	-
Balances with other banks	170,453	170,453	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments - net	11,067,137	1,448,215	6,613,749	1,393,305	1,386,558	1,416	105,156	106,362	12,376	-
Advances - net	7,970,275	1,541,835	460,783	4,062,922	940,209	231,729	291,095	87,045	259,128	95,529
Operating fixed assets	337,357	7,928	6,765	10,147	20,295	40,590	40,595	44,233	36,260	130,544
Deferred tax assets - net	263,579	250,208	(5,885)	238	1,913	1,010	(220)	(1,782)	(1,800)	19,897
Other assets - net	470,969	131,993	109,480	126,626	102,870	-	-	-	-	-
	21,346,622	4,617,484	7,184,892	5,593,238	2,451,845	274,745	436,626	235,858	305,964	245,970
Liabilities										
Bills payable	103,166	103,166	-	-	-	-	-	-	-	-
Borrowings	2,832,357	2,779,657	31,000	21,700	-	-	-	-	-	-
Deposits and other accounts	15,163,440	2,645,932	935,557	714,454	1,147,421	1,390,477	2,443,113	5,886,486	-	-
Other liabilities	414,495	225,192	53,508	11,607	116,312	3,396	3,774	706	-	-
Net assets	18,513,458	5,753,947	1,020,065	747,761	1,263,733	1,393,873	2,446,887	5,887,192	-	-
	2,833,164	(1,136,463)	6,164,827	4,845,477	1,188,112	(1,119,128)	(2,010,261)	(5,651,334)	305,964	245,970
Share capital	2,894,113									
Reserves	294,768									
Unappropriated profit	(489,622)									
Surplus on revaluation of assets - net of tax	133,905									
	2,833,164									

42.4.6 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Operational risk management policy of the Bank is duly approved by the Board and Operational Risk Management Manual covers the processes, structure and functions of Operational risk management and provides guidelines to identify, assess, monitor, control and report operational risk in a consistent and transparent manner across the Bank.

43. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on 10 March 2017.

Faisal Jan Sarhindi
Chief Financial Officer

Tahira Raza
President and Chief Executive

Tahira Raza	Gholam Kazim Hosein	Naheed Ishaq	Mudassir H. Khan
President and Chief Executive	**Director**	**Director**	**Director**