COMMITMENT
COURAGEDET
ERMINATIONEXP
ERTISEFOCUS
DYNAMISMPAS
SIONINNOVATION

Design: Creative Unit (Pvt) Ltd.

PAK BRUNEI INVESTMENT COMPANY

Annual report 2014

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pakbrunei
INVESTMENT COMPANY

A n n u a l r e p o r t 2 0 1 4

At Pak Brunei, we are inspired by individuals who represent the real face of Pakistan. A Pakistan marked by the spirit and resilience of youth. That is determined, creative, passionate, and often heroic beyond belief. We at Pak Brunei bring that determination to succeed as we navigate through countless opportunities with understanding, vision and motivation. The values that define Pak Brunei are woven into the fabric of the Pakistani nation as best exemplified by the exceptional men and women we pay tribute to.

COMMITMENT

Ayesha Farooq

Hailing from Bahawalpur, Ayesha had the courage to dream big and the commitment to take steps that would make her Pakistan's first ever female war-ready fighter pilot. The taboo-breaking path must not have been an easy one but today Ayesha stands proud as one of the 19 women who have achieved the rank of pilot in the Pakistan Air Force over the last decade.

> "There is a difference between interest and commitment. When you are interested in doing something, you do it only when it's convenient. When you are committed to something, you accept no excuses – only results."
>
> – Kenneth H. Blanchard

Faizan Buzdar

Faizan is a graduate of Ghulam Ishaq Khan Institute (GIKI) of Engineering Sciences and Technology. Acknowledged by the US President Barack Obama, Faizan's startup 'Convo' has successfully launched a social network for global organisations. His innovation has led to funding from venture capitalists in the US including Morgenthaler Ventures which has significant holdings in tech giants such as Apple.

> **"The reasonable man adapts himself to the world; the unreasonable one persists in trying to adapt the world to himself. Therefore all progress depends on the unreasonable man."**
>
> – George Bernard Shaw

DYNAMISM

PASSION

Namira Salim

The first Pakistani astronaut, Namira's dream of reaching for the skies came true when she was chosen from amongst 44000 astronauts to travel into space with Virgin Galactic. She has been officially recognised as the 'First Pakistani Astronaut' by the government of Pakistan. The other firsts this adventure loving Pakistani has bagged include being the first Pakistani to reach the North and South Poles and the first South Asian to skydive over Mount Everest. She is also a peace activist and was conferred with the Tamgha-e-Imtiaz in 2011.

> **"There is no passion to be found playing small – in setting for a life that is less than the one you are capable of living."**
>
> – Nelson Mandela

EXPERTISE

Mir Zafar Ali

The Oscar winning visual effects expert, Mir Zafar Ali started his journey to Hollywood from hometown Karachi. Spending many years honing the craft at leading animation companies in Pakistan, Zafar then moved to the US, landing plum projects such as the development of Venom in *Spider Man 3*, *The Mummy* and *X Men*. He won an Oscar for Best Visual Effects in 2007 for the movie *The Golden Compass*.

“We are what we repeatedly do. Excellence, then, is not an act, but a habit.”

– Aristotle

FOCUS

Sharmeen Obaid Chinoy

As a documentary film maker, Sharmeen Obaid Chinoy has given Pakistan a reason to smile by winning many a global accolade. The first Pakistani to win an Academy Award for her documentary, *Saving Face* in 2012, Sharmeen is also the first non-American to win the Livingston Award for Young Journalists. She was also awarded the presitious Hilal-e-Imtiaz by the President of Pakistan, for bringing honor to Pakistan as a filmmaker and is on Time magazine's Annual list of the 100 most influential people in the world for 2012.

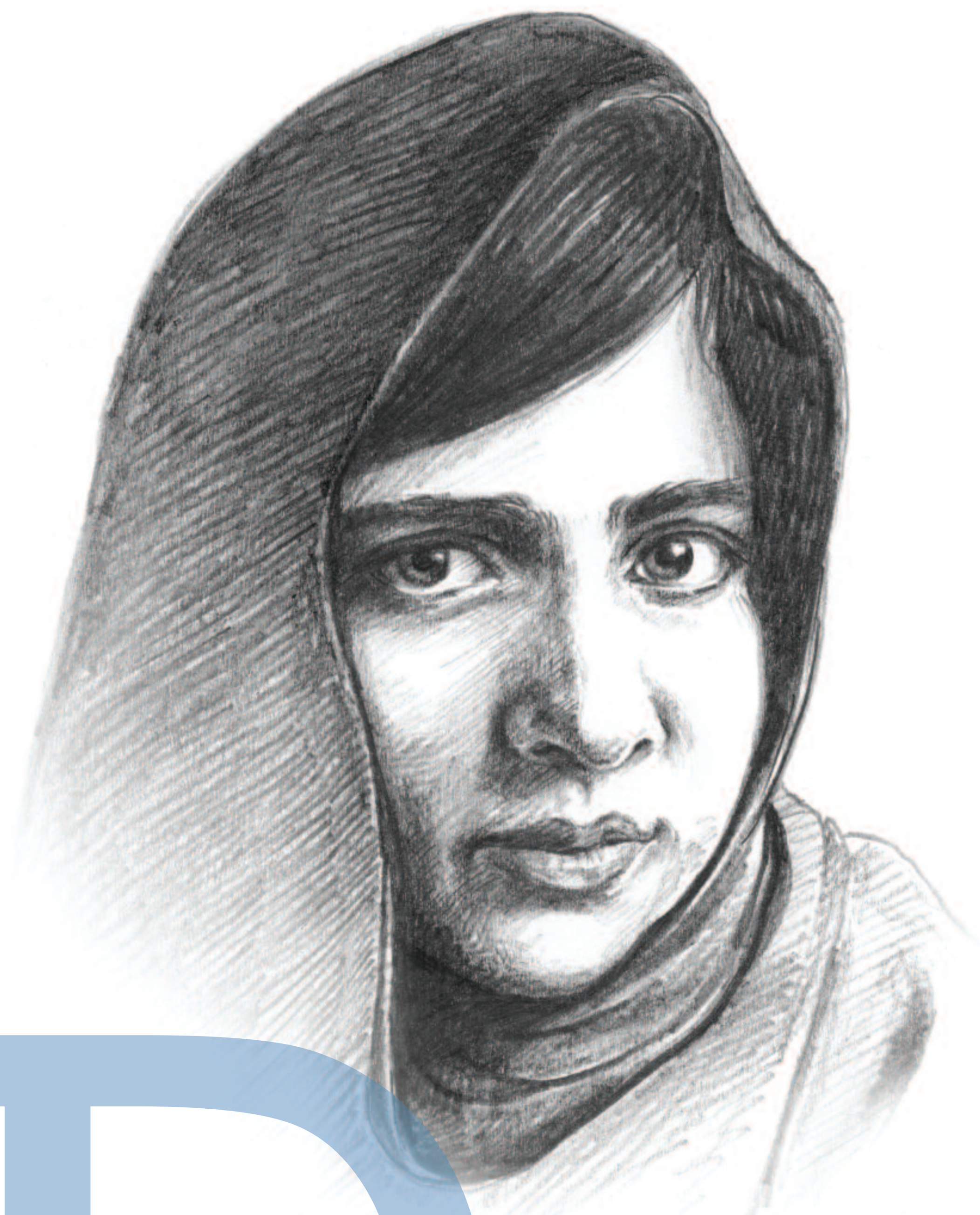
> “**Give the world the best you have, and the best will come to you.**”
>
> – Medeline Bridges

Dr Umar Saif

Dr Umar, an Associate Professor of Science and Engineering at the Lahore University of Management Sciences, is the first Pakistani to appear on the Top 35 Young Innovators of the World List. This prestigious list is issued every year by MIT, after a rigorous screening process evaluates hundreds of high-impact researchers and entrepreneurs from all over the world. Judges, who are affiliated with the world's most renowned universities, recognized that technologies developed by Umar's research group and startups are enriching the lives of millions of people in the developing world.

> **"You never change things by fighting the existing reality. To change something, build a new model that makes the existing model obsolete."**
>
> – Buckminster Fuller

INNOVATION



DETERMINATION

Malala Yousafzai

Life changed for Malala Yousafzai that afternoon of 9 October 2012 when she was shot at a point blank range by terrorists. From a blogger advocating the right of girls to go to school, to an international advocate of education under oppression, Malala would find herself the youngest recipient of the Noble Peace Prize in 2014 and the second Pakistani to win the prestigious accolade. Undaunted, she continues her mission of advocating children's right to education.

> **"You may not control all the events that happen to you, but you can decide not to be reduced by them."**
>
> – Maya Angelou

Aitzaz Hasan

On 6th January 2014, courage in the face of adversity took on a whole new meaning when Aitzaz Hasan, a teenager from Hangu District in Khyber Pakhtunkhwa, sacrificed his life while preventing a suicide bomber from entering his school of 2,000 students. Aitzaz's action to save his classmates captured the hearts of the nation. For his act, the Government of Pakistan awarded Aitzaz with the high civil award of Sitara-e-Shujaat.

> **A single feat of daring can alter the whole conception of what is possible.**
>
> – Graham Greene

COURAGE

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CORPORATE INFORMATION

Board of Directors

Mr. Junaidi bin Haji Masri	Chairman
Mr. Shahid Mahmood	Director
Mr. Sofian Mohammad Jani	Director
Ms. Ayesha Aziz	Managing Director

Audit Committee

Mr. Shahid Mahmood	Chairman
Mr. Sofian Mohammad Jani	Member
Mr. Junaidi bin Haji Masri	Member

Human Resource Committee

Mr. Junaidi bin Haji Masri	Chairman
Mr. Shahid Mahmood	Member
Ms. Ayesha Aziz	Member

Company Secretary

Mr. Abdul Hafeez

Statutory Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Tax Consultant

M. Yousuf Adil Saleem & Company — (A member firm of Deloitte Touche Tohmatsu Ltd.) Chartered Accountants

Legal Advisor

Liaquat Merchant & Associates — Advocate and Corporate Legal Consultants

Registered Head Office

Horizon Vista, Commercial 10,
Scheme No. 5, Block-4, Clifton, Karachi.
Tel: (+92-21) 35361215-19, (+92-21) 35839917
Fax: +9221-35361213

Website

www.pakbrunei.com.pk

VISION

Pak Brunei will play a role in the economic progress and development of Pakistan by providing the entire range of advisory services as well as financial support to viable projects in high growth, capital-starved sectors of the economy

MISSION

Pak Brunei aims to be at the vanguard of innovation in Investment banking services, offering the best solutions to our clients, value to our shareholders, and a challenging, equal-opportunity environment to our employees

CORE VALUES

Integrity	We will be honest, professional, and fair in all our dealings with all our stakeholders
Innovation	We will not be held hostage to conventional wisdom
Performance	We will be result-oriented and encourage a competitive culture
Teamwork	We will have shared goals and objectives
Customer Focus	We will understand our customers' needs and try to exceed customer expectations

Code of Ethics and Business Practices

Pak Brunei seeks to maintain high standards of service and ethics enabling it to be perceived as impartial, ethical and independent. In addition to the general guidelines, the following are the salient features of the Company's code of ethics and business practices.

Integrity

Employees shall:

Perform our work with honesty, diligence and responsibility;

Not knowingly be a party to any illegal activity or engage in any acts that are discreditable to the Company;

Not participate in any activity or relationship that may impair or be presumed to impair our unbiased assessment. This participation includes those activities or relationships that may be in conflict with the Interests of the Company;

Not accept any gift or consideration that may impair or be presumed to impair our professional judgment;

Exercise maximum caution in making sure that information given to customers is free of errors, making it as truthful and honest as can be.

Objectivity

Employees shall:

Ensure that all operational activities and decision making processes focus on achievements of the Company's objectives and are in line with the mission statement of the Company;

Disclose all material facts known to us if not disclosed, may distort the reporting of business proposal under review.

Confidential and Proprietary Information

Employees shall:

Protect against the disclosure of sensitive and confidential information about our customers and employees unless disclosure is authorized and within law;

Safeguard against the disclosure of sensitive and confidential information about our fellow employee and the Company as a whole unless authorized to do so.

Improper Influence

Employees shall:

Strictly prohibit from giving, soliciting or accepting business courtesies or gifts intended to influence business decision;

Make all business decisions on the merit of the transaction and in compliance with any legal and regulatory requirements.

Unfair Business Practices

Employees shall:

Refrain from unfair and deceptive business practices e.g., unauthorized and counterproductive use of the Company's resources, the misuse of proprietary information or the misrepresentation and concealment of material facts.

Insider Trading

Employees shall:

Prohibit from disclosing "Inside Information" to others or use for our own benefits;

Abide by the "Insider trading" laws that prohibit from buying and selling stock with advance knowledge of important Company information that is unavailable to the general public. Such Information may include proposed mergers or acquisitions, new equity or debt offering.

Recording and Reporting of the Company

Employees shall:

Ensure that all business related information/transaction are recorded and reported accurately, honestly and in a timely manner. Accuracy of all Company records extends to financial statement, loan documents, regulatory bodies and other government agencies;

Ensure that no funds or accounts should be established for a purpose that is not fully reflected in the books and records of Pak Brunei whether pertaining to receipts or disbursements.

Compliance with Laws, Rules and Regulations

Employees shall:

Comply with all applicable laws, rules and regulations.

Protection and Proper use of Company Assets

Employees shall:

Ensure that all the Company's assets are used for authorized and legitimate business purposes;

Protect the Company's assets e.g., computer equipment and software, intellectual property, etc., and ensure that those assets are efficiently and properly used in respect of all Company related activities.

Board of Directors' Profile

Junaidi bin Haji Masri

Mr. Junaidi bin Haji Masri serves as a Chairman of the board of Pak Brunei Investment Company. Mr. Masri joined the Brunei Investment Agency in 1991 and took over the position of Managing Director in 2015.

Serving on the board of directors of a number of companies, both in and outside Brunei Darussalam, Mr. Masri brings a global perspective to the Company with his understanding of international markets and asset classes.

Mr. Masri holds a B.Sc degree in computer and management sciences from Keele University (UK).

Shahid Mahmood

Mr. Shahid Mahmood is a career civil service officer with more than 27 years of experience in diverse fields and at policy level positions. His particular focus has been on public sector financial management, public sector development policy, international trade and commerce as well as poverty alleviation and rural development.

During the course of his career, he has worked as Project Manager for UNICEF, Deputy Commissioner at Sialkot, Commercial Counselor in Beijing (China), Secretary to the Government of Punjab for Planning and Development, Mines and Minerals and Tourism Departments. He has also been Principal Secretary to the Chief Minister Punjab. In addition, he has served as Programme Director at the Lahore Rapid Mass Transit System, as well as Chief Commissioner, Islamabad.

Mr Mahmood holds a Bachelors degree in Economics and Statistics and a Masters degree in English Literature from Government College, Lahore.

Sofian Mohammad Jani

Mr. Sofian Bin Mohammad Jani serves as the Director of Listed Markets at the Brunei Investment Agency. He began his career for BIA in 1993 serving as Investment Officer in Brussels and London. Subsequently, he has served as Assistant General Manager and Deputy General Manager at BIA in Brunei.

More recently, he worked as the CEO of Sejahtera Asset Management and Director of the Internal Fund Management Department at BIA. His other engagements include serving as a member of the Executive Committee at the CIBFM, the BIA Portfolio Advisory Committee, as well as the BIA Management Committee.

Mr. Mohammad holds a Bachelors degree (Hons) in Economics and Social Studies from the University of Manchester (UK). He is also a qualified Chartered Financial Analyst (CFA).

Ayesha Aziz

Ms. Aziz has rich and diverse experience in investment banking including Project Finance, Asset Management, Corporate Finance Advisory and Treasury Operations. She was associated with the ANZ Banking Group for over ten years where, amongst other assignments, she worked on the Financial Engineering desk in ANZ London. Subsequently, Ms. Aziz was involved in establishing and managing business operations and subsidiaries of Pak Oman Investment Company, including a microfinance bank and an asset management company, where she acted as a member on the board and CEO, respectively.

Ms. Aziz is an MBA from the Institute of Business Administration. She is also a qualified Chartered Financial Analyst (CFA).

Our Cultural Framework

The cultural framework of any organization defines a company's vision and the guidelines it has established to achieve that vision. Our organizational culture is apparent through a number of indicators:

A Professional Well-Balanced Team

Pak Brunei boasts of a highly qualified team and diverse team of professionals from foreign and local banks, rating agencies, regulatory bodies and brokerage houses. The team consists of 77 experienced and motivated professionals including MBAs, Chartered Accountants, CFAs, FRMs, lawyers and engineers. To guarantee employee engagement and satisfaction, the company fosters a fair and performance oriented work environment. Training plays a pivotal role in helping employees strive for excellence.

Strong Control Environment

PACRA and JCR VIS, external rating agencies, have consistently assigned Pak Brunei strong credit ratings, higher than more established peers, on the basis of strong controls, a clearly defined business plan and a management team that has a proven ability to successfully implement strategy.

Equal Opportunity Environment

Pak Brunei Investment Company is an equal opportunity organization, and welcomes people from all backgrounds, irrespective of class, gender and ethnicity. The cultural and gender mix of the workforce facilitates greater diversity. With a strong performance record, the Company is prepared to achieve higher goals and embrace bigger opportunities. This is only possible in an environment that nurtures healthy competition and promotes fair practices.

Corporate Social Responsibility

Many organisations in the corporate sector have stepped forward with responsible social strategies in order contribute to the society we live in. At Pak Brunei we take this responsibility very seriously and treat our CSR activities as a vital element of our operations.

Internship Program for The Recovery House

The Recovery House (TRH) is a non-profit organization providing psychiatric rehabilitation services to individuals. Pak Brunei Investment Company in collaboration with TRH has developed a customized internship program that seeks to help the process of rehabilitation and self-sufficiency through the experience of working in a professional, disciplined environment. The program was implemented in 2014. Work assignments were developed in consultation with TRH and a system of feedback has been put in place to monitor progress. The program has yielded excellent results and we hope to continue with our contribution in the future.

INFAQ Foundation

In 2014, Pak Brunei Investment Company Limited made a donation to the Centre for Development of Social Services (CDSS) Endowment Fund. CDSS is a project of the INFAQ Foundation, which was set up by Bank of Credit & Commerce International (BCCI) at the behest of its founder Mr. Agha Hasan Abedi.

CDSS established the Korangi Academy in 2001 to impart quality education to talented and deserving children of deprived families. This three-storey, elegantly designed and custom-built educational complex has a total covered area of 94,390 sq. ft. and is currently imparting education up to the intermediate level with plans to take the academy to the university level. Pak Brunei plans to continue its support of this noble initiative.

Mr. Junaidi bin Haji Masri
Chairman

CHAIRMAN'S REVIEW

I am pleased to present the results for the year ended December 31, 2014 of Pak Brunei Investment Company. These results reflect efforts to meet targets while maintaining balance sheet strength through proactive risk management.

2014 turned out to be the turning point for Pakistan's economy in many aspects. Real GDP growth improved from 3.7% in FY13 to 4.1% in FY14 with improved contribution from the manufacturing sector. Fiscal deficit reduced sharply from over 8.0% of GDP in FY13 to 5.5% of GDP in FY14. An inflow of approximately USD 1.4 billion in Pakistan Development Fund from friendly countries during 1Q 2014 as well as some improvement in Tax to GDP ratio were positive developments. Additionally, IMF reviews under Extended Fund Facility remained satisfactory, leading to disbursement of USD 2.2 billion from the Fund during the year. These external inflows have led to foreign exchange reserves increasing from USD 3.5 billion in December 2013 to USD 10.4 billion by December 2014 providing a healthy cushion for a stable exchange rate.

In addition, the trend in international commodity prices (particularly crude oil) during the latter part of 2014 has helped in controlling inflation from over 8.0% in 2013 to 4.3% by December 2014, triggering monetary easing. Subdued CPI inflation, softer input prices and declining interest rates should support industrial expansion and in turn spur GDP growth for 2015.

2014 was also another profitable year for capital markets as the benchmark KSE-100 index recorded a 27% return for the year (32% in USD). Starting in 2012, the rally has yielded a cumulative return of 183% (154% in USD) for the bourse.

A few red flags cannot be ignored. Pakistan's economic growth mix is consumption led. Despite some obvious advantages, this can trigger demand-pull inflation particularly as fixed investment to GDP ratio has been stagnant for some time. Hence, there is a need to support fixed capital formation. In addition, a permanent solution is required to address a chronic fiscal deficit through broad based taxes for revenue mobilization on a sustainable basis.

While declining interest rates are good for the economy as a whole, with the State Bank of Pakistan firmly focusing on improving minimum deposit rates, profitability in the banking sector, including DFIs, will increasingly rest on innovation and a renewed focus on non-interest income avenues. Pak Brunei is well aware of these challenges and has always considered innovation as a cornerstone of its business strategy. After setting up an asset management subsidiary in 2011, and introducing SME financing in 2012, the Company plans for 2015 involve the launch of its first Modaraba Fund as part of the strategy of establishing a foothold outside conventional financing segments. More importantly, Pak Brunei hopes to expand its business of revival financing through efficient platforms where risk can be shared with other investors.

Pak Brunei is a full service merchant bank with a keen focus on the country's economic development. With strong control measures, innovative thinking and a motivated & energetic team, the Company is well equipped to achieve future goals.

March 10, 2015

Mr. Junaidi bin Haji Masri
Chairman

Ayesha Aziz
Managing Director

DIRECTORS' REPORT

On behalf of the Board of Directors, I am pleased to present the audited financial results of Pak Brunei Investment Company Limited for the year ended December 31, 2014, another year of robust financial and operational performance for the Company.

These results are linked to our culture of building institutional capacity through teamwork and innovative thinking. Sustainable growth, profitability and balance sheet quality are the result of collective performance and a source of pride for each member of the team.

SELECTED FINANCIAL INDICATORS

Figures in PKR million unless stated otherwise

	2010	2011	2012	2013	2014
Total Assets	14,369	32,544	14,046	35,508	32,901
Net Assets	7,343	7,928	8,581	8,246	9,139
Gross Mark-up Income	1,698	2,395	2,912	1,407	2,503
Net Mark-up Income	839	839	871	430	471
Non Mark-up Income	212	284	406	706	907
Profit before Tax	882	920	1,076	917	1,106
Profit after Tax	581	604	784	706	905
Earnings per Share (PKR)	0.98	1.01	1.31	1.18	1.51
Dividend Payout (%)	–	3.33%	16.67%	3.33%	3.33%
Return on Assets (%)	4.4%	2.6%	3.4%	2.9%	2.6%
Return on Equity (%)	8.5%	7.9%	9.5%	8.4%	10.4%
Gross Loan Infection (%)	0.3%	0.1%	0.0%	0.0%	0.0%

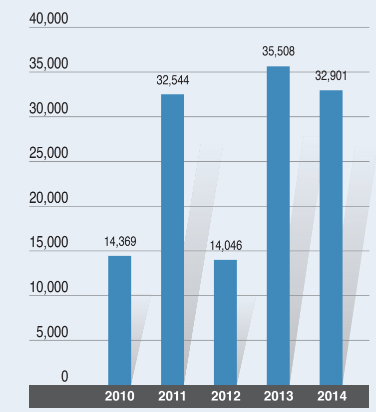
Pak Brunei is in the business of taking risk and has continued building a reputation for financing companies in distress to achieve turnaround. Several transactions in this category have been successfully concluded, meeting our objective of creating value while earning commensurate returns. Our focus on profitability goes hand in hand with effective monitoring of risk. In 2014, mark-up income remained strong with sustained buildup in credit exposures. At the same time, the inherent risks of distressed asset financing were hedged through diversification and several blue chip credits were added to the portfolio using refinance lines available to the Company.

This diversification of risk is reflected in the sharp increase in our non-markup income. Timely investment in risk free bonds and capital market instruments for our trading portfolio boosted profitability as we made use of sharp yield curve movements during the year. Our prudent investment in equity market instruments generated sizeable gains. In addition, strong performance of mutual funds managed by our subsidiary also contributed to the revenue base. As a result, Pak Brunei was able to record the highest profit in its history. We also take pride in our efficiency in terms of operating cost to income ratio with possibly the lowest loan infection ratios in the financial sector.

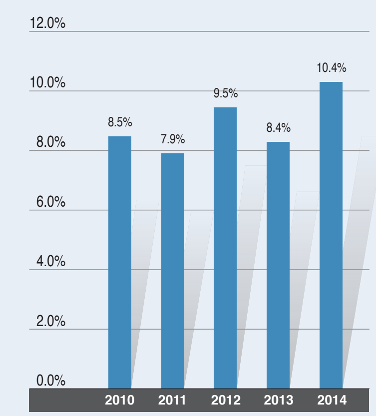
ADVISORY AND STRATEGIC INVESTMENTS GROUP (ASIG)

The importance of reviving fundamentally viable projects that are unable to utilize capacity cannot be overemphasized. ASIG has continued to play a leading role in this crucial yet neglected domain. Our niche is of a financial solution provider for projects that are

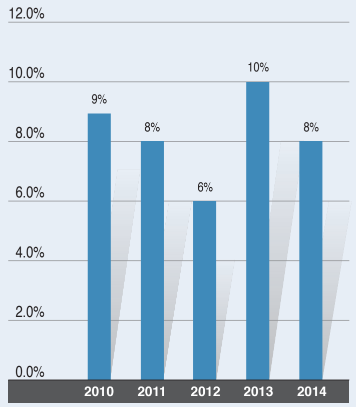
Asset Base
PKR million



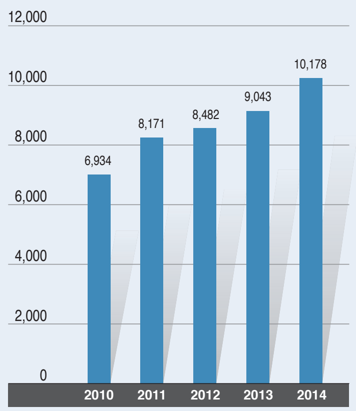
Return on Equity
Percentage



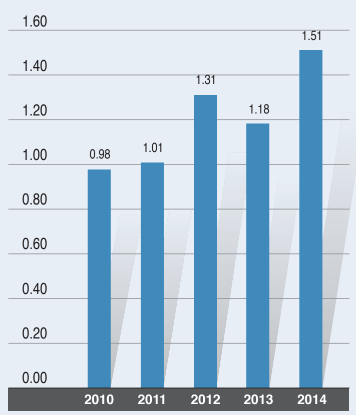
Intermediation Efficiency
(Operating Cost to Income Ratio)



Growth in Corporate Debt Exposures
(PKR million)



Earnings per Share
(PKR)



unable to access conventional sources of capital due to a troubled past. We usually target mid-size companies that are forced to operate below capacity due to financial distress or operational inefficiencies. These companies are selected after a thorough due diligence to ascertain the possibility of unlocking value. ASIG's scope of transactional experience encompasses management buyout, acquisition finance, private equity, divestment advisory and balance sheet re-profiling.

CORPORATE BANKING GROUP (CBG)

Corporate Banking Group continued with its strategy of booking relatively lower risk exposures at finer spreads through accessing refinance lines available to the Company. Pak Brunei is the only financial institution to have utilized refinance lines available under the State Bank Scheme for renewable energy projects, successfully concluding two transactions in this category during the year. Overall, the Advances portfolio grew by 9% to PKR 7.4 billion during the year of which the largest exposures were in food, agro-processing, consumer electronics, sugar, textile and energy sectors.

One milestone of CBG was structuring and financing a greenfield project involving processing of rice paddy to extract edible oil. This is a pioneering and scalable project that will make best use of a valuable agro input and result in value addition.

SME GROUP (SMG)

SME Group was established to provide alternative sources of financing to the Small & Medium Enterprises (SME) segment where borrowers lack the capacity to approach traditional means of financing. After starting operation from our head office in Karachi, SME Group opened its first branch in Lahore to cater to the needs of a large SME sector in Punjab.

TREASURY AND FUND MANAGEMENT

Treasury Group continued to play the crucial role of liquidity management while taking advantage of trading opportunities provided by interest rate movements. During the year, inter bank limits from other financial institutions and deposit mobilization showed sizable growth. Treasury remained an active participant in the money & fixed income market and as with previous years, turned in excellent returns on investment.

The Group also trades in corporate debt instruments with a particular focus on under-valued assets due to market anomalies or financial distress. Treasury aspires to further increase its footprint in the market for short term unsecured paper.

CAPITAL MARKETS

Falling input prices, improving macro indicators and steady corporate earnings helped the market post double digit returns for the third consecutive year. In 2014, KSE was ranked amongst the top three best performing markets in the world, outperforming most emerging and frontier markets with an index return of 27%. This is a quantum leap considering the fact that KSE was placed at 18th in the world during 2011.

Our portfolio management team successfully simulated KSE-100's performance while maintaining strict controls over its universe of stocks with daily monitoring of value at risk. Holdings in a combination of high and low beta stocks ensured a healthy combination of capital gains and dividend income.

STRATEGIC INITIATIVES

Primus Investment Management Limited (PIML)

Operations of our Asset Management Subsidiary continued to grow in 2014. Primus Daily Reserve Fund was the best performer within its peer group recording 9.32% return against the benchmark return of 8.6% (average peer group return of 8.7%). After a timely conversion from Cash to Income category, Primus Income fund also significantly outperformed its benchmark of 9.4% by yielding a return of 13.23% during 2014.

In addition, PIML successfully launched two new Sharia-compliant Islamic Equity and Islamic Money Market Funds in 2014.

Modaraba Management Company

Pak Brunei plans to launch its Modaraba Management Company with Awwal Modaraba's IPO expected in early 2015. The strategy is to use this fund innovatively by introducing a Private Equity based structure where exposure in value investments will be shared with other investors and clear exits available. With a number of corporate turnaround stories to our credit, this experience will be useful as the Modaraba will focus on the same business model.

RISK MANAGEMENT

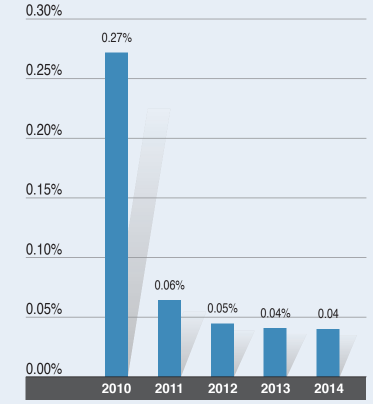
Risk management continues to be strengthened to safeguard the Company's interests in a volatile environment. We monitor credit, market and operational risks on a company-wide basis across all product classes. We have also continued to improve our systems, focusing on refining internal risk assessment models and streamlining risk reporting. Further, granularity in assessing the risk distribution profile of both corporate clients and SME clients was achieved ensuring the Credit Committee makes informed decisions. Diversification of the portfolio was attained by venturing into new sectors such as edible oil and liquefied natural gas.

Operational risk policy was strengthened in line with SBP's operational risk framework for financial institutions. An Operational Risk Committee was formed for increased focus on operational risk issues and improve resolution time for such issues.

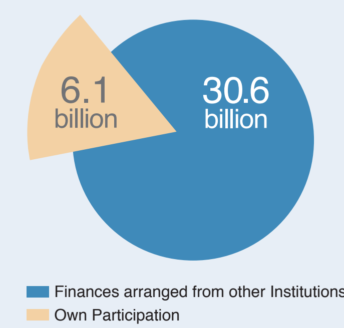
ENTITY RATING

During its June 2014 review, JCR-VIS has reaffirmed its 'AA+' long term rating for Pak Brunei with a stable outlook. This rating signifies strong internal controls and risk management infrastructure of the Company that has resulted in sound portfolio quality indicators.

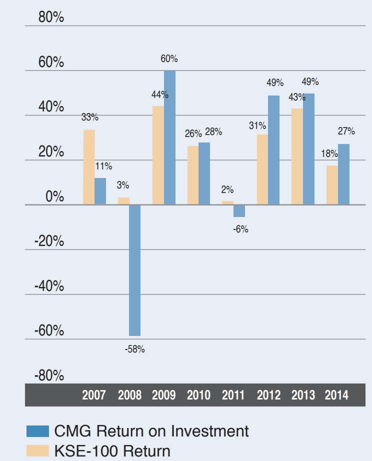
Gross Loan Infection
(Percentage)



ASIG Transactions
since inception (PKR 36.7 billion)



Return on Equity Investments vs Market Return



CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The directors declare that:

- The financial statements, prepared by management, present its state of affairs fairly, the results of its operations, cash flows and statement of changes in equity.
- Proper books of accounts have been maintained.
- Appropriate accounting policies are consistently applied in preparing financial statements, and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained.
- The system of internal control system is sound in design and has been effectively implemented and monitored.
- There are no doubts about the Company's ability to continue as a going concern.
- There has been no deviation from best practices highlighted in the Code of Corporate Governance.

INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

The Board of Directors hereby endorses the management's evaluation related to ICFR and overall Internal Controls.

The Board of Directors of the Company held four meetings during the year end December 31, 2014.

The following directors attended the meetings:

Name	Meetings Attended
Mr. Junaidi bin Haji Masri	4
Mr. Shahid Mahmood	4
Ms. Ayesha Aziz, CFA	4
Mr. Sofian Mohammad Jani	2
Mr. Khairuddin Abdul Hamid	1
Mr. Abdul Razak Su - Alternate Director	1

The Audit Committee of Board held four meetings during the year end December 31, 2014.

The following members attended the meetings:

Name	Meetings Attended
Mr. Junaidi bin Haji Masri	4
Mr. Shahid Mahmood	4
Mr. Sofian Mohammad Jani	2
Mr. Khairuddin Abdul Hamid	1
Mr. Abdul Razak Su - Alternate Director	1

The HR Committee of Board held one meeting during the year end December 31, 2014.

The following members attended the meetings:

Name	Meetings Attended
Mr. Junaidi bin Haji Masri	1
Mr. Shahid Mahmood	1
Ms. Ayesha Aziz, CFA	1

CHANGE IN DIRECTORS

There has been a change in the Board of Directors of the Company during the year end December 31, 2014. The Brunei Investment Agency nominated Mr. Sofian Mohammad Jani on September 25, 2014 in place of Mr. Khairuddin Abdul Hamid.

STATEMENT OF INVESTMENT OF PROVIDENT FUND

Investments of provident fund as of June 30, 2014 according to audited financial statements amounted to PKR 47.048 million (2013: PKR 33.558 million).

APPOINTMENT OF AUDITORS

The Board on the proposal of the Audit Committee recommends the appointment of M/s. Ernst & Young, Ford, Rhodes, Sidat, Hyder, chartered accountants as statutory auditors for 2015.

PATTERN OF SHAREHOLDING

Shareholder	Shareholding (%)
Ministry of Finance - Govt. of Pakistan	49.99933%
Brunei Investment Agency	50.00000%
Secretary, Economic Affairs Division-Govt. of Pakistan	0.00067%

We are grateful to our shareholders, Government of Pakistan and Brunei Investment Agency, for their continued guidance and support. We appreciate the role State Bank of Pakistan and Securities & Exchange Commission of Pakistan are playing in regulating the financial markets of Pakistan while providing us with an operating environment supportive of our unique business strategy.

March 10, 2015

Ayesha Aziz
Managing Director

8 Years Performance at a Glance

(Rupees in '000)

	2014	2013	2012	2011	2010	2009	2008	2007*
Financial								
Investments	**24,246,894**	27,430,852	7,121,490	25,741,246	9,868,363	8,415,996	2,687,585	1,956,095
Advances	**7,385,691**	6,799,210	5,776,014	4,646,661	2,467,643	1,732,493	1,062,744	254,444
Borrowings	**18,089,905**	26,391,995	2,417,139	23,359,531	5,943,385	5,296,808	186,154	1,150,000
Deposits and other accounts	**5,164,230**	567,070	2,824,924	979,018	844,000	395,000	–	–
Total Assets	**32,900,772**	35,507,597	14,045,611	32,544,390	14,368,611	12,130,979	5,528,893	4,362,474
Net Assets	**9,139,306**	8,246,380	8,580,535	7,927,546	7,342,559	6,305,979	5,281,160	3,136,278
Paid up Capital	**6,000,000**	6,000,000	6,000,000	6,000,000	6,000,000	5,000,000	5,000,000	3,000,000
Profit & Loss								
Mark up income	**2,503,363**	1,407,121	2,911,983	2,394,747	1,698,132	971,221	672,254	177,507
Mark up expense	**2,035,762**	969,079	2,044,815	1,469,277	777,987	207,450	131,801	630
Non mark up income	**907,133**	706,018	406,286	284,325	211,963	254,064	85,608	67,299
Non mark up expense	**272,127**	219,296	201,163	203,103	165,145	132,740	118,675	57,635
Gross income	**3,410,496**	2,113,139	3,318,269	2,679,072	1,910,095	1,225,285	757,862	244,806
Profit before provision and tax	**1,102,487**	924,764	1,071,823	1,006,453	963,002	885,092	507,386	186,541
Provisions	**(3,665)**	8,021	(4,019)	86,874	81,344	217,918	133,921	–
Profit before tax	**1,106,152**	916,743	1,075,842	919,579	881,658	667,174	373,465	186,541
Profit after tax	**904,867**	705,709	783,758	604,107	581,090	447,453	222,266	140,743
Dividend paid	**200,000**	200,000	1,000,000	200,000	–	–	–	–
Investors information								
Profit before tax ratio %	**32.43%**	43.38%	32.42%	34.32%	46.16%	54.45%	49.28%	76.20%
Gross spread ratio %	**18.68%**	31.13%	29.78%	38.65%	54.19%	78.64%	80.39%	99.65%
Return on assets %	**2.65%**	2.85%	3.36%	2.58%	4.39%	5.07%	4.49%	3.23%
Return on equity %	**10.41%**	8.39%	9.50%	7.91%	8.52%	7.72%	5.28%	4.49%
Earning asset to total asset ratio %	**96.38%**	97.06%	94.07%	97.03%	95.27%	97.67%	95.58%	90.34%
EPS (Earning per share) PKR	**1.51**	1.18	1.31	1.01	0.98	0.89	0.52	0.75
Infection Ratio %	**0.03%**	0.04%	0.05%	0.06%	0.27%	16.05%	0.00%	0.00%
Capital Adequacy Ratio (CAR) %	**34.11%**	35.82%	59.76%	58.47%	84.61%	81.00%	138.00%	114.00%
Dividend payout %	**3.33%**	3.33%	16.67%	3.33%	–	–	–	–

**four months of operations*

ERNST & YOUNG

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Review Report to the Member on the Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Pak Brunei Investment Company Limited (the Company) for the year ended 31 December 2014 to comply with Regulation G-1 of the Prudential Regulations for Corporate / Commercial Banking issued by State Bank of Pakistan.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 31 December 2014.

Chartered Accountants
Date: March 10, 2015
Karachi

A member firm of Ernst & Young Global Limited

Statement of Compliance with the Code of Corporate Governance

For The Year Ended December 31, 2014

This Statement is being presented to comply with the revised Code of Corporate Governance 2012 (the CCG) framed by the Securities and Exchange Commission of Pakistan, which was made applicable to the Company through regulation G-1 of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan.

The Company has applied the principles contained in the CCG in the following manner:

1. As per the joint venture arrangement between Government of Pakistan (GoP) and Government of Brunei, the Company's board of directors comprises of four directors and all directors are nominated by both the Governments. The Company encourages representation of non-executive directors on its board of directors (the board). At present the Board includes:

Category	Name/(s)	Particulars
Executive Directors	Ms. Ayesha Aziz	Government of Pakistan
Non-Executive Directors	Mr. Junaidi bin Haji Masri	Government of Brunei
	Mr. Shahid Mahmood	Government of Pakistan
	Mr. Sofian Mohammad Jani	Government of Brunei

The Company has obtained relaxation from the State Bank of Pakistan with regards to the requirement of independent director.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred on the board during the year. However, the Brunei Investment Agency nominated Mr. Sofian Mohammad Jani on September 25, 2014 in place of Mr. Khairuddin Abdul Hamid.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, and non-executive directors, have been taken by the board/shareholders.

8. The meetings of the board were presided over by the Chairman and the board met four times during the year. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Directors are conversant with the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities. One non executive Pakistani director is yet to complete the Director's Training Program.

10. The Board has approved the appointment of CFO, Company Secretary and Head of Internal Audit, including the remuneration and terms and conditions of employment. However, no new appointments of the Chief Financial Officer (CFO), Company Secretary, or Head of Internal Audit were made during the year.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an audit committee consisting of three non-executive directors, including the Chairman.

16. Four meetings of the audit committee were held during the year prior to the approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed an HR and Compensation Committee. It comprises of three members, of whom two are non-executive directors. The Chairman of the committee is a non-executive director. The board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. We confirm that all other material principles enshrined in the CCG have been complied with.

Ayesha Aziz
Managing Director

March 10, 2015

Statement of Internal Control

It is the responsibility of Company's management to:

- Establish and maintain an adequate and effective system of internal controls and procedures for an efficient working environment for obtaining desired objectives.
- Evaluate the effectiveness of the Company's internal control system that encompasses material matters by identifying control objective, reviewing significant policies and procedures and establishing relevant control procedures.

The Company's internal control system has been designed to provide reasonable assurance to the Company's management and Board of Directors. All internal control systems, no matter how well designed, have inherent limitations that they may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. However, control activities are ongoing process that includes identification, evaluation and management of significant risks faced by the Company.

The control activities are being closely monitored across the Company through Audit Department, working independent of line management. In addition, Compliance Department is also in place to monitor control activities related to regulatory compliance. Internal Audit Department covers all activities in general and key risks areas in particular. The Audit Committee of the Board regularly reviews audit reports both internal and external where significant violations to the local regulations, prescribed policies and procedures have occurred. Regular follow up reporting upon the audit reports is done by Compliance Department to the Audit Committee which ensures timely implementations of audit/inspection reports to mitigate identified risks to safeguard the interest of the Company.

The Company has successfully completed the stages of its ICFR program and submitted the Long Form Report as of 31 December 2013 to SBP on November 28, 2014. The observations and weaknesses identified by the auditors, both internal and external, will be taken care of and necessary steps are being taken by the management in the due time so as to ensure non-repetition of those exceptions and eliminations of such weaknesses to the maximum possible level. The management has also given timely and satisfactory response to the recommendations and suggestions made by its auditors. SBP has issued OSED Circular No.1 of 2014 dated February 7, 2014. Accordingly the company will also comply with the requirements of the said circular.

The Company is continuously making efforts to ensure that an effective and efficient Internal Control System remains active & implemented through consistent & continuous monitoring that would help in further improving the overall control environment.

The Board of Directors is ultimately responsible for the internal control system and the Board endorses the above management evaluation.

Ayesha Aziz
Managing Director

March 10, 2015

ERNST & YOUNG

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Auditors' Report to the Members

We have audited the annexed unconsolidated statement of financial position of **Pak Brunei Investment Company Limited** (the Company) as at **31 December 2014** and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the unconsolidated statement of financial position and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 4.1 with which we concur;

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

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.

(c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated statement of cash flows and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Chartered Accountants
Audit Engagement Partner: Shabbir Yunus
Date: March 10, 2015
Karachi

A member firm of Ernst & Young Global Limited

Unconsolidated

Statement of Financial Position

| As at December 31, 2014

2014	2013		Note	2014	2013
(US $ in '000)				(Rupees in '000)	
		ASSETS			
1,224	957	Cash and balances with treasury banks	5	**123,151**	96,289
763	2,325	Balances with other banks	6	**76,759**	233,935
–	–	Lendings to financial institution		**–**	–
241,022	272,673	Investments	7	**24,246,894**	27,430,852
73,416	67,587	Advances	8	**7,385,691**	6,799,210
321	444	Operating fixed assets	9	**32,318**	44,636
–	–	Deferred tax assets		**–**	–
10,299	8,973	Other assets	10	**1,035,959**	902,675
327,045	352,959			**32,900,772**	35,507,597
		LIABILITIES			
–	–	Bills payable		**–**	–
179,820	262,346	Borrowings	11	**18,089,905**	26,391,995
51,334	5,637	Deposits and other accounts	12	**5,164,230**	567,070
–	–	Sub-ordinated loans		**–**	–
–	–	Liabilities against assets subject to finance lease		**–**	–
1,321	147	Deferred tax liabilities	13	**132,921**	14,771
3,722	2,857	Other liabilities	14	**374,410**	287,381
236,197	270,987			**23,761,466**	27,261,217
90,848	81,972	**NET ASSETS**		**9,139,306**	8,246,380
		REPRESENTED BY			
59,642	59,642	Share capital	15	**6,000,000**	6,000,000
8,728	6,929	Reserves		**878,000**	697,026
20,980	15,786	Unappropriated profit		**2,110,627**	1,588,100
89,350	82,357			**8,988,627**	8,285,126
1,498	(385)	Surplus / (deficit) on revaluation of assets - net of tax	16	**150,679**	(38,746)
90,848	81,972			**9,139,306**	8,246,380
		CONTINGENCIES AND COMMITMENTS	17		

The annexed notes from 1 to 37 form an integral part of these unconsolidated financial statements

Chief Executive **Director** **Director** **Chairman**

Unconsolidated

Profit and Loss Account

| For the Year ended December 31, 2014

2014	2013		Note	2014	2013
(US $ in '000)				(Rupees in '000)	
24,884	13,987	Mark-up / return / interest earned	18	**2,503,363**	1,407,121
20,236	9,633	Mark-up / return / interest expensed	19	**2,035,762**	969,079
4,648	4,354	**Net mark-up / interest Income**		**467,601**	438,042
–	2	(Reversal) / provision against non-performing loans and advances	8.5	**(4)**	230
(36)	77	(Reversal) / provision for diminution in the value of investments	7.3	**(3,661)**	7,791
–	–	Bad debts written off directly		**–**	–
(36)	79			**(3,665)**	8,021
4,684	4,275	**Net mark-up / interest income after provisions**		**471,266**	430,021
		NON MARK-UP / INTEREST INCOME			
528	623	Fee, commission and brokerage income		**53,088**	62,660
2,514	3,605	Dividend income		**252,884**	362,680
–	–	Income from dealing in foreign currencies		**–**	–
5,783	2,283	Gain on sale of securities - net	20	**581,768**	229,666
31	–	Unrealised gain on revaluation of investments classified as held-for-trading	7.1	**3,114**	–
162	507	Other income	21	**16,279**	51,012
9,018	7,018	**Total non mark-up / interest income**		**907,133**	706,018
13,702	11,293			**1,378,399**	1,136,039
		NON MARK-UP / INTEREST EXPENSES			
2,705	2,180	Administrative expenses	22	**272,127**	219,296
–	–	Other provisions / write off		**–**	–
1	–	Other charges - SBP penalty		**120**	–
2,706	2,180	**Total non-mark-up / interest expenses**		**272,247**	219,296
10,996	9,113			**1,106,152**	916,743
–	–	Extra ordinary / unusual items		**–**	–
10,996	9,113	**PROFIT BEFORE TAXATION**		**1,106,152**	916,743
1,848	1,654	Taxation - Current		**185,933**	166,364
(147)	55	- Prior years		**(14,750)**	5,524
299	389	- Deferred		**30,102**	39,146
2,000	2,098		23	**201,285**	211,034
8,996	7,015	**PROFIT AFTER TAXATION**		**904,867**	705,709
15,786	20,115	Unappropriated profit brought forward		**1,588,100**	2,023,533
24,782	27,130	Profit available for appropriation		**2,492,967**	2,729,242
US $				Rupees	
0.01	0.01	**Earnings per share - basic and diluted**	24	**1.51**	1.18

The annexed notes from 1 to 37 form an integral part of these unconsolidated financial statements.

Chief Executive **Director** **Director** **Chairman**

Unconsolidated
Statement of comprehensive income

For the Year ended December 31, 2014

2014 (US $ in '000)	2013 (US $ in '000)		Note	2014 (Rupees in '000)	2013 (Rupees in '000)
8,996	7,015	Profit after taxation		**904,867**	705,709
		Other comprehensive income			
		Items not to be reclassified to profit or loss in subsequent periods:			
(20)	–	Remeasurement loss on defined benefit plan		**(2,039)**	–
6	–	Related tax effects		**673**	–
(14)	–			**(1,366)**	–
8,982	7,015	**Total comprehensive income for the year**		**903,501**	705,709

Surplus/(deficit) arising on revaluation of assets has been reported in accordance with the directives of the State Bank of Pakistan in a separate account below equity.

The annexed notes from 1 to 37 form an integral part of these unconsolidated financial statements.

Chief Executive **Director** **Director** **Chairman**

Unconsolidated
Cash Flow Statement

For the Year ended December 31, 2014

2014 (US $ in '000)	2013 (US $ in '000)		Note	2014 (Rupees in '000)	2013 (Rupees in '000)
		CASH FLOWS FROM OPERATING ACTIVITIES			
10,996	9,113	Profit before taxation		**1,106,152**	916,743
2,514	3,605	Less: Dividend income		**252,884**	362,680
8,482	5,508			**853,268**	554,063
		Adjustments for non-cash charges and other items			
147	149	Depreciation	22	**14,739**	15,064
12	10	Amortisation	22	**1,233**	1,072
–	2	(Reversal) / provision against non-performing loans and advances	8.5	**(4)**	230
(36)	77	(Reversal) / provision for diminution in the value of investments	7.3	**(3,661)**	7,791
–	–	Other provisions / write off		**–**	–
(1)	–	Gain on sale of property and equipment	21	**(129)**	(712)
(31)	–	Unrealised gain on revaluation of investments classified as held-for-trading	7.1	**(3,114)**	–
91	238			**9,064**	23,445
8,573	5,746			**862,332**	577,508
		Decrease / (increase) in operating assets			
–	(1)	Lendings to financial institutions		**–**	–
(284)	–	Held-for-trading securities		**(28,544)**	–
(5,829)	(10,173)	Advances		**(586,477)**	(1,023,426)
(1,492)	(1,016)	Others assets (excluding current taxation)		**(150,048)**	(102,216)
(7,605)	(11,190)			**(765,069)**	(1,125,642)
		(Decrease) / increase in operating liabilities			
(82,526)	238,319	Borrowings		**(8,302,090)**	23,974,856
45,697	(22,444)	Deposits and other accounts		**4,597,160**	(2,257,854)
845	640	Other liabilities (excluding current taxation)		**84,988**	64,368
(35,984)	216,515			**(3,619,942)**	21,781,370
(35,016)	211,071			**(3,522,679)**	21,233,236
(1,812)	(2,922)	Income tax paid		**(182,315)**	(293,222)
(36,828)	208,149	Net cash used in operating activities		**(3,704,994)**	20,940,014
		CASH FLOWS FROM INVESTING ACTIVITIES			
26,892	(178,416)	Net investment in available-for-sale securities		**2,705,377**	(17,948,642)
–	1,901	Net investment in held to maturity securities		**–**	191,230
(1,044)	–	Investment in subsidiary		**(105,000)**	–
8,917	(25,951)	Net investment in associates		**897,047**	(2,610,677)
2,791	3,915	Dividend income received		**280,780**	393,815
(36)	(64)	Investments in operating fixed assets		**(3,665)**	(6,470)
1	9	Sale proceeds from disposal of property and equipment		**141**	885
37,521	(198,606)	Net cash generated from / (used in) investing activities		**3,774,680**	(19,979,859)
		CASH FLOWS FROM FINANCING ACTIVITIES			
(1,988)	(9,940)	Dividend paid		**(200,000)**	(1,000,000)
(1,988)	(9,940)	Net cash used in financing activities		**(200,000)**	(1,000,000)
(1,295)	(397)	**Decrease in cash and cash equivalents during the year**		**(130,314)**	(39,845)
3,282	3,679	Cash and cash equivalents at the beginning of the year		**330,224**	370,069
1,987	3,282	**Cash and cash equivalents at the end of the year**	25	**199,910**	330,224

The annexed notes from 1 to 37 form an integral part of these unconsolidated financial statements.

Chief Executive **Director** **Director** **Chairman**

Statement of Changes in Equity

	Share capital	Statutory reserve	Unappropriated profit	Total
		(Rupees in '000)		
As at January 01, 2013	6,000,000	555,884	2,023,533	8,579,417
Total comprehensive income for the year				
Profit for the year ended December 31, 2013	–	–	705,709	705,709
Other comprehensive income	–	–	–	–
Total comprehensive income for the year ended December 31, 2013	–	–	705,709	705,709
Transfers				
Transfer to statutory reserve	–	141,142	(141,142)	–
Transaction with owners, recorded directly in equity				
Final cash dividend paid for the year ended December 31, 2012 @ Rs.1.67 per share	–	–	(1,000,000)	(1,000,000)
As at December 31, 2013	6,000,000	697,026	1,588,100	8,285,126
Total comprehensive income for the year				
Profit for the year ended December 31, 2014	–	–	904,867	904,867
Other comprehensive income	–	–	(1,366)	(1,366)
Total comprehensive income for the year ended December 31, 2014	–	–	903,501	903,501
Transfers				
Transfer to statutory reserve	–	180,974	(180,974)	–
Transaction with owners, recorded directly in equity				
Final cash dividend paid for the year ended December 31, 2013 @ Rs.0.33 per share	–	–	(200,000)	(200,000)
As at December 31, 2014	**6,000,000**	**878,000**	**2,110,627**	**8,988,627**

The annexed notes from 1 to 37 form an integral part of these unconsolidated financial statements.

Chief Executive **Director** **Director** **Chairman**

Notes to the Financial Statements

1. STATUS AND NATURE OF BUSINESS

Pak Brunei Investment Company Limited (the Company) is a Development Finance Institution (DFI) incorporated as an un-listed public limited company under the Companies Ordinance, 1984. The State Bank of Pakistan (the SBP) granted the approval for commencement of business with effect from August 20, 2007. The Company is a joint venture between the Government of Pakistan and the Brunei Investment Agency. The Company's objective interalia includes making investments in the industrial and agro based industrial fields in Pakistan on commercial basis through carrying out of industrial and agro based industrial projects and making of their products in Pakistan and abroad and to undertake other feasible business and to establish and acquire companies to conduct various businesses. The registered office of the Company is situated at Horizon Vista, Plot No. Comm-10, Block No. 4, Scheme No. 5, Clifton, Karachi, Pakistan.

2. BASIS OF PRESENTATION

2.1 Basis of Measurement

These unconsolidated financial statements have been prepared under the historical cost convention except that certain investments have been stated at revalued amounts in accordance with the directives of the State Bank of Pakistan (SBP) as disclosed in note 7 to these unconsolidated financial statements.

2.2 US Dollar equivalent

The US dollar amounts shown in the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income and unconsolidated cash flow statement are stated as additional information solely for the convenience of readers and are not audited. For this purpose of conversion to US Dollars, the rate of Rs.100.60 to US Dollars has been used for both 2014 and 2013, as it was the prevalent rate on December 31, 2014.

2.3 Separate financial statements

These unconsolidated financial statements represent the separate financial statements of the Company in which investment in subsidiaries and associates is stated at cost. The consolidated financial statements of the Company and its subsidiaries are presented separately.

3. STATEMENT OF COMPLIANCE

3.1 These unconsolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the provisions of and directives issued under the Companies Ordinance, 1984 and the directives issued by the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984 or directives issued under the Companies Ordinance, 1984 and the State Bank of Pakistan differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives shall prevail.

3.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for DFIs through BSD Circular Letter No. 11 dated September 11, 2002 till further instructions. Further, according to the notification of the SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable to DFIs. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

3.3 New accounting standards, interpretations and amendments

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

New, Revised and Amended Standards and Interpretations	Effective Date (Annual periods beginning on or after)
IFRS 10 – Consolidated Financial Statements	January 01, 2015
IFRS 11 – Joint Arrangements	January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 – Fair Value Measurement	January 01, 2015
IAS 1 – Presentation of Financial Statements – Disclosure Initiative (Amendment)	January 01, 2016
IAS 16 & 38 – Property, Plant and Equipment & intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	January 01, 2016
IAS 16 & 41 – Property, Plant and Equipment & Agriculture: Agriculture: Bearer Plants (Amendment)	January 01, 2016
IAS 27 – Separate Financial Statements (Amendment)	January 01, 2016
IAS 19 – Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendment)	July 01, 2014

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Company's financial statements in the period of initial application except for IFRS 10 for which the Company is currently evaluating the impact on its financial statements.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after July 01, 2014. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

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

Standard	IASB Effective Date (Annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers	January 01, 2017

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 The accounting policies adopted in the preparation of these unconsolidated financial statements are consistent with those of the previous financial year except as described below:

New, Revised and Amended Standards and Interpretations

Standard or interpretation

The Company has adopted the following revised standards, amendments and interpretations of IFRSs which became effective during the current year:

IAS 32 – Financial Instruments : Presentation – (Amendment)
– Offsetting Financial Assets and Financial Liabilities

IAS 36 – Impairment of Assets – (Amendment)
– Recoverable Amount Disclosures for Non-Financial Assets

IFRIC 21 – Levies

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any effect on the unconsolidated financial statements.

4.2 Cash and cash equivalents

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

4.3 Investments

Investments other than those categorised as held-for-trading are initially recognised at fair value which includes transaction costs associated with the acquisition of investments. Investments classified as held-for-trading are initially recognised at fair value, and transaction costs are expensed in the unconsolidated profit and loss account. The Company has classified its investment portfolio into 'held-for-trading', 'held to maturity' and 'available-for-sale' portfolios as follows:

Held-for-trading
These are securities which are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements, dealer's margin or are securities included in a portfolio in which a pattern of short-term profit taking exists and are to be sold within 90 days of acquisition. These are carried at market value, with the related surplus / deficit being taken to unconsolidated profit and loss account.

Held to maturity
These are securities with fixed or determinable payments and fixed maturity in respect of which the Company has the positive intent and ability to hold till maturity. These are carried at amortised cost using the effective interest rate method.

Available-for-sale
These are investments that do not fall under the 'held-for-trading' or 'held to maturity' categories. These are carried at market value with the surplus / deficit taken to surplus / deficit on revaluation of assets' account shown below equity. Provision for diminution in the value of investments in respect of unquoted shares is calculated with reference to break-up value. Provision for unquoted debt securities is calculated with reference to the time-based criteria as per the SBP's Prudential Regulations.

On de-recognition or impairment in quoted available-for-sale investments, the cumulative gain or loss previously reported as 'surplus / (deficit) on revaluation of assets' below equity is included in the unconsolidated profit and loss account for the year.

Held-for-trading and quoted available-for-sale securities are marked to market with reference to ready quotes on Reuters page (PKRV) or the Stock Exchanges.

Unquoted equity securities are valued at the lower of cost and break-up value. The break-up value of these securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment, if any.

The carrying values of investments are reviewed for impairment at each reporting date. Where any such indications exist that the carrying values exceed the estimated recoverable amounts, provision for impairment is made through the unconsolidated profit and loss account.

Investments in subsidiaries and associate
Investments in subsidiaries and associates are valued at cost less impairment, if any. A reversal of an impairment loss on subsidiaries and associates is recognised as it arises provided the increased carrying value does not exceed cost.

Gains and losses on disposal of investments in subsidiaries and associates is included in the unconsolidated profit and loss account.

4.4 Repurchase and resale agreements

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

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

4.5 Derivative financial instruments

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

4.6 Trade date accounting

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

4.7 Financial instruments

Financial assets and liabilities are recognised at the time when the Company becomes party to the contractual provision of the instrument. Financial assets are de-recognised 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-recognised when obligation specific in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognised in the unconsolidated profit and loss account of the current period. The particular recognition and subsequent measurement method for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

4.8 Advances

Advances are stated net of specific and general provisions. Specific provisions are made in accordance with the requirements of the Prudential Regulations issued by SBP and charged to the unconsolidated profit and loss account. These regulations prescribe an age based criteria (as supplemented by subjective evaluation of advances) for classification of non-performing loans and advances and computing provision / allowance there against. Advances are written off where there are no realistic prospects of recovery.

Leases are classified as finance leases, when the Company transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessee. A receivable is recognised at an amount equal to the present value of the minimum lease payments, including guaranteed residual value, if any. Finance lease receivables are included in advances to customers.

4.9 Taxation

4.9.1 Current

The charge for current taxation is based on taxable income at the current rates of taxation in accordance with the requirements of the Income Tax Ordinance 2001.The charge for current tax also includes adjustments whenever considered relating to prior year, arising from assessments framed during the year.

4.9.2 Deferred

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and any unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carry forward of unused tax assets and unused tax losses can be utilised.

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

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

Deferred tax relating to gain / loss recognised in 'surplus / deficit on revaluation of assets' or items recognised in other comprehensive income (OCI) are charged / credited to 'surplus / deficit on revaluation of assets' or OCI, as the case may be.

4.10 Operating fixed assets

4.10.1 Property and equipment

4.10.1.1 Owned assets
Operating fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to the unconsolidated profit and loss account using the straight line method at the rates stated in note 9.1. Depreciation is charged from the date when the asset is available for use and no depreciation is charged from the date when the asset is disposed off.

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

Residual values and useful lives are reviewed at each reporting date and adjusted if the impact on depreciation is considered significant.

Gain / loss on sale or disposal of fixed assets is recognised in the unconsolidated profit and loss account.

4.10.1.2 Leased assets

Assets held under finance lease are accounted for by recording the assets and the related liability. These are recorded at lower of fair value and the present value of minimum lease payments at the inception of lease and are subsequently stated net of accumulated depreciation.

Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding finance lease liability.

Depreciation is charged on leased assets on a basis similar to that of owned assets.

4.10.2 Intangibles

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any. Intangible assets are amortised using the straight line method at the rate stated in note 9.2. The residual values and useful life are reviewed and adjusted, if appropriate at each reporting date.

Amortisation is charged from the date when the asset is available for use and no amortisation is charged from the date when the asset is disposed off.

4.10.3 Capital work-in-progress

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

4.10.4 Impairment

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

The resulting impairment loss is taken to unconsolidated profit and loss account. Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognised as income.

4.11 Provisions

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

4.12 Borrowings / deposits

a) Borrowings / deposits are recorded at the proceeds received.

b) The cost of borrowings / deposits is recognised as an expense in the period in which it is incurred. Any difference between the proceeds and the redemption value is recognised in the unconsolidated profit and loss account over the period of the borrowings / deposits using the effective interest method.

4.13 Offsetting

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

4.14 Assets acquired in satisfaction of claims

The Company occasionally acquires assets in settlement of certain advances. These are stated at lower of the net realisable value of the related advances or the fair value of such assets.

4.15 Staff retirement benefits

Defined benefit plan - Staff gratuity fund

The Company operates a funded gratuity scheme for its eligible permanent employees. The scheme was established during the year and approved by the Commissioner of Income Tax. The Company recognises expense in accordance with IAS 19 “Employee Benefits”.

The latest actuarial valuation was conducted as at December 31, 2014 and is carried out using the Projected Unit Credit Method (PUCM). Under this method, the cost of providing gratuity is charged to the profit and loss account so as to spread the cost over the service lives of the employees in accordance with the actuarial valuation. Actuarial gains and losses are recognised in full in the period in which they occur in other comprehensive income. All past service costs are recognised at the earlier of when the amendment or curtailment occurs and when the Company has recognised related restructuring or termination benefits.

Defined contribution plan - Staff provident fund

The Company operates a provident fund scheme for its employees. Equal monthly contributions are made both by the Company and the employees to the fund at the rate of 10% of basic salary.

4.16 Revenue recognition

Mark-up / return / interest income on advances and investments is recognised on time proportion basis taking into account effective yield on the instrument except in case of advances and investments classified under the SBP’s Prudential Regulations on which mark-up / return / interest is recognised on receipt basis.

Dividend income is recognised when the Company’s right to receive income is established.

Fee, commission and brokerage income and remuneration for trustee and advisory services are recognised upon performance of services.

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

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

Return on bank deposits is recognised on time proportion basis using the effective interest rates.

4.17 Foreign currency translation

Foreign currency transactions are converted into Rupees by applying the exchange rate at the date of the respective transactions. Monetary assets and liabilities in foreign currencies are translated into Rupees at the rates of exchange prevailing at the reporting date. Exchange gains and losses are included in income.

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

4.18 Distributions and other appropriations to reserves

The Company recognises all appropriations, other than statutory appropriations, to reserves including those in respect of cash dividends and bonus shares, in the year in which such appropriations are approved by shareholders / directors as appropriate.

4.19 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no convertible dilutive potential ordinary shares in issue at December 31, 2014 and 2013.

4.20 Segment reporting

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

4.20.1 Business segments

Corporate finance
Corporate finance includes services provided in connection with mergers and acquisitions, underwriting, privatisation, securitisation, research, debts (government, high yield), equity, syndication, IPO and secondary private placements.

Trading and sales
It includes fixed income, equity, foreign exchange, commodities, credit, funding, lending, repos and brokerage activities.

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

4.20.2 Geographical segments

The Company operates in Pakistan only.

4.21 Accounting estimates and judgments

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

4.21.1 Classification of investments

i In classifying investments as 'held-for-trading', the Company has determined securities which are acquired with an intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.

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

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

4.21.2 Provision against non-performing loans and advances

The Company reviews its loan portfolio to assess amount of non-performing loans and advances and determine provision required there against. While assessing this requirement various factors including the past dues, delinquency in the account, financial position of the borrower and requirements of Prudential Regulations are considered.

4.21.3 Impairment of available-for-sale equity investments

The Company 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. The determination of what is "significant or prolonged" requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

4.21.4 Taxation

In making the estimates for income taxes currently payable by the Company, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past.

4.21.5 Fair value of derivatives

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

4.21.6 Fixed assets' depreciation and amortisation

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 Company. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the changed pattern.

4.21.7 Employees' defined benefit plan

The liability for employees' defined benefit plan is determined using actuarial valuations. The actuarial valuation involve assumptions about discount rates, expected rates of returns on assets, future salary increase etc. Due to the long term nature of the plan, such estimates are subject to significant uncertainty.

	Note	December 31 2014	December 31 2013
		(Rupees in '000)	

5. CASH AND BALANCES WITH TREASURY BANKS

	Note	2014	2013
With State Bank of Pakistan in local currency current account	5.1	**123,135**	96,273
With National Bank of Pakistan in local currency current account		**16**	16
		123,151	96,289

5.1 This includes the minimum cash reserve required to be maintained with the SBP in accordance with the requirement of BSD Circular No. 04 dated May 22, 2004.

6. BALANCES WITH OTHER BANKS

	Note	December 31 2014	December 31 2013
		(Rupees in '000)	
In Pakistan			
On deposit accounts	6.1	**76,759**	233,935

6.1 These carry mark-up at rates ranging from 6.00% to 8.50% per annum (2013: 6.00% to 8.30% per annum).

7. INVESTMENTS

7.1 Investment by types

(Rupees in '000)

	Note	December 31, 2014 Held by company	December 31, 2014 Given as collateral	December 31, 2014 Total	December 31, 2013 Held by company	December 31, 2013 Given as collateral	December 31, 2013 Total
Held-for-trading securities							
Pakistan Investment Bonds	7.5.1	**28,544**	–	**28,544**	–	–	–
Available-for-sale securities							
Market Treasury Bills	7.5.1	**1,298,579**	**8,062,491**	**9,361,070**	1,156,667	16,787,541	17,944,208
Pakistan Investment Bonds	7.5.1	**243,327**	**5,776,186**	**6,019,513**	364,311	758,049	1,122,360
Ordinary shares of listed companies	7.6	**745,250**	–	**745,250**	312,981	–	312,981
Ordinary shares of unlisted companies	7.7	**124,670**	–	**124,670**	124,670	–	124,670
Units of mutual funds	7.8	**29,835**	–	**29,835**	28,835	–	28,835
Term Finance Certificates and Sukuks	7.12	**2,789,859**	–	**2,789,859**	2,155,934	84,960	2,240,894
Preference shares	7.9	**93,885**	–	**93,885**	95,510	–	95,510
		5,325,405	**13,838,677**	**19,164,082**	4,238,908	17,630,550	21,869,458
Investment in associates	7.11	**4,704,763**	–	**4,704,763**	5,601,811	–	5,601,811
Investment in subsidiaries	7.10	**355,000**	–	**355,000**	250,000	–	250,000
Investments at cost		**10,413,712**	**13,838,677**	**24,252,389**	10,090,719	17,630,550	27,721,269
Less: Provision for diminution in value of investments	7.3	**(240,304)**	–	**(240,304)**	(243,965)	–	(243,965)
Investments (net of provisions)		**10,173,408**	**13,838,677**	**24,012,085**	9,846,754	17,630,550	27,477,304
Surplus on revaluation of held-for-trading securities - net		**3,114**	–	**3,114**	–	–	–
(Deficit) / surplus on revaluation of available-for-sale securities - net	16.1	**(15,747)**	**247,442**	**231,695**	(31,383)	(15,069)	(46,452)
Total investments at market value		**10,160,775**	**14,086,119**	**24,246,894**	9,815,371	17,615,481	27,430,852

7.2 Investments by Segments

	Note	December 31 2014	December 31 2013
		(Rupees in '000)	
Federal Government Securities:			
Market Treasury Bills	7.5	**9,361,070**	17,944,208
Pakistan Investment Bonds		**6,048,057**	1,122,360
Fully paid-up ordinary shares:			
Listed companies	7.6	**745,250**	312,981
Unlisted companies (including subsidiaries)	7.7 & 7.10	**479,670**	374,670
Term Finance Certificates and Sukuks:			
Listed	7.12	**705,909**	419,188
Unlisted	7.12	**2,083,950**	1,821,706
Units of mutual funds (including associates)	7.8 & 7.11	**4,734,598**	5,630,646
Preference shares	7.9	**93,885**	95,510
Total investments at cost		**24,252,389**	27,721,269
Less: Provision for diminution in value of investments	7.3	**(240,304)**	(243,965)
Investments (net of provisions)		**24,012,085**	27,477,304
Surplus on revaluation of held-for-trading securities - net		**3,114**	–
Surplus / (deficit) on revaluation of available-for-sale securities - net	16.1	**231,695**	(46,452)
Total investments at market value		**24,246,894**	27,430,852

7.3 Particulars of provision

	Note	2014	2013
As at January 01, 2014		**243,965**	262,815
Charge for the year		**14,078**	14,755
Reversal during the year		**(17,739)**	(6,964)
		(3,661)	7,791
Impairment on equity securities transferred to profit and loss account on disposal		**–**	(26,641)
	7.3.1	**240,304**	243,965

7.3.1 Particulars of provision in respect of type and segment

	Note	2014	2013
Available-for-sale securities			
Ordinary shares of listed companies	7.6	**27,143**	14,060
Units of mutual funds	7.8	**7,209**	7,209
Preference shares	7.9	**4,875**	6,500
Term finance certificates and sukuks	7.12	**201,077**	216,196
		240,304	243,965

7.4 Quality of Available-for-Sale Securities

(Rupees in '000)

	December 31, 2014		December 31, 2013	
	Market value / Carrying value for unlisted investments	Rating	Market value / Carrying value for unlisted investments	Rating
Market Treasury Bills (T-bills)				
1 year T-bills	6,935,967	Government	–	Government
6 months T-bills	–	Securities	238,515	Securities
3 months T-bills	2,433,980		17,699,014	
	9,369,947		17,937,529	
Pakistan Investment Bonds (PIBs)				
10 years PIBs	1,764,841	Government	408,827	Government
5 years PIBs	567,271	Securities	499,837	Securities
3 years PIBs	3,941,253		201,764	
	6,273,365		1,110,428	
Ordinary shares of listed companies				
Oil and gas marketing / exploration companies				
Pakistan State Oil Company Limited	17,896	AA+	–	–
Pakistan Petroleum Limited	13,239	Unrated	–	–
Oil & Gas Development Corporation	20,587	AAA	–	–
Pakistan Oilfields Limited	9,598	Unrated	–	–
Attock Refinery Limited	6,572	AA	–	–
National Refinery Limited	18,485	AA+	–	–
Hascol Petroleum Limited	24,082	A+	–	–
Shell Pakistan Limited	6,472	Unrated	–	–
Mari Petroleum Company Limited	3,661	Unrated	–	–
Commercial banks				
National Bank of Pakistan Limited	–	–	23,224	AAA
United Bank Limited	26,507	AA+	45,359	AA+
Askari Commercial Bank Limited	21,916	AA	–	–
Bank Al-Habib Limited	9,710	AA+	–	–
Faysal Bank Limited	22,750	AA	–	–
Bank Alfalah Limited	13,097	AA	–	–
Habib Metropolitan Bank Limited	4,308	AA+	–	–
Trust Investment Bank Limited	219	Unrated	–	–
Communication				
Pakistan Telecommunication Company Limited	17,157	Unrated	4,266	Unrated
Power generation and distribution				
Kot Addu Power Company Limited	–	–	62,059	AA+
Pakgen Power Limited	–	–	3,691	A1+
Nishat Power Limited	–	–	19,855	A1
Lalpir Power Limited	2,990	AA	4,288	A1+
The Hub Power Company Limited	–	–	72,864	AA+
Kohinoor Energy Limited	31,066	AA	–	–
Cement				
Maple Leaf Cement Limited	13,275	A-	–	–
Fauji Cement Company Limited	51,680	Unrated	–	–
Pioneer Cement Limited	29,963	Unrated	–	–
Lafarge Pakistan Limited	10,410	Unrated	–	–
Akzo Nobel Pakistan Limited	10,333	Unrated	–	–
Balance carried forward	385,973		235,606	

(Rupees in '000)

	December 31, 2014		December 31, 2013	
	Market value / Carrying value for unlisted investments	Rating	Market value / Carrying value for unlisted investments	Rating
Balance brought forward	385,973		235,606	
Chemicals				
ICI Pakistan Limited	30,522	Unrated	–	–
Nimir Industrial Chemicals Limited (related party)	–	–	14,920	Unrated
Ghani Gases Limited	2,516	Unrated	–	–
Automobile				
Pak Suzuki Motors Limited	18,556	Unrated	–	–
Indus Motors Limited	6,602	Unrated	–	–
Honda Atlas Cars (Pakistan) Limited	12,882	Unrated	–	–
The General Tyre & Rubber Company of Pakistan Limited	21,846	Unrated	–	–
Food producers				
Clover Pakistan Limited	1,434	Unrated	–	–
Paper and board				
Century Paper & Board Mills Limited	8,674	A+	–	–
Fertilizers				
Fauji Fertilizers Company Limited	45,210	Unrated	–	–
Engro Fertilizer Limited	51,936	A+	–	–
Agritech Limited	9,760	Unrated	15,956	D
Personal goods				
Nishat Mills Limited	9,077	AA	–	–
Nishat (Chunian) Limited	27,070	A-	–	–
Sugar				
Abdullah Shah Ghazi Sugar Mills Ltd.	19,881	Unrated	–	–
Miscellaneous				
Crescent Steel & Allied Products	15,198	Unrated	–	–
EFU General Insurance Limited	9,968	AA+	–	–
Cyan Limited	4,296	A+	–	–
Searle Company Limited	3,216	Unrated	–	–
	684,617		266,482	
Ordinary shares of unlisted companies				
Faruki Pulp Mills Limited	100,000	Unrated	100,000	Unrated
Omer Jibran Engineering Industries Limited	24,670	Unrated	24,670	Unrated
	124,670		124,670	
Preference shares				
Pakistan Mercantile Exchange Limited	15,000	Unrated	15,000	Unrated
Omer Jibran Engineering Industries Limited	74,010	Unrated	74,010	Unrated
Trust Investment Bank Limited	–	Unrated	–	Unrated
	89,010		89,010	
Units of mutual funds				
Pak Oman Advantage Fund	28,546	AA+	21,626	AA+
Meezan Capital Preservation Fund - III	1,120	Unrated	–	–
	29,666		21,626	
Term Finance Certificates (TFCs) and Sukuks				
Listed TFCs				
Commercial banks				
Allied Bank Limited - 1st issue	–	–	25,217	AA
Allied Bank Limited - 2nd issue	34,296	AA	25,185	AA
Askari Bank Limited - 4th issue	101,136	AA-	107,726	AA-
Faysal Bank Limited - 1st issue	–	–	2,604	AA-
NIB Bank Limited - Perpetual TFC	246,664	A+	–	A+
Summit Bank Limited	89,284	A (SO)	89,325	A- (SO)
United Bank Limited - 3rd issue	–	AA	1,688	AA

(Rupees in '000)

	December 31, 2014		December 31, 2013	
	Market value / Carrying value for unlisted investments	Rating	Market value / Carrying value for unlisted investments	Rating
Fertilizer				
Engro Chemical Limited	**–**	**–**	2,409	A+
Engro Fertilizer Limited - 3rd issue	**56,145**	**AA-**	156	A+
Real estate developers				
Pace Pakistan Limited	**–**	**–**	575	–
NBFCs				
Saudi Pak Leasing Company Limited - 3rd issue	**–**	**–**	26,200	–
Telecommunication				
World Call Telecom Limited	**11,281**	**Unrated**	21,501	D
Pakistan Mobile Communication Limited	**126,667**	**AA-**	121,200	AA-
Unlisted TFCs and Sukuks				
Commercial banks				
Bank Alfalah Limited	**82,790**	**AA-**	–	–
Bank Alfalah Limited - TFC Floater	**165,100**	**AA-**	–	–
Bank Al-Habib Limited	**151,878**	**AA**	–	–
Askari Bank Limited - Perpetual TFC	**40,020**	**AA-**	–	–
Standard Chartered Bank	**14,734**	**AAA**	–	–
Development financial institution				
Pak Libya Holding Company Ltd. - Perpetual TFC	**52,667**	**AA-**	–	–
Fertilizer				
Agritech Limited - TFC III	**16,662**	**Unrated**	49,003	D
Agritech Limited - TFC I	**8,217**	**Unrated**	7,002	D
Engro Fertilizer Limited - TFC Perpetual I	**439,294**	**AA-**	436,710	A+
Engro Fertilizer Limited - TFC Perpetual II	**64,128**	**AA-**	63,921	A+
Engro Fertilizer Limited - Sukuk	**11,302**	**AA**	–	–
Sugar				
JDW Sugar Mills Limited - 2nd Issue	**–**	**–**	13,748	A+
Pharmaceutical				
Martin Dow Pharmaceutical Pakistan Limited	**–**	**–**	46,035	A
Cement				
Kohat Cement Company Limited	**–**	**–**	1,695	Unrated
Maple Leaf Cement Factory	**97,492**	**A-**	128,511	BB+
Maple Leaf Cement Factory II	**130,853**	**A-**	191,571	BB+
Personal goods (textile)				
Azgard Nine Limited - TFC V	**7,195**	**Unrated**	7,233	D
Azgard Nine Limited - TFC IV	**4,412**	**Unrated**	27,480	D
Azgard Nine Limited	**10,838**	**Unrated**	10,838	D
Real estate developers				
Eden Housing (Private) Limited	**43,642**	**Unrated**	65,462	D
Consumer electronics				
New Allied Electronics (Private) Limited	**–**	**–**	125,000	Unrated
Pak Elektron Limited	**200,000**	**A-**	200,000	Unrated
Media and communication				
Independent Media Corporation (Private) Limited	**187,500**	**A-**	237,500	A+
Manufacturing				
Amreli Steels Limited	**190,000**	**A-**	210,000	A-
	2,584,197		2,245,495	
	19,155,472		21,795,240	

	Note	December 31 2014	December 31 2013
		(Rupees in '000)	
7.5 Particulars of investments in Federal Government Securities			
7.5.1 Held-for-trading			
Pakistan Investment Bonds		**28,544**	–
Available-for-sale			
Market Treasury Bills		**9,361,070**	17,944,208
Pakistan Investment Bonds		**6,019,513**	1,122,360
Carrying value (before revaluation)	7.5.1.1	**15,409,127**	19,066,568
Surplus / (deficit) on revaluation of securities		**265,842**	(18,611)
Market value		**15,674,969**	19,047,957

7.5.1.1 Market Treasury Bills and Pakistan Investment Bonds are held with SBP and are eligible for rediscounting. Market Treasury Bills embody effective yield ranging from 9.51% to 9.99% (2013: 9.30% to 10.34%) per annum and will mature within 12 months. Pakistan Investment Bonds carry mark-up ranging from 11.25% to 12.00% (December 31, 2013: 11.25% to 12.00%) per annum on semi-annual basis and will mature within 2 to 10 years. Certain government securities are kept with SBP to meet statutory liquidity requirement calculated on the basis of demand and time liabilities.

7.6 Particulars of investments in ordinary shares of listed companies - available-for-sale

Name of investee company	**December 31, 2014**	December 31, 2013	**Cost as at December 31 2014**	Cost as at December 31, 2013
	No. of shares held		(Rupees in 000)	
Oil and gas marketing / exploration companies				
Pakistan State Oil Company Limited	**50,000**	–	**19,840**	–
Pakistan Petroleum Limited	**75,000**	–	**14,173**	–
Oil & Gas Development Corporation	**100,000**	–	**27,128**	–
Pakistan Oilfields Limited	**25,300**	–	**11,898**	–
Attock Refinery Limited	**35,000**	–	**7,876**	–
National Refinery Limited	**100,000**	–	**21,381**	–
Hascol Petroleum Limited	**325,000**	–	**28,517**	–
Shell Pakistan Limited	**25,000**	–	**7,079**	–
Mari Petroleum Company Limited	**7,700**	–	**4,962**	–
Commercial banks				
National Bank of Pakistan	**–**	400,000	**–**	23,692
United Bank Limited	**150,000**	342,200	**28,676**	48,252
Askari Commercial Bank Limited	**950,000**	–	**21,601**	–
Bank Al-Habib Limited	**200,000**	–	**9,577**	–
Faysal Bank Limited	**1,250,000**	–	**22,919**	–
Bank Alfalah Limited	**375,500**	–	**11,687**	–
Habib Metropolitan Bank Limited	**115,500**	–	**4,221**	–
Trust Investment Bank Limited	**162,500**	–	**1,625**	–
Communication				
Pakistan Telecommunication Company Limited	**745,000**	150,000	**22,553**	4,728
Power generation and distribution				
Kot Addu Power Company Limited	**–**	1,005,000	**–**	65,921
Pakgen Power Limited	**–**	170,000	**–**	3,826
Nishat Power Limited	**–**	660,500	**–**	23,774
Lalpir Power Limited	**100,000**	215,500	**2,671**	4,633
The Hub Power Company Limited	**–**	1,200,000	**–**	88,915
Kohinoor Energy Limited	**629,500**	–	**31,334**	
Cement				
Maple Leaf Cement Limited	**300,000**	–	**12,103**	–
Fauji Cement Company Limited	**2,000,000**	–	**48,023**	–
Pioneer Cement Limited	**35,000**	–	**27,240**	–
Lafarge Pakistan Limited	**600,000**	–	**10,419**	–
Akzo Nobel Pakistan Limited	**28,900**	–	**13,552**	–
Balance carried forward			**411,055**	263,741

Name of investee company	December 31, 2014	December 31, 2013	Cost as at December 31 2014	Cost as at December 31, 2013
	No. of units held		(Rupees in 000)	
Balance brought forward			**411,055**	263,741
Chemicals				
ICI Pakistan Limited	**66,000**	–	**39,039**	–
Nimir Industrial Chemicals Limited (related party)	**–**	2,000,000	**–**	5,163
Ghani Gases Limited	**88,000**	–	**2,599**	–
Automobile				
Pak Suzuki Motors Limited	**50,000**	–	**18,196**	–
Indus Motors Limited	**7,500**	–	**6,814**	–
Honda Atlas Cars (Pakistan) Limited	**65,000**	–	**14,974**	–
The General Tyre & Rubber Company of Pakistan Limited	**150,000**	–	**23,077**	–
Food producers				
Clover Pakistan Limited	**10,000**	–	**1,697**	–
Paper and board				
Century Paper & Board Mills Limited	**160,000**	–	**8,720**	–
Fertilizers				
Fauji Fertilizers Company Limited	**1,000,000**	–	**44,771**	–
Engro Fertilizer Limited	**665,000**	–	**46,652**	–
Agritech Limited	**1,259,337**	1,259,337	**44,077**	44,077
Personal goods				
Nishat Mills Limited	**75,000**	–	**9,937**	–
Nishat (Chunian) Limited	**596,000**	–	**31,966**	–
Sugar				
Abdullah Shah Ghazi Sugar Mills Ltd.	**1,859,815**	–	**9,299**	–
Miscellaneous				
Crescent Steel & Allied Products	**300,000**	–	**14,213**	–
EFU General Insurance Limited	**65,200**	–	**10,274**	–
Cyan Limited	**50,000**	–	**4,660**	–
Searle Company Limited	**13,300**	–	**3,230**	–
Carrying value (before revaluation and provision) of listed shares 'available-for-sale'			**745,250**	312,981
Provision for diminution in value of investments			**(27,143)**	(14,060)
Deficit on revaluation of securities - net			**(33,490)**	(32,439)
Market value			**684,617**	266,482

7.6.1 The SBP, vide Letter No. BPRD / BRD-(Policy) / 2014-11546 dated June 27, 2014, has permitted banks / DFIs to maintain provision equal to 75% of the deficit on revaluation of ordinary shares of Agritech Limited. Accordingly, provision for diminution in value of investments includes Rs.25.738 (2013: Rs.14.060) million against ordinary shares of Agritech Limited. The remaining provision against exposure amounting to Rs.8.579 (2013: Rs.14.060) million on ordinary shares of Agritech Limited has not been recorded in these financial statements based upon the above relaxation from SBP.

7.7 Particulars of investments in ordinary shares of unlisted companies - available-for-sale

(Rupees in '000)

Name of investee company	Note	Name of Chief Executive	December 31, 2014	December 31, 2013	Cost as at December 31, 2014	Cost as at December 31, 2013
			Number of shares held			
Faruki Pulp Mills Limited	7.7.1	Mr. Shahid Saleem	**6,666,667**	6,666,667	**100,000**	100,000
Omer Jibran Engineering Industries Limited		Mr. Feroz Khan	**2,467,000**	2,467,000	**24,670**	24,670
Carrying value of shares of unlisted companies – 'available-for-sale'					**124,670**	124,670

7.7.1 The break-up value per share of Faruki Pulp Mills Limited (FPML) based on the annual audited accounts of FPML for the year ended June 30, 2014 is Rs.7.24 per share as against the cost per share of Rs.15. The Company holds a put option against these shares which is exercisable at any time by the Company, whereby the seller of the shares has agreed to repurchase the above referred shares at Rs.15 per share (cost). Considering the presence of the put option, the Company has not made any provision against the said diminution in the value of these shares.

7.8 Particulars of investment in units of mutual funds - available-for-sale

Name of investee company	December 31, 2014	December 31, 2013	Cost as at December 31 2014	Cost as at December 31, 2013
	No. of units held		(Rupees in 000)	
Closed-end mutual fund				
Pak Oman Advantage Fund	**2,883,499**	2,883,499	**28,835**	28,835
Open-ended mutual fund				
Meezan Capital Preservation Fund-III	**20,206**	–	**1,000**	–
Carrying value (before revaluation and provision) of mutual funds units 'available-for-sale'			**29,835**	28,835
Provision for diminution in value of investments			**(7,209)**	(7,209)
Surplus on revaluation of securities - net			**7,042**	–
Market value			**29,668**	21,626

7.9 Particulars of investment in unlisted preference shares - available-for-sale

Name of investee company	Note	December 31, 2014	December 31, 2013	Cost as at December 31 2014	Cost as at December 31, 2013
		No. of shares held		(Rupees in 000)	
Pakistan Mercantile Exchange Limited	7.9.1	**1,500,000**	1,500,000	**15,000**	15,000
Omer Jibran Engineering Industries Limited	7.9.2	**7,401,000**	7,401,000	**74,010**	74,010
Trust Investment Bank Limited	7.9.3	**487,500**	650,000	**4,875**	6,500
Carrying value (before revaluation and provision) of preference shares 'available-for-sale'				**93,885**	95,510
Provision for diminution in value of investments				**(4,875)**	(6,500)
Market value				**89,010**	89,010

7.9.1 These are cumulative, convertible, redeemable and non-participatory preference shares, carrying dividend at the rate of one year KIBOR + 2.5% per annum, of the face value of Rs.10 each.

7.9.2 These are cumulative, convertible, redeemable and non-participatory preference shares, carrying dividend at the rate of 10% per annum applicable after two years from the date of investment i.e. July 06, 2012, of the face value of Rs.10 each. These shares carry call option exercisable at any time after subscription date till termination of this agreement.

7.9.3 These are cumulative, convertible, redeemable and non-participatory preference shares, carrying dividend at the rate of 1 year Kibor + 1% per annum, of the face value of Rs.10 each. These shares carried call option exercisable by the issuer between 3 to 5 years from the date of allotment i.e. May 05, 2010.

7.10 Investment in subsidiary - strategic investment

Name of investee company	Percentage of holding %	Name of Chief Executive	Breakup Value per share (Rupees)	Number of shares held	**Cost as at December 31, 2014** (Rupees in '000)	Cost as at December 31, 2013 (Rupees in '000)
Primus Investment Management Limited	100	Mr. Ahmed Ateeq	10	24,999,997	**250,000**	250,000
Awwal Modaraba Management Limited	100	Mr. Karim Hatim	10	10,499,995	**105,000**	–
					355,000	250,000

7.11 Investment in associates

Name of investee fund	Percentage of holding %		Number of units held		**Cost as at December 31, 2014** (Rupees in '000)	Cost as at December 31, 2013 (Rupees in '000)
	2014	2013	**2014**	2013		
PIML - Income Fund	**69.39**	84.86	**26,540,083**	27,656,775	**2,852,983**	2,760,428
PIML - Daily Reserve Fund	**45.43**	47.26	**15,295,200**	27,591,244	**1,603,512**	2,771,237
PIML - Strategic Multi Asset Fund	**51.30**	65.07	**697,267**	701,461	**73,956**	70,146
PIML - Islamic Equity Fund	**60.26**	–	**700,000**	–	**70,000**	–
PIML - Islamic Money Market Fund	**88.13**	–	**1,043,125**	–	**104,312**	–
			44,275,675	55,949,480	**4,704,763**	5,601,811

7.12 Particulars of investments in Term Finance Certificates (TFCs) and Sukuks

Name of the investee	Rate of interest	Profit payment	Maturity	Number of certificates held	Paid-up value per certificate (Rupees)	Total Paid up value (before redemption) (Rupees in '000)	**Balance as at December 31, 2014**	Name of Chief Executive
Listed TFCs								
Commercial banks								
Allied Bank Limited - 2nd issue	6 Months KIBOR+0.85%	Half Yearly	28-Aug-19	7,000	5,000	35,000	**34,417**	Mr. Tariq Mehmood
Askari Bank Limited - 4th issue	6 Months KIBOR+2.50%	Half Yearly	18-Nov-19	20,700	5,000	103,500	**103,815**	Syed Majeedullah Husaini
NIB Bank Limited - Perpetual TFC	6 Months KIBOR+1.15%	Half Yearly	19-Jun-22	50,000	5,000	250,000	**249,980**	Mr. Atif R. Bukhari
Summit Bank Limited	6 Months KIBOR+3.25%	Half Yearly	27-Oct-18	18,200	5,000	91,000	**90,874**	Mr. Hussain Lawai
Fertilizer								
Engro Fertilizer Limited - 3rd issue	6 Months KIBOR+2.4%	Half Yearly	17-Dec-16	16,411	5,000	82,055	**56,208**	Mr. Ruhail Muhammad
Real estate developers								
Pace Pakistan Limited *	6 Months KIBOR+1.50%	Half Yearly	15-Feb-17	115	5,000	575	**575**	Ms. Aamna Ali Taseer
NBFCs								
Saudi Pak Leasing Company Limited - 3rd issue *	6.00% Fixed	Monthly	13-Mar-17	9,099	5,000	45,495	**25,085**	Muhammad Tariq Masood
Telecommunication								
World Call Telecom Limited *	6 Months KIBOR+1.60%	Half Yearly	7-Oct-13	10,000	5,000	50,000	**21,406**	Mr. Babar Ali Syed
Pakistan Mobile Communication Limited	3 Months KIBOR+2%	Quarterly	18-Apr-16	2,280	100,000	228,000	**123,549**	Mr. Jeffery Hedberg
							705,909	
Unlisted TFCs								
Commercial banks								
Askari Bank Limited - Perpetual TFC	6 Months KIBOR+1.20%	Half Yearly	30-Sep-24	8,000	5,000	40,000	**40,020**	Syed Majeedullah Husaini
Bank Alfalah Limited	Fixed 15.00 %	Half Yearly	2-Dec-17	16,000	5,000	80,000	**82,790**	Mr. Atif Bajwa
Bank Alfalah Limited - TFC Flotter	6 Months KIBOR+2.50%	Half Yearly	2-Dec-17	32,600	5,000	163,000	**165,100**	Mr. Atif Bajwa
Bank Al Habib Limited	Fixed 15.00 %	Half Yearly	30-Jun-21	29,600	5,000	148,000	**151,878**	Mr. Abbas D. Habib
Standard Chartered Bank (Pakistan) Limited	6 Months KIBOR+0.75%	Half Yearly	29-Jun-22	3,000	5,000	15,000	**14,734**	Mr. Shazad Dada
Development financial institution								
Pak Libya Holding Company Ltd. - Perpetual TFC	6 Months KIBOR+1.60%	Half Yearly	7-Feb-16	22,005	5,000	110,025	**52,667**	Mr. Abid Aziz
Fertilizer								
Agritech Limited - TFC III *	3 Months KIBOR+3.25%	Quarterly	1-Dec-17	9,000	5,000	45,000	**44,247**	Ahmed Jaudet Bilal
Agritech Limited - TFC *	6 Months KIBOR+1.75%	Half Yearly	29-Nov-17	1,000	5,000	5,000	**4,535**	Ahmed Jaudet Bilal
Agritech Limited - TFC I *	0% Coupon	Half Yearly	1-Jan-15	1,672	5,000	8,360	**8,217**	Ahmed Jaudet Bilal
Engro Fertilizer Limited - TFC Perpetual I	6 Months KIBOR+1.90%	Half Yearly	18-Mar-18	90,050	5,000	450,250	**439,294**	Mr. Ruhail Muhammad
Engro Fertilizer Limited - Sukuk	6 Months KIBOR+1.50%	Half Yearly	6-Sep-15	2,355	5,000	11,775	**11,303**	Mr. Ruhail Muhammad
Engro Fertilizer Limited - TFC Perpetual II	6 Months KIBOR+1.45%	Half Yearly	18-Mar-18	13,000	5,000	60,500	**64,128**	Mr. Ruhail Muhammad
Balance carried forward							**1,078,913**	

Name of the investee	Rate of interest	Profit payment	Maturity	Number of certificates held	Paid-up value per certificate (Rupees)	Total Paid up value (before redemption) (Rupees in '000)	**Balance as at December 31, 2014**	Name of Chief Executive
Balance brought forward							**1,078,913**	
Personal goods (textiles)								
Azgard Nine Limited - TFC IV *	0% Coupon	Quarterly	28-Jun-17	5,496	5,000	27,480	**27,517**	Mr. Ahmed H. Shaikh
Azgard Nine Limited - TFC V *	3 Months KIBOR+1.25%	Quarterly	18-Nov-15	15,000	5,000	75,000	**7,196**	Mr. Ahmed H. Shaikh
Azgard Nine Limited *	6 Months KIBOR+1.25%	Half Yearly	4-Dec-17	5,000	5,000	25,000	**10,838**	Mr. Ahmed H. Shaikh
							1,124,464	
Unlisted sukuks								
Cement								
Maple Leaf Cement Factory II	3 Months KIBOR+1.00%	Quarterly	3-Jun-17	45,200	5,000	226,000	**130,853**	Mr. Sayeed Tariq Saigol
Maple Leaf Cement Factory	3 Months KIBOR+1.00%	Quarterly	3-Jun-17	55,000	5,000	275,000	**97,492**	Mr. Sayeed Tariq Saigol
Consumer electronics								
New Allied Electronics (Private) Limited *	3 Months KIBOR+2.20%	Quarterly	3-Dec-12	–	5,000	–	**110,000**	Mr. Mian Parvaiz Akhtar
Pak Elektron Limited	3 Months KIBOR+1.00%	Quarterly	31-Mar-19	40,000	5,000	200,000	**200,000**	Mr. Naseem Saigol
Real estate developers								
Eden Housing (Private) Limited	3 Months KIBOR+3.00%	Half Yearly	29-Jun-14	–	5,000	332,630	**43,641**	Dr. Muhammad Amjad
Media and communication								
Independent Media Corporation (Private) Limited	3 Months KIBOR+3.00%	Quarterly	5-Aug-18	50,000	5,000	250,000	**187,500**	Mr. Mir Ibrahim Rahman
Manufacturing								
Amreli Steels Limited	3 Months KIBOR+2.50%	Quarterly	9-Dec-16	50,000	5,000	250,000	**190,000**	Mr. Abbas Akberali
							959,486	
Carrying value (before revaluation and provision) of TFCs and Sukuks - 'available-for-sale'							**2,789,859**	
Provision for diminution in value of investments							**(201,077)**	
Deficit on revaluation of securities - net							**(4,585)**	
Market value							**2,584,197**	

* This represents non-performing term finance certificates and provision thereagainst has been made as per the Prudential Regulations and the directives issued by the SBP.

8. ADVANCES

	Note	**December 31 2014** (Rupees in '000)	December 31 2013 (Rupees in '000)
Loans, cash credits, running finances, etc.			
In Pakistan	8.1	**5,052,248**	5,122,516
LTFF scheme under State Bank of Pakistan		**1,293,827**	805,659
Net investment in finance lease			
In Pakistan	8.3	**1,042,480**	873,903
Advances - gross	8.2	**7,388,555**	6,802,078
Provision for non-performing advances - specific	8.4	**(2,537)**	(2,537)
Provision for non-performing advances - general		**(327)**	(331)
	8.5	**(2,864)**	(2,868)
Advances - net of provision		**7,385,691**	6,799,210

8.1 Included herein is Rs.9.13 million (2013: Rs.Nil) representing advances against lease which carry mark-up at the rate of 6 months' KIBOR + 4.25% per annum (2013: Rs.Nil) .

8.2 Particulars of advances - gross

		2014	2013
8.2.1	In local currency	**7,388,555**	6,802,078
	In foreign currencies	**–**	–
		7,388,555	6,802,078
8.2.2	Short-term (for upto one year)	**3,478,557**	3,273,187
	Long-term (for over one year)	**3,909,998**	3,528,891
		7,388,555	6,802,078

8.3 Net Investment in Finance Lease

(Rupees in '000)

	2014			2013		
	Not later than one year	**Later than one year and less than five years**	**Total**	Not later than one year	Later than one year and less than five years	Total
Lease rentals receivable	**389,224**	**626,571**	**1,015,795**	324,422	571,272	895,694
Residual value	**29,730**	**188,093**	**217,823**	15,967	131,022	146,989
Minimum lease payments	**418,954**	**814,664**	**1,233,618**	340,389	702,294	1,042,683
Financial charges for future periods	**(94,754)**	**(96,384)**	**(191,138)**	(82,548)	(86,232)	(168,780)
Present value of minimum lease payments	**324,200**	**718,280**	**1,042,480**	257,841	616,062	873,903

8.3.1 These leases are executed for a term of 3 to 5 years. Security deposit has been obtained within a range of 10% to 37.50% of the cost of investment at the time of disbursement and has been recorded in other liabilities. The rate of return ranges from 11.90% to 26.01% per annum (2013: 12.57% to 20.00% per annum). Lease rentals are receivable in monthly / quarterly instalments. The assets are insured in favour of the Company.

8.4 Advances include Rs.2.537 million (2013: Rs.2.537 million) which have been placed under non-performing status as detailed below:

(Rupees in '000)

	2014								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Category of classification									
Other assets especially mentioned	–	–	–	–	–	–	–	–	–
Substandard	–	–	–	–	–	–	–	–	–
Doubtful	–	–	–	–	–	–	–	–	–
Loss	**2,537**	–	**2,537**	**2,537**	–	**2,537**	**2,537**	–	**2,537**
	2,537	–	**2,537**	**2,537**	–	**2,537**	**2,537**	–	**2,537**

(Rupees in '000)

	2013								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Category of classification									
Other assets especially mentioned	–	–	–	–	–	–	–	–	–
Substandard	–	–	–	–	–	–	–	–	–
Doubtful	–	–	–	–	–	–	–	–	–
Loss	2,537	–	2,537	2,537	–	2,537	2,537	–	2,537
	2,537	–	2,537	2,537	–	2,537	2,537	–	2,537

8.5 Particulars of provision against non-performing advances

(Rupees in '000)

	2014			2013		
	Specific	**General**	**Total**	Specific	General	Total
As at January 01	**2,537**	**331**	**2,868**	2,638	–	2,638
(Reversal) / Charge during the year	**–**	**(4)**	**(4)**	(101)	331	230
	2,537	**327**	**2,864**	2,537	331	2,868

8.5.1 Particulars of provision against non-performing advances

(Rupees in '000)

	2014			2013		
	Specific	**General**	**Total**	Specific	General	Total
In local currency	**2,537**	**327**	**2,864**	2,537	331	2,868
In foreign currencies	**–**	**–**	**–**	–	–	–
	2,537	**327**	**2,864**	2,537	331	2,868

	Note	**December 31 2014**	December 31 2013
		(Rupees in '000)	
8.6 Particulars of Loans and Advances to Directors, Associated Companies, etc.			
Debts due by directors, executives or officers of the Company or any of them either severally or jointly with any other persons:			
As at January 01		**62,347**	44,414
Loans granted during the year		**29,967**	31,492
Repayments during the year		**(12,805)**	(13,559)
		79,509	62,347

8.7 Details of loans written offs of Rs.500,000 and above

The aforesaid details are given in Annexure-I which forms an integral part of these financial statements.

9. OPERATING FIXED ASSETS

	Note	2014	2013
Property and equipment	9.1	**30,872**	42,100
Intangible assets	9.2	**1,446**	2,536
		32,318	44,636

9.1 Property and equipment

(Rupees in '000)

	December 31, 2014									
	COST				DEPRECIATION					
	As at January 01, 2014	Additions	Disposals	As at December 31, 2014	As at January 01, 2014	Charge for the year	Disposals	As at December 31, 2014	Book value as at December 31, 2014	Rate of depreciation
Owned										
Leasehold improvement	**42,321**	**143**	**–**	**42,464**	**15,137**	**8,479**	**–**	**23,616**	**18,848**	**20%**
Furniture and fixture	**13,639**	**364**	**–**	**14,003**	**9,414**	**1,528**	**–**	**10,942**	**3,061**	**20%**
Office equipment	**3,970**	**464**	**–**	**4,434**	**3,034**	**354**	**–**	**3,388**	**1,046**	**20%**
Computers	**13,245**	**836**	**(1,495)**	**12,586**	**10,747**	**1,585**	**(1,495)**	**10,837**	**1,749**	**33.33%**
Vehicles	**12,457**	**1,558**	**–**	**14,015**	**5,279**	**2,690**	**–**	**7,969**	**6,046**	**25%**
Mobile phones	**300**	**157**	**(30)**	**427**	**221**	**103**	**(19)**	**305**	**122**	**50%**
	85,932	**3,522**	**(1,525)**	**87,929**	**43,832**	**14,739**	**(1,514)**	**57,057**	**30,872**	

	December 31, 2013									
	COST				DEPRECIATION				Book value	
	As at January 01, 2013	Additions	Disposals	As at December 31, 2013	As at January 01, 2013	Charge for the year	Disposals	As at December 31, 2013	as at December 31, 2013	Rate of depreciation
Owned										
Leasehold improvement	42,321	–	–	42,321	6,673	8,464	–	15,137	27,184	20%
Furniture and fixture	13,519	120	–	13,639	7,150	2,264	–	9,414	4,225	20%
Office equipment	3,841	129	–	3,970	2,447	587	–	3,034	936	20%
Computers	12,037	1,332	(124)	13,245	9,315	1,500	(68)	10,747	2,498	33.33%
Vehicles	10,318	3,134	(995)	12,457	4,011	2,154	(886)	5,279	7,178	25%
Mobile phones	256	103	(59)	300	176	95	(50)	221	79	50%
	82,292	4,818	(1,178)	85,932	29,772	15,064	(1,004)	43,832	42,100	

9.1.1 Property and equipment having cost of Rs.24.720 million (2013: Rs.15.221 million) are fully depreciated.

9.1.2 Details of disposal of fixed assets

Details of assets whose original cost or the book value exceeds rupees one million or two hundred and fifty thousand, whichever is lower are given below:

(Rupees in '000)

Particulars of assets	Cost	Net Book Value	Sale proceeds	Gain	Mode of Disposal	Particulars of Purchaser
Computers	**1,495**	–	**123**	**122**	Negotiation	Primus Investment Management Limited *
Mobile phones	**30**	**11**	**18**	**7**	Insurance claim	EFU General Insurance Limited
2014	**1,525**	**11**	**141**	**129**		
2013	1,178	174	885	711		

* Subsidiary company

9.2 Intangible assets

(Rupees in '000)

	December 31, 2014							
	COST			AMORTIZATION			Book value	
	As at January 01, 2014	Additions	As at December 31, 2014	As at January 01, 2014	Charge for the year	As at December 31, 2014	as at December 31, 2014	Rate of Amortization
Software	**12,132**	**143**	**12,275**	**9,596**	**1,233**	**10,829**	**1,446**	**33.33%**

	December 31, 2013							
	COST			AMORTIZATION			Book value	
	As at January 01, 2013	Additions	As at December 31, 2013	As at January 01, 2013	Charge for the year	As at December 31, 2013	as at December 31, 2013	Rate of Amortization
Software	10,480	1,652	12,132	8,524	1,072	9,596	2,536	33.33%

	Note	December 31 **2014**	December 31 2013
		(Rupees in '000)	

10. OTHER ASSETS

Income / mark-up accrued in local currency		**513,757**	287,567
Advances, deposits and other prepayments		**117,237**	72,820
Advance tax (payments less provisions)		**271,474**	260,342
Dividend receivable		**250**	28,146
Receivable from Primus Investment Management Limited (subsidiary company)		**1,597**	384
Receivable from Awwal Modaraba Management Limited (subsidiary company)		**964**	–
Receivable against sale of shares	10.1	**180,680**	303,416
		1,085,959	952,675
Less: Provision held against advances, deposits and other prepayments	10.2 & 10.3	**(50,000)**	(50,000)
Other assets (net of provisions)		**1,035,959**	902,675

10.1 Included herein is receivable amounting to Rs.147.812 million (2013: Rs.276.727 million) arising on account of deferred sale consideration for sale of certain listed equity securities and properties (which were previously classified under 'assets acquired in satisfaction of claims') at a marked-up price determined in accordance with the sale agreement dated May 30, 2013. The balance outstanding at the end of the current year will be received by the Company as per the terms and conditions of the underlying agreement latest by August 2015. The shares will be released as and when payments are received while the title to the properties will be transferred by the Company only upon receipt of the entire sale consideration as agreed under the above agreement.

10.2 This represents Rs.50 million (2013: Rs.50 million) advance against Pre-IPO placement of Term Finance Certificates of Dewan Cement Limited.

	December 31 **2014**	December 31 2013
	(Rupees in '000)	
10.3 Provision against other assets		
As at January 01	**50,000**	50,000
Charge for the year	**–**	–
	50,000	50,000

11. BORROWINGS

In Pakistan	**18,089,905**	26,391,995
Outside Pakistan	**–**	–
	18,089,905	26,391,995
11.1 Particulars of borrowings with respect to currencies		
In local currency	**18,089,905**	26,391,995
In foreign currencies	**–**	–
	18,089,905	26,391,995

	Note	December 31 2014	December 31 2013
		(Rupees in '000)	
11.2 Details of borrowings secured / unsecured			
Secured			
Borrowing from SBP under LTFF Scheme	11.3	**1,293,827**	805,659
Repurchase agreement borrowings (Repo)	11.4	**13,944,322**	17,508,002
Borrowing from Banks	11.5	**750,000**	1,533,334
		15,988,149	19,846,995
Unsecured			
Letters of placement	11.6	**2,101,756**	6,545,000
		18,089,905	26,391,995

11.3 The Company has entered into agreements for financing with the SBP for Long-Term Financing under Export Oriented Projects to customers. According to the terms of the respective agreements, the SBP has the right to receive the outstanding amount from the Company at the due date by directly debiting the current account maintained by the Company with SBP. The rate of return ranges from 6.00% to 9.70% per annum (2013: 7.25% to 9.70% per annum). This is repayable within 5 years (2013: 6 years).

11.4 These represent borrowings from various financial institutions at mark-up rate ranging from 9.50% to 10.00% per annum (2013: 9.40% to 10.15% per annum), maturing within 1 week. Market Treasury Bills and Pakistan Investment Bonds amounting to Rs.13,834 million (2013: Rs.17,631 million) have been given as collateral against these borrowings (see note 7).

11.5 These represent borrowings secured against hypothecation of receivables and floating charge over term finance certificates. These carry mark-up at rate of 10.61% per annum (2013: 10.11% to 10.95% per annum) and are repayable within 2 years (2013: 3 years).

11.6 These carry mark-up at rate ranging from 9.50% to 10.50% per annum (2013: 10.00% to 10.25% per annum) and are repayable within 3 months (2013: 3 months).

12. DEPOSITS AND OTHER ACCOUNTS

	Note	December 31 2014	December 31 2013
		(Rupees in '000)	
Customers			
Certificates of investment- remunerative	12.1	**5,164,230**	567,070

12.1 These carry mark-up at rates ranging from 7.25% to 10.50% per annum (2013: 8.95% to 10.25% per annum) and are repayable within 1 month to 10 months (2013: 1 month to 11 months).

12.2 Particulars of deposits

	2014	2013
In local currency	**5,164,230**	567,070
In foreign currencies	**–**	–
	5,164,230	567,070

13. DEFERRED TAX LIABILITIES - NET

	December 31 2014	December 31 2013
	(Rupees in '000)	
Taxable temporary differences		
Surplus on revaluation of securities - net	**81,016**	–
Amortisation of discount on investments	**71,362**	40,531
Net investment in finance lease	**64,004**	66,516
Difference between accounting book value of fixed assets and tax base	**–**	4,543
Deductible temporary differences		
Provision for diminution in the value of investments	**(54,524)**	(60,939)
Provision against other assets	**(16,500)**	(17,000)
Provision for compensated absences and bonus	**(9,900)**	(10,200)
Provision against non-performing loans and advances	**(945)**	(975)
Difference between accounting book value of fixed assets and tax base	**(919)**	–
Deficit on revaluation of securities - net	**–**	(7,705)
Remeasurements of defined benefit plan	**(673)**	–
	132,921	14,771

13.1 Movement in temporary differences during the year

(Rupees in '000)

	Balance as at January 01, 2013	Recognised in profit and loss account	Recognised in OCI or surplus/(deficit) in revaluation of assets	Balance as at December 31, 2013	Recognised in profit and loss account	Recognised in OCI or surplus/(deficit) in revaluation of assets	Balance as at December 31, 2014
Taxable temporary differences							
Surplus on revaluation of securities - net	–	–	–	–	–	81,016	**81,016**
Amortisation of discount on investments	27,195	13,336	–	40,531	30,831	–	**71,362**
Net investment in finance lease	45,692	20,824	–	66,516	(2,512)	–	**64,004**
Difference between accounting book value of fixed assets and tax base	7,247	(2,704)	–	4,543	(4,543)	–	**–**
Deductible temporary differences							
Provision for diminution in the value of investments	(69,981)	9,042	–	(60,939)	6,415	–	**(54,524)**
Provision against other assets	(17,500)	500	–	(17,000)	500	–	**(16,500)**
Provision for compensated absences and bonus	(8,400)	(1,800)	–	(10,200)	300	–	**(9,900)**
Provision against non-performing loans and advances	(923)	(52)	–	(975)	30	–	**(945)**
Difference between accounting book value of fixed assets and tax base	–	–	–	–	(919)	–	**(919)**
Deficit on revaluation of securities - net	3,368	–	(11,073)	(7,705)	–	7,705	**–**
Remeasurements of defined benefit plan	–	–	–	–	–	(673)	**(673)**
	(13,302)	39,146	(11,073)	14,771	30,102	88,048	**132,921**

	Note	December 31 2014	December 31 2013
		(Rupees in '000)	

14. OTHER LIABILITIES

	Note	2014	2013
Mark-up / return / interest payable in local currency		**125,886**	102,319
Accrued expenses		**33,183**	33,883
Brokerage commission payable		**2,540**	2,289
Unearned commission		**9,924**	7,216
Security deposit against lease		**196,198**	136,989
Payable to defined benefit plan	27.1	**2,039**	–
Others		**4,640**	4,685
		374,410	287,381

15. SHARE CAPITAL

15.1 Authorised Capital

2014	2013		2014	2013
Number of shares			(Rupees in '000)	
600,000,000	600,000,000	Ordinary shares of Rs.10 each	**6,000,000**	6,000,000

15.2 Issued, subscribed and paid-up

600,000,000	600,000,000	Ordinary shares fully paid in cash	**6,000,000**	6,000,000

15.3 The Ministry of Finance and Secretary Economic Affairs Division holds 299,995,999 and 4,001 shares (2013: 299,995,999 and 4,001 shares) respectively on behalf of the Government of Pakistan and remaining 300,000,000 shares (2013: 300,000,000 shares) are held by the Brunei Investment Agency.

16. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF TAX

	December 31 2014	December 31 2013
	(Rupees in '000)	
16.1 Surplus / (deficit) on revaluation of available-for-sale securities - net of tax		
Market treasury bills	**8,876**	(6,679)
Pakistan Investment Bonds	**253,852**	(11,932)
Listed securities		
- Term finance certificates	**(4,585)**	4,598
- Units of open-ended mutual funds	**122**	–
- Units of closed-end mutual funds	**6,920**	–
- Ordinary shares of listed companies	**(33,490)**	(32,439)
	231,695	(46,452)
Deferred tax (liability) / asset recognised	**(81,016)**	7,706
	150,679	(38,746)

17. CONTINGENCIES AND COMMITMENTS

	December 31 2014	December 31 2013
	(Rupees in '000)	
17.1 Transaction related contingent liability		
Letters of credit	**745,642**	117,657

17.2 In the year 2009, Burj Bank Limited (formerly Dawood Islamic Bank Limited) filed a legal suit amounting to Rs.200 million for damages against the Company for alleged non performance of underwriting commitment to issue shares at a premium. Legal advisors of the Company are of the opinion that the possibility of the Company being subject to any liability in relation to the suit is negligible.

17.3 Tax contingencies have been discussed in note 23.2 to these unconsolidated financial statements.

	December 31 2014	December 31 2013
	(Rupees in '000)	
17.4 Commitments in respect of purchase of government securities	**1,106,995**	1,590,109
17.5 Commitments to extend credit	**2,350,945**	2,080,355
17.6 Commitments in respect of sale of government securities	**13,952,913**	17,542,178

18. MARK-UP / RETURN / INTEREST EARNED

	2014	2013
On loans and advances to:		
Customers	**793,836**	594,414
Financial institutions	**7,783**	13,022
On investments in:		
Available-for-sale securities	**1,670,296**	699,148
Held to maturity securities	**–**	10,931
Held-for-trading securities	**1,156**	12,122
On deposits with financial institutions	**6,881**	30,175
On securities purchased under resale agreements	**7,877**	32,936
Finance income on deferred sale of assets acquired on satisfaction of claims - non-banking assets	**15,534**	14,373
	2,503,363	1,407,121

	Note	December 31 2014	December 31 2013
		(Rupees in '000)	

19. MARK-UP / RETURN / INTEREST EXPENSED

	Note	2014	2013
Securities sold under repurchase agreements		1,026,676	288,732
Short-term borrowings		411,218	220,076
Deposits		376,277	209,107
Long-term borrowings		221,591	251,164
		2,035,762	969,079

20. GAIN ON SALE OF SECURITIES - NET

	Note	2014	2013
Federal Government Securities			
- Market Treasury Bills		17,392	1,279
- Pakistan Investment Bonds		116,874	6,072
		134,266	7,351
Units of mutual funds - associates		321,084	20,768
Ordinary shares of listed companies	20.1	122,470	201,433
Term finance certificates		3,948	114
		581,768	229,666

20.1 This includes gain on settlement of Rs.12.455 million (2013: Rs.58.716 million) on derecognition of certain listed equity securities, as more fully disclosed in note 10.1.

	Note	December 31 2014	December 31 2013
		(Rupees in '000)	

21. OTHER INCOME

	Note	2014	2013
Income on forward contracts		13,840	470
Rent income		2,310	3,675
Gain on sale of property and equipment		129	712
Gain on sale of assets acquired in satisfaction of claims - non-banking assets	10.1	–	46,155
		16,279	51,012

	Note	December 31 2014	December 31 2013
		(Rupees in '000)	

22. ADMINISTRATIVE EXPENSES

	Note	2014	2013
Salaries and allowances		130,104	121,634
Charge for defined benefit plan	27.1.2	24,887	–
Contribution to defined contribution plan	27.2	5,732	4,695
Non-executive directors' fees, allowances and other expenses		2,557	2,585
Rent, taxes, insurance, electricity, etc.		22,214	18,269
Legal and professional charges		6,038	6,560
Travelling and accommodation		4,608	4,340
Communications		2,578	1,953
Repairs and maintenance		8,374	6,287
Brokerage commission		12,596	7,063
Stationery and printing		3,133	1,841
Advertisement and publicity		1,296	250
Donation	22.1	1,000	–
Auditors' remuneration	22.2	1,456	1,686
Depreciation	9.1	14,739	15,064
Amortisation	9.2	1,233	1,072
Vehicle running expenses		22,750	19,444
Medical expense		2,517	2,528
Fee and subscription		813	921
Bank charges		855	867
Others		2,647	2,237
		272,127	219,296

22.1 Represents donation made to Centre for Development of Social Services, Karachi, in which no director or his / her spouse had any interest.

	December 31 2014	December 31 2013
	(Rupees in '000)	
22.2 Auditors' remuneration		
Audit fee	500	440
Half yearly review fee	200	175
Special certifications and other services	635	950
Out-of-pocket expenses	121	121
	1,456	1,686

23. TAXATION

	2014	2013
Current	185,933	166,364
Prior years	(14,750)	5,524
Deferred	30,102	39,146
	201,285	211,034

	December 31 2014	December 31 2013
	(Rupees in '000)	

23.1 Relationship between tax expense and accounting profit

	2014	2013
Accounting profit before tax	**1,106,152**	916,743
Tax rate	**33%**	34%
Tax on accounting profit	**365,030**	311,693
Tax effect of:		
Income chargeable to tax at special rate	**(221,589)**	(153,100)
Income exempt from tax	**–**	(36,892)
Permanent differences	**74,554**	84,119
Prior year charge	**(14,750)**	5,524
Others	**(1,960)**	(310)
	201,285	211,034

23.2 Income tax returns for the tax years 2007 to 2014 have been filed by the Company on due dates that are deemed to be assessed by the Commissioner Inland Revenue under the provisions of section 120 of the Income Tax Ordinance, 2001.

Assessments for the tax years 2008 and 2009 were amended by the Additional Commissioner Inland Revenue (ACIR) vide orders dated July 27, 2010 passed under Section 221/122(5A) of the Income Tax Ordinance, 2001 whereby tax demands of Rs.3.213 million and Rs.46.577 million respectively were created. In the amended assessment orders, besides making other additions to income, the ACIR taxed the amount of amortisation of discount on securities as against the gain on disposal of securities as offered by the Company.

The Company went into appeal where the Commissioner Inland Revenue (Appeals) set aside most of the issues including the issue of amortisation of discount on securities with specific directions. The tax department has issued appeal effect orders for tax years 2008 and 2009 on June 30, 2013 relating to combined Appellate order passed by ATIR on April 02, 2012. Nonetheless, the tax department has failed to issue appeal effect order on issues set aside by CIR(A) within stipulated time as provided under Income Tax Ordinance, 2001. The Company has discharged all tax liabilities created through above-said appeal effect orders with the exception of tax year 2009 wherein tax amounting to Rs.18.016 million was short paid.

Assessment order for tax year 2010 has been amended through order under section 122(5A) passed by the ACIR creating a tax demand of Rs.106.50 million. The Company filed appeal before the CIR(A) and an application for stay of demand against the tax demand. The said order was rectified by ACIR under section 221 of the Income Tax Ordinance vide order dated January 27, 2012 with a revised tax demand of Rs.51.26 million. An amount of Rs.15.80 million has been paid against the said tax demand and another appeal was also filed against the rectified order. Both the Company and the tax department have filed appeals before the ATIR. The tax department has issued appeal effect order for Tax Year 2010 continuing its previous position for set-aside issues and created further tax demand of Rs.25.245 million which has been discharged by the Company immediately.

Assessment for tax year 2011 was also amended through order under section 122(5A) dated April 30, 2012 creating tax demand of Rs.55.547 million which was reduced to Rs.52.091 million after issuance of rectified order under section 221 of the Income Tax Ordinance, 2001. The Company has paid for Rs.33.381 million out of the reduced tax demand. The remaining tax demand was adjusted by the tax department against available refund relating to tax year 2012. An appeal against the amendment order has already been filed before CIR(A) and appellate order to this effect is yet to be received by the Company.

24. EARNINGS PER SHARE - BASIC AND DILUTED

		December 31 2014	December 31 2013
Profit for the year	Rupees in '000	**904,867**	705,709
Weighted average number of ordinary shares	Numbers in '000	**600,000**	600,000
Basic earnings per share	Rupees	**1.51**	1.18

24.1 There were no convertible dilutive potential ordinary shares outstanding as on December 31, 2014 and 2013.

25. CASH AND CASH EQUIVALENTS

	Note	December 31 2014	December 31 2013
		(Rupees in '000)	
Cash and balances with treasury banks		**123,151**	96,289
Balances with other banks		**76,759**	233,935
		199,910	330,224

26. STAFF STRENGTH

	2014	2013
	(Numbers)	
Permanent	**47**	44
Temporary / on contractual basis	**30**	24
	77	68

27. STAFF RETIREMENT BENEFITS

27.1 Defined benefit plan

27.1.1 Net defined benefit plan's liability

	Note	2014	2013
		(Rupees in '000)	
Present value of defined benefit obligations		**26,938**	–
Fair value of plan assets		**(24,899)**	–
		2,039	–

27.1.2 Movement in defined benefit plan's liability

	Note	2014	2013
As at January 01		**–**	–
Charge recognised in profit and loss account			
Present value of defined benefit plan at the inception of fund		**22,688**	–
Current service cost		**2,199**	–
	22	**24,887**	–
Remeasurements recognised in other comprehensive income			
Return on plan assets excluding net interest income		**1,631**	–
Actuarial loss / (gain) arising from changes in			
- demographic assumptions		**(1,748)**	–
- experience assumptions		**2,156**	–
		2,039	–
Contributions by the Company		**(24,887)**	–
		2,039	–

	December 31 2014	December 31 2013
	(Rupees in '000)	
27.1.3 Movement in present value of defined benefit obligations		
As at January 01	–	–
Present value of defined benefit plan at the inception of fund	22,688	–
Current service cost	2,199	–
Interest cost	1,643	–
Actuarial loss / (gain) arising from changes in		
- demographic assumptions	(1,748)	–
- experience assumptions	2,156	–
	26,938	–
27.1.4 Movement in fair value of plan assets		
As at January 01	–	–
Contributions by the Company	24,887	–
Interest income	12	–
	24,899	–
27.1.5 Break-up of plan assets		
Cash and bank balances	24,899	–
27.1.6 Significant actuarial assumptions		
Financial assumptions		
Discount rate	11.25%	–
Long-term salary increase rate	10.25%	–
Demographic assumptions		
Mortality rates (for death in service)	SLIC (2001-2005) rated down 1 year	–
Rates of employee turnover	Moderate	–

27.1.7 Sensitivity analysis on significant financial assumptions

A sensitivity analysis for each significant financial assumption as of the balance sheet date, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date, is as follows:

	December 31, 2014		December 31, 2013	
	+ 1%	- 1%	+ 1%	- 1%
Discount rate	(24,116)	30,247	–	–
Long-term salary increase rate	30,247	(24,068)	–	–

	December 31 2014	December 31 2013
	(Rupees in '000)	
27.1.8 Maturity profile of the defined benefit obligation		
Weighted average duration (number of years)	11.38	–
The retirement will at most continue (year)	2,034	–

27.1.9 The Company expects to contribute Rs.4.980 million to the defined benefit plan for the next year.

27.1.10 Description of risks

The defined benefit plans expose the Company to the following risks:

Withdrawal risks – The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.

Mortality risks – The risk that the actual mortality experience is different. Similar to the withdrawal risk, the effect depends on the beneficiaries' service / age distribution and the benefit

Investment risks – The risk of the investment underperformance and being not sufficient to meet the liabilities.

Final salary risks – The risk that the final salary at the time of cessation of service is greater than what was assumed.

27.2 Defined Contribution Plan

The Company operates a provident fund scheme for all its permanent employees. Equal monthly contribution at the rate of 10.00% per annum (2013: 10.00% per annum) is made both by the Company (employer) and employees. Contributions made to the provident fund during the year are as follows:

	December 31 2014	December 31 2013
	(Rupees in '000)	
Contribution made by the Company	5,732	4,695
Contribution made by employees	5,732	4,695
	11,464	9,390
27.2.1 Information related to the provident fund		
Size of the fund	59,558	29,798
Cost of investments made	57,695	25,992
Percentage of investments made	99.10%	85.92%
Fair value of investments	59,022	25,601

27.2.2 **Break-up of investments at fair value**

	December 31, 2014		December 31, 2013	
	Fair value (Rs. in '000)	% of the size of the fund	Fair value (Rs. in '000)	% of the size of the fund
Government Securities	**47,408**	**79.60%**	8,453	28.37%
Quoted shares	**5,736**	**9.63%**	–	0.00%
Term Finance Certificate	**4,620**	**7.76%**	15,946	53.51%
Mutual Funds	**1,258**	**2.11%**	1,202	4.03%
	59,022	**99.10%**	25,601	85.92%

The financial year end of provident fund is June 30 and, accordingly, the above information is based on the unaudited financial statement of the provident fund.

Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Companies Ordinance,1984 and the rules formulated for this purpose.

28. COMPENSATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVE

(Rupees in '000)

	Chief Executive		Directors		Executives	
	December 31, 2014	December 31, 2013	**December 31, 2014**	December 31, 2013	**December 31, 2014**	December 31, 2013
Managerial remuneration	**26,350**	25,061	**–**	–	**94,629**	79,096
Charge for defined benefit plan	**6,357**	–	**–**	–	**16,604**	–
Contribution to defined contribution plan	**1,256**	1,122	**–**	–	**4,277**	3,543
Utilities	**437**	412	**–**	–	**7,885**	6,595
Medical	**319**	400	**–**	–	**2,018**	1,679
Travelling allowance	**431**	299	**2,557**	2,585	**512**	421
	35,151	27,294	**2,557**	2,585	**125,386**	91,334
Number of persons	**1**	1	**3**	3	**37**	32

28.1 The Chief executive is provided with Company maintained car. Executive means employees other than the managing director and directors, whose basic salary exceeds five hundred thousand rupees in a financial year.

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

All quoted investments have been stated at their market values as disclosed in note 7. All un-quoted investments have been stated at lower of cost or break up value, being their estimated fair values.

Fair value of loans and advances, other assets (excluding properties acquired in satisfaction of claims as disclosed in note 10.1) and other liabilities cannot be determined with reasonable accuracy due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. Loans and advances are repriced frequently on market rates and are reduced for any impairment against non-performing advances determined in accordance with Prudential Regulations as stated in note 4.21.2.

The maturity and re-pricing profile and effective rates are stated in notes 34.3.1 and 34.2.4 respectively.

Fair value of these assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of deposits, they are frequently repriced.

30. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

(Rupees in '000)

	Corporate finance	Trading and sales	Commercial banking
2014			
Total income	**53,088**	**2,650,218**	**707,190**
Total expenses	**35,926**	**1,789,837**	**478,581**
Net income	**17,162**	**860,381**	**228,609**
Segment assets (gross)	**–**	**26,275,168**	**6,868,445**
Segment non performing loans	**–**	**2,537**	**–**
Investment provided for	**–**	**331,485**	**–**
Segment provision required *	**–**	**242,841**	**–**
Segment liabilities	**–**	**18,837,595**	**4,923,871**
Segment return on assets (ROA) (%)	**–**	**3.12%**	**3.34%**
Segment return on net assets (ROA) (%)	**–**	**12.83%**	**13.04%**
Segment cost of funds (%)	**–**	**9.61%**	**9.61%**
2013			
Total income	62,660	1,502,615	547,864
Total expenses	35,239	853,057	308,104
Net income	27,421	649,562	239,760
Segment assets (gross)	–	28,938,140	6,815,987
Segment non performing loans	–	2,537	–
Investment provided for	–	354,100	–
Segment provision required *	–	246,502	–
Segment liabilities	–	22,064,269	5,196,948
Segment return on assets (ROA) (%)	–	3.45%	3.85%
Segment return on net assets (ROA) (%)	–	9.76%	15.29%
Segment cost of funds (%)	–	8.59%	8.59%

* The provision required against each segment represents provision held on advances and investments.

31. TRUST ACTIVITIES

The Company has assumed the role of Trustee to certain issues of Term Finance Certificates (TFCs) / Sukuk and is holding the trust properties in fiduciary capacity on behalf of the relevant beneficiaries. In this behalf, the Company is fulfilling all its obligations and duties in accordance with the provisions of respective trust documents. The Company is registered as Debt Securities Trustee (DST) under the Debt Securities Trustee Regulations, 2012 (DST Regulations, 2012) issued by the SECP.

The Company is acting as trustee to various Debt Instruments (Term Finance Certificates and Sukuk) issued by Agritech Limited, Al-Baraka Bank (Pakistan) Limited, Askari Bank Limited, Azgard Nine Limited, Bank Alfalah Limited, Bank Al-Habib Limited, Engro Fertilizer Limited, Faysal Bank Limited, Hascol Petroleum Limited, Independent Media Corporation (Private) Limited, Jahangir Siddiqui & Co. Limited, K-Electric Limited (formerly Karachi Electric Supply Company), Maple Leaf Cement Factory Limited, NIB Bank Limited, Pak Water & Power Development Authority (WAPDA) and WAPDA Third Sukuk Company Limited. The combined value of the debt securities as at December 31, 2014 amounted to Rs.72,077 million (2013: Rs.59,777 million).

32. RELATED PARTY TRANSACTIONS

The Company has related party relationship with:

- subsidiary companies (Primus Investment Management Limited and Awwal Modaraba Management Limited);
- associated company (collective investment schemes managed by Primus Investment Management Limited);
- its employee defined benefit plan contribution plan;
- its key management personnel; and
- other related parties include Maple Leaf Cement Factory Limited, Omer Jibran Engineering Industries Ltd., Nimir Industrial Chemicals Limited and Haq Bahu Sugar Mills (Pvt) Limited due to common directorship.

Details of loans and advances to the executives are given in note 8.6 to these unconsolidated financial statements. There are no transactions with key management personnel other than under their terms of employment. Contribution to approved defined contribution plan are disclosed in note 27.2 to these unconsolidated financial statements. Remuneration to the executives is disclosed in note 28 to the unconsolidated financial statements. Transactions with owners have been disclosed in 'Unconsolidated Statement of Changes in Equity'. All other transactions between the Company and its related parties are carried out under normal course of business except employee staff loans that are as per terms of employment. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these unconsolidated financial statements, are as follows:

(Rupees in '000)

		2014					2013				
	Note	Key management personnel	State controlled entities	Other related parties	Subsidiary companies	Associates	Key management personnel	State controlled entities	Other related parties	Subsidiary companies	Associates
Advances											
As at January 01		**29,194**	**127,852**	**423,829**	**–**	**–**	15,520	153,423	701,671	–	–
Addition during the year		**17,385**	**66,982**	**297,918**	**–**	**–**	19,147	–	117,570	–	–
Deleted during the year		**–**	**–**	**–**	**–**	**–**	(1,949)	–	(300,000)	–	–
Repaid during the year		**(4,657)**	**(34,009)**	**(155,488)**	**–**	**–**	(3,524)	(25,571)	(95,412)	–	–
		41,922	**160,825**	**566,259**	**–**	**–**	29,194	127,852	423,829	–	–
Borrowings											
As at January 01		**–**	**13,263,851**	**–**	**–**	**575,000**	–	2,909,539	–	–	–
Received during the year		**–**	**460,721,602**	**–**	**–**	**7,430,000**	–	150,837,364	–	–	5,715,000
Repaid during the year		**–**	**(458,105,329)**	**–**	**–**	**(7,315,000)**	–	(140,483,052)	–	–	(5,140,000)
		–	**15,880,124**	**–**	**–**	**690,000**	–	13,263,851	–	–	575,000
Placements											
As at January 01		**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
Placements made during the year		**–**	**2,613,974**	**–**	**–**	**–**	–	27,896,197	–	–	–
Placements matured during the year		**–**	**(2,613,974)**	**–**	**–**	**–**	–	(27,896,197)	–	–	–
		–	**–**	**–**	**–**	**–**	–	–	–	–	–
Investments											
As at January 01		**–**	**29,676**	**94,994**	**250,000**	**5,601,811**	–	21,366	94,975	250,000	2,991,134
Investments / additions made during the year		**–**	**74,493,435**	**723,034**	**105,000**	**12,140,665**	–	1,640,767	232,830	–	10,224,985
Redemption during the year		**–**	**(59,014,491)**	**(479,039)**	**–**	**(13,037,712)**	–	(1,632,457)	(232,811)	–	(7,614,308)
		–	**15,508,620**	**338,989**	**355,000**	**4,704,764**	–	29,676	94,994	250,000	5,601,811
Mark-up / return / interest earned		**1,039**	**1,860,215**	**120,518**	**–**	**–**	601	12,760	54,653	–	–
Mark-up / return / interest expensed		**–**	**586,785**	**–**	**–**	**60,986**	–	346,099	–	–	38,568
Gain on sale of securities - net		**–**	**136,436**	**26,269**	**–**	**321,111**	–	24,203	15,027	–	20,721
Dividend income		**–**	**12,403**	**–**	**25,000**	**186,667**	–	2,800	–	37,500	294,682
Salaries and other benefits		**73,227**	**–**	**–**	**–**	**–**	69,370	–	–	–	–
Processing fee		**–**	**–**	**10,432**	**–**	**–**	–	–	–	–	–
Reimbursement of expenses		**4,946**	**–**	**–**	**–**	**–**	4,997	–	–	–	–
Expenses charged to the subsidiary company	32.1	**–**	**–**	**–**	**6,843**	**–**	–	–	–	6,039	–

32.1 The transactions with related parties during the year include costs (administrative expenses) charged by the Company under the cost sharing agreement entered into between the Company and its Subsidiary, Primus Investment Management Limited.

33. CAPITAL ASSESSMENT AND ADEQUACY

33.1 Capital adequacy

Capital Management aims to ensure that there is sufficient capital to meet the capital requirements of the Bank as determined by the underlying business strategy and the minimum requirements of the SBP. The Capital Management process is governed by the Company's Asset and Liability Committee (ALCO). Further, capital adequacy and management is overseen by the Board's Risk Management Committee (RMC).

The Company's regulatory capital is analyzed into two tiers:

Tier 1 capital, which includes fully issued, subscribed and paid-up capital, balance in share premium account, reserve for bonus issue, general reserves as per the financial statements and net un-appropriated profits, etc. after deductions for investments in the equity of subsidiary companies engaged in banking and financial activities, reciprocal cross holdings in capital instruments of banking, financial, and insurance entities and deficit on revaluation of available-for-sale investments.

The Company's capital management seeks:

- to comply with the capital requirements set by the regulators and comparable to the peers;
- to actively manage the supply of capital costs and increase capital velocity;
- to increase strategic and tactical flexibility in the deployment of capital to allow for the timely reallocation of capital;
- to improve the liquidity of the Company's assets to allow for an optimal deployment of the Company's resources;
- to protect the Company against unexpected events and maintain strong ratings;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide adequate return to shareholders;
- availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Company to expand; and
- to achieve low overall cost of capital with appropriate mix of capital elements.

Pak Brunei Investment Company maintains sufficient cushion of capital over required regulatory capital. The capital buffer is sufficient to cater current and future business needs of the Company. Maintained capital comprise of Tier I capital only with small amount of Tier II capital in form of unrealized gains on AFS securities and general reserves.

33.2 Scope of Applications

The Basel Framework is applicable to Pak Brunei Investment Company both at the consolidated level and also on a stand alone basis. The Company has two fully owned subsidiaries namely Primus Investment Management Limited and Awwal Modaraba Management Limited. Both subsidiaries are consolidated as per International Financial Reporting Standards (IFRS).

Detail of the Company's eligible capital (on an unconsolidated basis) is as follows:

	Note	December 31 2014	December 31 2013
		(Rupees in '000)	
Common Equity Tier 1 capital (CET1): Instruments and reserves			
Fully paid-up capital / capital deposited with SBP		**6,000,000**	6,000,000
Balance in share premium account		**–**	–
Reserve for issue of bonus shares		**–**	–
Discount on Issue of shares		**–**	–
General / statutory reserves		**878,000**	697,026
Gain / (losses) on derivatives held as cash flow hedge		**–**	–
Unappropriated / unremitted profits / (losses)		**2,110,627**	1,588,100
Minority Interests arising from CET1 capital instruments consolidated Company subsidiaries (amount allowed in CET1 capital of the consolidation group)		**–**	–
CET 1 before regulatory adjustments		**8,988,627**	8,285,126
Total regulatory adjustments applied to CET1	33.2.1	**(1,983,753)**	(2,109,669)
Common Equity Tier 1	a	**7,004,874**	6,175,457
Additional Tier 1 (AT 1) Capital			
Qualifying Additional Tier-1 instruments plus any related share premium of which: Classified as equity		**–**	–
of which: Classified as liabilities		**–**	–
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which: instrument issued by subsidiaries subject to phase out		**–**	–
AT1 before regulatory adjustments		**–**	–
Total regulatory adjustment applied to AT1 capital	33.2.2	**–**	–
Additional Tier 1 capital recognized for capital adequacy	b	**–**	–
Tier 1 Capital (CET1 + admissible AT1)	(c=a+b)	**7,004,874**	6,175,457
Tier 2 Capital			
Qualifying Tier 2 capital instruments under Basel III plus any related share premium		**–**	–
Tier 2 capital instruments subject to phase out arrangement issued under Pre-Basel III rules		**–**	–
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2) of which: instruments issued by subsidiaries subject to phase out		**–**	–
General Provisions or general reserves for loan losses – up to maximum of 1.25% of Credit Risk Weighted Assets		**327**	331
Revaluation reserves of which: Revaluation reserves on property		**–**	–
of which: Unrealised gains / losses on AFS		**84,380**	–
Foreign exchange translation reserves		**–**	–
Undisclosed / other reserves (if any)		**–**	–
T2 before regulatory adjustments		**84,707**	331
Total regulatory adjustment applied to T2 capital	33.2.3	**(84,707)**	(331)
Tier 2 capital (T2) after regulatory adjustments		**–**	–

		Note	December 31 2014	December 31 2013
			(Rupees in '000)	
Tier 2 capital recognized for capital adequacy			**–**	–
Portion of Additional Tier 1 capital recognized in Tier 2 capital			**–**	–
Total Tier 2 capital admissible for capital adequacy	d		**–**	–
TOTAL CAPITAL (T1 + admissible T2)	(e=c+d)		**7,004,874**	6,175,457
Total Risk Weighted Assets (RWA)	f	33.2.4 & 33.5	**20,726,750**	17,184,541
Capital ratios and buffers (in percentage of risk weighted assets)				
CET1 to total RWA	(a/f)		**33.80%**	35.94%
Tier-1 capital to total RWA	(c/f)		**33.80%**	35.94%
Total capital to RWA	(e/f)		**33.80%**	35.94%
Company specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)			**12.50%**	12.50%
of which: capital conservation buffer requirement			**2.50%**	2.50%
of which: countercyclical buffer requirement			**0.00%**	0.00%
of which: D-SIB or G-SIB buffer requirement			**0.00%**	0.00%
CET1 available to meet buffers (as a percentage of risk weighted assets)			**23.80%**	25.94%
National minimum capital requirements prescribed by SBP				
CET1 minimum ratio			**5.50%**	5.00%
Tier 1 minimum ratio			**7.00%**	6.50%
Total capital minimum ratio			**10.00%**	10.00%

33.2.1 *Common Equity Tier 1 capital: Regulatory adjustments*

	December 31, 2014	Amounts subject to Pre-Basel III treatment	December 31, 2013
		(Rupees in '000)	
Goodwill (net of related deferred tax liability)	**–**	–	–
All other intangibles (net of any associated deferred tax liability)	**1,446**	–	2,536
Shortfall of provisions against classified assets	**–**	–	–
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	**–**	–	–
Defined-benefit pension fund net assets	**–**	–	–
Reciprocal cross holdings in CET1 capital instruments	**–**	–	–
Cash flow hedge reserve	**–**	–	–
Investment in own shares / CET1 instruments	**–**	–	–
Securitization gain on sale	**–**	–	–
Capital shortfall of regulated subsidiaries	**–**	–	–
Deficit on account of revaluation from Company's holdings of property / AFS	**–**	–	38,746
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	**6,310**	**25,240**	–
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)	**–**	–	–
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	**–**	–	–
Amount exceeding 15% threshold of which: significant investments in the common stocks of financial entities of which: deferred tax assets arising from temporary differences	**–**	–	–
National specific regulatory adjustments applied to CET1 capital	**–**	–	–
Investment in TFCs of other banks exceeding the prescribed limit	**–**	–	–
Any other deduction specified by SBP	**–**	–	–
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	**1,975,997**	–	2,068,387
Total regulatory adjustments applied to CET1	**1,983,753**	**25,240**	2,109,669

33.2.2 *Additional Tier 1 Capital: regulatory adjustments*

(Rupees in '000)

	December 31, 2014	Amounts subject to Pre-Basel III treatment	December 31, 2013
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	**1,704,514**	–	1,818,718
Investment in own AT1 capital instruments	–	–	–
Reciprocal cross holdings in Additional Tier 1 capital instruments	–	–	–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	–	–	–
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	–	–
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	**142,000**	301,750	125,000
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	**129,483**	–	124,699
Total of Regulatory Adjustment applied to AT1 capital	**1,975,997**	301,750	2,068,417

33.2.3 *Tier 2 Capital: regulatory adjustments*

	December 31, 2014	Amounts subject to Pre-Basel III treatment	December 31, 2013
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	**142,000**	301,750	125,000
Reciprocal cross holdings in Tier 2 instruments	–	–	–
Investment in own Tier 2 capital instrument	–	–	–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	**72,190**	288,759	–
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	–	–
Total regulatory adjustment applied to T2 capital	**214,190**	590,509	125,000

33.2.4 Additional information

	December 31 2014	December 31 2013
	(Rupees in '000)	
Total Risk Weighted Assets subject to pre-Basel III treatment		
Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment	**917,499**	375,000
of which: recognised 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 of which: deferred tax assets	–	–
of which: Defined-benefit pension fund net assets	–	–
of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	**313,999**	–
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	**603,500**	375,000
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financial entities	**898,706**	341,108
Significant investments in the common stock of financial entities	**71,000**	250,000
Deferred tax assets arising from temporary differences (net of related tax liability)	–	–

	December 31 2014	December 31 2013
	(Rupees in '000)	
Applicable caps on the inclusion of provisions in Tier 2		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	–	–
Cap on inclusion of provisions in Tier 2 under standardized approach	–	–
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	–	–
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	–	–

33.3 Capital Structure Reconciliation

33.3.1 Step 1

	December 31, 2014	
	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	(Rupees in '000)	
Assets		
Cash and balances with treasury banks	**123,151**	123,151
Balances with other banks	**76,759**	76,759
Lendings to financial institutions	–	–
Investments	**24,246,894**	24,246,894
Advances	**7,385,691**	7,385,691
Operating fixed assets	**32,318**	32,318
Deferred tax assets	–	–
Other assets	**1,035,959**	1,035,959
Total assets	**32,900,772**	32,900,772
Liabilities and equity		
Bills payable	–	–
Borrowings	**18,089,905**	18,089,905
Deposits and other accounts	**5,164,230**	5,164,230
Sub-ordinated loans	–	–
Liabilities against assets subject to finance lease	–	–
Deferred tax liabilities	**132,921**	132,921
Other liabilities	**374,410**	374,410
Total liabilities	**23,761,466**	23,761,466
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully paid-up capital / capital deposited with SBP	**6,000,000**	6,000,000
Reserves	**878,000**	878,000
Unappropriated / unremitted profit / (losses)	**2,110,627**	2,110,627
Minority interest	–	–
Surplus on revaluation of assets	**150,679**	150,679
Total liabilities and equity	**9,139,306**	9,139,306

33.3.2 Step 2

	References	Balance sheet as in published financial statements	Under regulatory scope of consolidation
		December 31, 2014	
		(Rupees in '000)	
Assets			
Cash and balances with treasury banks		**123,151**	123,151
Balance with other banks		**76,759**	76,759
Lending to financial institutions		**–**	–
Investments		**24,246,894**	24,246,894
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	a	**78,502**	78,502
of which: significant capital investments in financial sector entities exceeding regulatory threshold	b	**–**	–
of which: Mutual Funds exceeding regulatory threshold	c	**1,704,514**	1,704,514
of which: Reciprocal cross holdings in CET1	d	**–**	–
of which: Reciprocal cross holdings in Tier2	d	**–**	–
of which: others	e	**–**	–
Advances	f	**7,385,691**	7,385,691
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB general provisions reflected in Tier 2 capital	g	**327**	327
Fixed Assets	h	**32,318**	32,318
of which: Intangibles	i	**1,446**	1,446
Deferred tax assets		**–**	–
of which: DTAs excluding those arising from temporary differences	j	**–**	–
of which: DTAs arising from temporary differences exceeding regulatory threshold	k	**–**	–
Other assets	l	**1,035,959**	1,035,959
of which: Goodwill	m	**–**	–
of which: Intangibles	m	**–**	–
of which: Defined-benefit pension fund net assets		**–**	–
Total assets		**32,900,772**	32,900,772
Liabilities and equity			
Bills payable		**–**	–
Borrowings		**18,089,905**	18,089,905
Deposits and other accounts		**5,164,230**	5,164,230
Sub-ordinated loans		**–**	–
of which: eligible for inclusion in AT1	n	**–**	–
of which: eligible for inclusion in Tier 2	o	**–**	–
Liabilities against assets subject to finance lease		**–**	–
Deferred tax liabilities		**132,921**	132,921
of which: DTLs related to goodwill	p	**–**	–
of which: DTLs related to intangible assets	q	**–**	–
of which: DTLs related to defined pension fund net assets	r	**–**	–
of which: other deferred tax liabilities	s	**–**	–
Other liabilities		**374,410**	374,410
Total liabilities		**23,761,466**	23,761,466

	References	Balance sheet as in published financial statements	Under regulatory scope of consolidation
		December 31, 2014	
		(Rupees in '000)	
Share capital		**6,000,000**	6,000,000
of which: amount eligible for CET1	t	**6,000,000**	6,000,000
of which: amount eligible for AT1	u	**–**	–
Reserves		**878,000**	878,000
of which: portion eligible for inclusion in CET1: Share premium	v	**878,000**	878,000
of which: portion eligible for inclusion in CET1 general / statutory reserve	w	**–**	–
of which: portion eligible for inclusion in Tier 2	x	**–**	–
Unappropriated profit / (losses)	y	**2,110,627**	2,110,627
Minority Interest		**–**	–
of which: portion eligible for inclusion in CET1	z	**–**	–
of which: portion eligible for inclusion in AT1	aa	**–**	–
of which: portion eligible for inclusion in Tier 2		**–**	–
Surplus on revaluation of assets	ab	**150,679**	150,679
of which: Revaluation reserves on fixed assets	ac	**–**	–
of which: Unrealised gains / losses on AFS		**150,679**	150,679
In case of deficit on revaluation (deduction from CET1)	ad	**–**	–
Total liabilities and equity		**32,900,772**	32,750,093

33.3.3 Step 3

	Source based on reference number from step 2	Component of regulatory capital reported by Company
	(Rupees in '000)	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully paid-up capital / capital deposited with SBP	(t)	**6,000,000**
Balance in share premium account		**–**
Reserve for issue of Bonus Shares		**–**
General / statutory reserves	(v)	**878,000**
Gain / (losses) on derivatives held as cash flow hedge		**–**
Unappropriated/unremitted profits / (losses)	(y)	**2,110,627**
Minority Interests arising from CET1 capital instruments issued to third party by consolidated Company subsidiaries (amount allowed in CET1 capital of the consolidation group)	(z)	**–**
CET 1 before regulatory adjustments		**8,988,627**

	Source based on reference number from step 2	Component of regulatory capital reported by Company
		(Rupees in '000)
Common Equity Tier 1 capital: Regulatory adjustments		
Goodwill (net of related deferred tax liability)	(l)-(p)	–
All other intangibles (net of any associated deferred tax liability)	(i)-(q)	**1,446**
Shortfall of provisions against classified assets	(g)	–
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	{(h)-(r} * x%	–
Defined-benefit pension fund net assets	{(l)-(q)} * x%	–
Reciprocal cross holdings in CET1 capital instruments	(d)	–
Cash flow hedge reserve		–
Investment in own shares / CET1 instruments		–
Securitization gain on sale		–
Capital shortfall of regulated subsidiaries		–
Deficit on account of revaluation from Company's holdings of property / AFS	(ab)	–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	(a)-(ac)-(ae)	**6,310**
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)	–
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i)	–
Amount exceeding 15% threshold		
of which: significant investments in the common stocks of financial entities		–
of which: deferred tax assets arising from temporary differences		–
National specific regulatory adjustments applied to CET1 capital		–
Investment in TFCs of other banks exceeding the prescribed limit		–
Any other deduction specified by SBP (mention details)		–
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		**1,975,997**
Total regulatory adjustments applied to CET1 (sum of 9 to 25)		**1,983,753**
Common Equity Tier 1		**7,004,874**

	Source based on reference number from step 2	Component of regulatory capital reported by Company
		(Rupees in '000)
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 instruments plus any related share premium		–
of which: Classified as equity	(t)	–
of which: Classified as liabilities	(m)	–
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	(y)	–
of which: instrument issued by subsidiaries subject to phase out		–
AT1 before regulatory adjustments		–
Additional Tier 1 Capital: regulatory adjustments		–
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	(c)	**1,704,514**
Investment in own AT1 capital instruments		–
Reciprocal cross holdings in Additional Tier 1 capital instruments		–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	(ac)	–
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)	–
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		**142,000**
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		**129,483**
Total of regulatory adjustment applied to AT1 capital		**1,975,997**
Additional Tier 1 capital		–
Additional Tier 1 capital recognised for capital adequacy		–

	Source based on reference number from step 2	Component of regulatory capital reported by Company
		(Rupees in '000)
Tier 1 capital (CET1 + admissible AT1)		**7,004,874**
Tier 2 capital		
Qualifying Tier 2 capital instruments under Basel III		–
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	(n)	–
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	(z)	–
of which: instruments issued by subsidiaries subject to phase out		–
General Provisions or general reserves for loan losses-up to maximum of 1.25% of credit risk weighted assets	(g)	**327**
Revaluation Reserves eligible for Tier 2		–
of which: Revaluation reserves on fixed assets	portion of (aa)	–
of which: Unrealized gains / losses on AFS	portion of (aa)	**84,380**
Foreign exchange translation reserves	(v)	–
Undisclosed / other reserves (if any)		–
T2 before regulatory adjustments		**84,707**
Tier 2 Capital: regulatory adjustments		
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		**142,000**
Reciprocal cross holdings in Tier 2 instruments		–
Investment in own Tier 2 capital instrument		–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	(ae)	**72,190**
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	–
Amount of regulatory adjustment applied to T2 capital		**214,190**
Tier 2 capital (T2)		–
Tier 2 capital recognised for capital adequacy		–
Excess Additional Tier 1 capital recognised in Tier 2 capital		–
Total Tier 2 capital admissible for capital adequacy		–
TOTAL CAPITAL (T1 + admissible T2)		7,004,874

33.4 Main Features of Regulatory Capital Instruments

Sr. No.	Main Features	Common Shares	Instrument-2	Explanation
1	Issuer	6,000,000		Pak Brunei. Common shares are held by Ministry of Finance, Government of Pakistan and Brunei Investment Agency in a 50:50 ratio
2	Unique identifier (e.g. KSE Symbol or Bloomberg identifier etc.)			NA
3	Governing law(s) of the instrument			Companies Ordinance, 1984, Government of Pakistan
	Regulatory treatment			
4	Transitional Basel III rules			NA
5	Post-transitional Basel III rules			Common Equity Tier 1
6	Eligible at solo / group / group and solo			Solo
7	Instrument type			Ordinary Shares
8	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)			8,988,627
9	Par value of instrument			Rs.10 per share
10	Accounting classification			Shareholder's Equity
11	Original date of issuance			4-Nov-06
12	Perpetual or dated			No maturity
13	Original maturity date			NA
14	Issuer call subject to prior supervisory approval			No
15	Optional call date, contingent call dates and redemption amount			NA
16	Subsequent call dates, if applicable Coupons / dividends			NA
17	Fixed or floating dividend / coupon			NA
18	Coupon rate and any related index/ benchmark			NA
19	Existence of a dividend stopper			Yes (please refer PR-11)
20	Fully discretionary, partially discretionary or mandatory			Fully discretionary
21	Common Equity Tier 1 capital (CET1): Instruments and reserves Existence of step up or other incentive to redeem			No
22	Non-cumulative or cumulative			Non cumulative
23	Convertible or non-convertible			Non-convertible
24	If convertible, conversion trigger (s)			NA
25	If convertible, fully or partially			NA
26	If convertible, conversion rate			NA
27	If convertible, mandatory or optional conversion			NA
28	If convertible, specify instrument type convertible into			NA
29	If convertible, specify issuer of instrument it converts into			NA
30	Write-down feature			No
31	If write-down, write-down trigger(s)			NA
32	If write-down, full or partial			NA
33	If write-down, permanent or temporary			NA
34	If temporary write-down, description of write-up mechanism			NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument			N/A
36	Non-compliant transitioned features			No
37	If yes, specify non-compliant features			N/A

33.5 Risk Weighted Exposures

The capital requirements for the Company as per the major risk categories is indicated below:

(Rupees in '000)

	Capital Requirements		Risk Weighted Assets	
	December 31, 2014	December 31, 2013	**December 31, 2014**	December 31, 2013
Credit risk				
Portfolios subject to standardised approach (Simple or Comprehensive)				
Cash and cash equivalents	**–**	–	**–**	–
Sovereign	**–**	–	**–**	–
Public sector entities	**4,999**	2,588	**49,985**	25,879
Banks	**2,641**	4,679	**26,408**	46,789
Corporate	**693,599**	607,042	**6,935,994**	6,070,419
Retail	**1,725**	1,881	**17,252**	18,808
Residential mortgages	**1,978**	1,304	**19,777**	13,044
Past due loans	**3,461**	3,497	**34,608**	34,972
Operating fixed assets	**3,087**	4,210	**30,870**	42,100
Other assets	**55,813**	64,581	**558,127**	645,815
	767,303	689,782	**7,673,021**	6,897,826
Portfolios subject to Internal Rating Based (IRB) approach				
Off - balance sheet				
Non-market related	**252,406**	201,169	**2,524,058**	2,011,685
Market related exposures	**292**	9	**2,915**	91
Equity exposure risk in the banking book				
Under simple risk weight method	**137,717**	59,301	**1,377,167**	593,013
Under Internal models approach	**–**	–	**–**	–
	390,415	260,479	**3,904,140**	2,604,789
Market risk				
Capital requirement for portfolios subject to standardised approach				
Interest rate risk	**181,561**	61,564	**2,269,513**	615,638
Equity position risk	**407,597**	510,265	**5,094,963**	5,102,650
Foreign Exchange risk	**–**	–	**–**	–
	589,157	571,829	**7,364,475**	5,718,288
Capital requirement for portfolios subject to internal models approach				
Operational risk				
Capital requirement for operational risks	**178,484**	196,364	**1,785,114**	1,963,638
Total	**1,925,358**	1,718,454	**20,727,750**	17,184,541

(Rupees in '000)

	December 31, 2014		December 31, 2013	
	Required	Actual	Required	Actual
CET1 to total RWA	**5.50%**	33.80%	**5.00%**	35.94%
Tier-1 capital to total RWA	**7.00%**	33.80%	**6.50%**	35.94%
Total capital to total RWA	**10.00%**	33.80%	**10.00%**	35.94%

33.6 Capital adequacy

Objectives of managing capital

Capital Management aims to ensure that there is sufficient capital to meet the capital requirements of the Company as determined by the underlying business strategy and the minimum requirements of the SBP. The Capital Management process is governed by the Company's Asset and Liability Committee (ALCO). Further, capital adequacy and management is overseen by the Board's Risk Management Committee (RMC).

Company's capital management seeks:

- to comply with the capital requirements set by the regulators and comparable to the peers;
- to actively manage the supply of capital costs and increase capital velocity;
- to increase strategic and tactical flexibility in the deployment of capital to allow for the timely reallocation of capital;
- to improve the liquidity of the Company's assets to allow for an optimal deployment of the Company's resources;
- to protect the Company against unexpected events and maintain strong ratings;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide adequate return to shareholders;
- availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Company to expand; and
- to achieve low overall cost of capital with appropriate mix of capital elements.

Externally imposed capital requirements

In order to strengthen the solvency of Banks / Development Financial Institutions (DFI), SBP through its BSD Circular No. 19 of 2008 dated September 05, 2008 has asked the DFIs to raise their minimum paid up capital to Rs.6 billion free of losses by the end of financial year 2009.

SBP through its BSD Circular No. 09 dated April 15, 2009 has asked Banks to achieve the minimum Capital Adequacy Ratio (CAR) of 10% on standalone as well as on consolidated basis latest by December 31, 2010.

The paid-up capital and CAR of the Company stands at Rs.6 billion and 34.11% of its risk weighted exposure as at December 31, 2014.

The Company has complied with all externally imposed capital requirements as at year end.

34. RISK MANAGEMENT

The Risk Management Framework (the Framework) provides principles for identifying, assessing, and monitoring risk within the Company. The Framework specifies the key elements of the risk management process in order to maximise opportunities, to minimise adversity and to achieve improved outcomes and outputs based on informed decision making.

Categories of risk

The Company generates most of its revenues by accepting Credit, Liquidity and Market Risk. Effective management of these risks is the decisive factor in our profitability. In addition, the Company is subject to certain consequential risks that are common to all business undertakings. These risks are grouped under two headings: Operational and Reputational Risk. The Framework is organised with reference to these five risk categories, as detailed below:

Credit risk — This risk is defined as the possibility of loss due to unexpected default or a deterioration of credit worthiness of a counter party.

Market risk — The risk of loss generated by adverse changes in the price of assets or contracts currently held by the Company (this risk is also known as price risk).

Liquidity risk	The risk that the Company is unable to meet its payment obligations or fund increases in assets when they fall due without incurring an unacceptable cost; the consequences of which may be the failure to meet obligations to repay investors and fulfil commitments to lend.
Operational risk	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. The definition includes legal risk.
Reputational risk	The risk of failing to meet the standards of performance or behaviour required or expected by stakeholders in commercial activities or the way in which business is conducted.

Risk responsibilities

The Board of Directors (the Board) is accountable for overall supervision of the risk management process. The Board is responsible for approval of all risk policies and ensuring that these are properly implemented. Further, the Board appoints the senior management personnel who are capable of managing the risk activities conducted by the Company.

A separate unit has been setup for credit risk management. Risk Management comprises of two areas; Credit Risk Management (CRM) and Middle Office and Operational Risk (MOOR). CRM oversees credit risk taken by the Company while MOOR function overviews market, interest rate, liquidity and operational risks of the Company. The functions of both of these units are subject to the policies and manuals approved by the Board, Prudential Regulations and additional regulatory directives issued from time to time. These units are independent of business generation and risk taking. CRM monitors the credit portfolio of the Company on a regular basis to ensure prudent lending. Moreover, this department will also set parameters for various risks including i) sectoral concentration, ii) exposure limits for single and group clients, and iii) monitoring watch list accounts and the entire portfolio. The risk management philosophy is to identify and monitor risk on portfolio basis and assess the risk taking capacity of the balance sheet as a whole.

Different Management Committees have been set up to review different kinds of risks; mainly being the Assets and Liabilities Committee (ALCO), Credit Committee (CC) and Risk Management Committee (RMC). Comprehensive risk management manuals have been designed which cover all significant risks including credit, liquidity, market and operational risks and provides guidance to management on risk controls, limits, risk measurement tools and a reporting framework.

34.1 Credit risk

Credit risk, the potential default of one or more debtors, is the largest source of risk for the Company. The Company is exposed to credit risk through its lending and investment activities. The credit risk arising from exposure to corporates is governed by the Credit Risk Management Policy and Credit Administration Frameworks. The counter party credit risk arising from interbank lines are addressed in the Treasury policy framework.

The Company manages 3 principal sources of credit risk:

i) Sovereign credit risk on its public sector advances.
ii) Non-sovereign credit risk on its private sector advances.
iii) Counterparty credit risk on interbank limits.

Sovereign credit risk

When the Company lends to public sector borrowers, it prefers obtaining a full sovereign guarantee or the equivalent from the Government of Pakistan (GoP). However, certain public sector enterprises have a well defined cash flow stream and appropriate business model, based on which the lending is secured through collaterals other than GoP guarantee.

Non-sovereign credit risk

When the Company lends to private sector borrowers it does not benefit from sovereign guarantees or the equivalent. Consequently, each borrower's credit worthiness is analysed on a stand alone basis. A new internal rating model to rate corporate and commercial customers has been designed and its framework has been approved by the Board in July, 2011. The new model has been running under parallel testing with the old model since December, 2012.

Counter party credit risk on interbank limits

In the normal course of its business, the Company's Treasury utilises products such as Reverse Repo and call lending to meet the needs of the borrowers and manage its exposure to fluctuations in market interest rates and to temporarily invest its liquidity prior to disbursement. All of these financial instruments involve, to varying degrees, the risk that the counterparty in the transaction may be unable to meet its obligation to the Company.

Reflecting a preference for minimizing exposure to counterparty credit risk, the Company maintains eligibility criteria that link the exposure limits to counterparty credit ratings by external rating agencies. For example, the minimum rating for counterparties to be eligible for a financing relationship with the Company is BBB.

Credit administration

Credit Administration Department is involved in minimizing losses that could arise due to security and documentation deficiencies.

Risk analytics

To ensure a prudent distribution of asset portfolio, the Company manages its lending and investment activities within a framework of Borrower, Group, Product, Geographical and Sector exposure limits and risk profile benchmarks.

Stress testing

The Company also conducts stress testing of its existing portfolio, which includes all assets, i.e., advances as well as investments. This exercise is conducted on a semi-annual basis through assigning shocks to distressed / non performing assets of the Company and assessing its resulting affect on capital adequacy.

Regular monitoring

Regular monitoring of the advances portfolio is carried out which focuses on early problem recognition and influences the front office to carry out an assessment of the borrower's ability to rectify the identified problem / weakness within a reasonable time-frame, consider tighter structuring of facilities, confirm that there are no critical deficiencies in the existing security position and, if possible, arrange for strengthening of the same through obtaining additional collateral. It should however, be noted that these actions are taken prior to incurring overdues on the facility.

Portfolio diversification

While expanding the advances and the investment (TFCs) portfolio, efficient portfolio diversification has been a key consideration despite the relatively small size of operations.

34.1.1 Segmental Information

34.1.1.1 Segments by class of business

	December 31, 2014					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Cement	**254,810**	**3.45**	–	–	–	–
Textile	**1,603,754**	**21.71**	–	–	**801,538**	**4.41**
Sugar	**1,525,886**	**20.65**	**200**	**0.00**	**23,820**	**0.13**
Chemicals and pharmaceuticals	**363,001**	**4.91**	**3,030**	**0.06**	**278,000**	**1.53**
Production and transmission of energy	**1,255,687**	**17.00**	–	–	**1,153,019**	**6.35**
Auto and allied	**4,356**	**0.06**	–	–	–	–
Financial	**52,537**	**0.71**	**4,730,000**	**91.59**	**15,059,908**	**82.95**
Individuals	**79,509**	**1.08**	–	–	–	–
Health and pharma	**97,500**	**1.32**	–	–	–	–
Telecommunication	**65,019**	**0.88**	–	–	–	–
Paper and board	**88,889**	**1.20**	–	–	–	–
Food and confectionary	**519,906**	**7.04**	–	–	**149,952**	**0.83**
Entertainment	**128,830**	**1.74**	–	–	**7,000**	**0.04**
Printing	**9,130**	**0.12**	–	–	**1,871**	**0.01**
Public sector	–	–	**400,000**	**7.75**	–	–
Transportation	**113,083**	**1.53**	–	–	**400,000**	**2.20**
Packaging	**193,365**	**2.62**	–	–	**210,000**	**1.16**
Services	**6,925**	**0.09**	–	–	**70,056**	**0.39**
Electronics and electrical appliances	**480,000**	**6.50**	–	–	–	–
Engineering	**46,829**	**0.63**	–	–	**1,321**	**0.01**
Construction	**83,688**	**1.13**	–	–	–	–
Poultry	**286,458**	**3.88**	–	–	–	–
Others	**129,393**	**1.75**	**31,000**	**0.60**	**10**	**0.00**
	7,388,555	**100.00**	**5,164,230**	**100.00**	**18,156,495**	**100.00**

	December 31, 2013					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Cement	278,570	4.10	–	–	–	–
Textile	919,255	13.51	–	–	721,496	3.38
Sugar	1,296,216	19.06	–	–	387,657	1.82
Chemicals and pharmaceuticals	336,956	2.85	2,646	0.47	300,000	1.41
Production and transmission of energy	1,638,404	24.09	–	–	515,000	2.41
Financial	135,870	2.00	465,000	82.00	19,132,287	89.70
Individuals	62,347	0.92	–	–	–	–
Hotel	25,741	0.38	–	–	–	–
Telecommunication	100,000	1.47	–	–	–	–
Paper and board	133,333	4.07	–	–	–	–
Food and confectionary	396,941	5.84	–	–	–	–
Entertainment	80,083	1.18	–	–	60,000	0.28
Transportation	203,007	3.00	–	–	–	–
Printing	59,320	–	–	–	–	–
Packaging	126,681	2.62	–	–	–	–
Services	2,938	1.35	74,424	13.12	60,000	0.28
Electronics and electrical appliances	229,463	3.37	–	–	538	0.00
Engineering	88,836	1.45	–	–	26,321	0.12
Construction	102,023	–	–	–	–	–
Auto and allied	781	–	–	–	–	–
Others	585,313	8.77	25,000	4.41	127,000	0.60
	6,802,078	100	567,070	100	21,330,299	100

34.1.1.2 Segment by sector

(Rupees in '000)

	December 31, 2014					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	**160,824**	**2**	**400,000**	**8**	**12,166,316**	**67**
Private	**7,227,731**	**98**	**4,764,230**	**92**	**5,990,179**	**33**
	7,388,555	**100**	**5,164,230**	**100**	**18,156,495**	**100**

	December 31, 2013					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	127,853	2	–	–	7,873,777	37
Private	6,674,225	98	567,070	100	13,456,522	63
	6,802,078	100	567,070	100	21,330,299	100

34.1.1.3 Details of non-performing advances and specific provisions by class of business segments

(Rupees in '000)

	2014		2013	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
Financial	**2,537**	**2,537**	2,537	2,537
	2,537	**2,537**	2,537	2,537

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

(Rupees in '000)

	2014		2013	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
Public / Government	**–**	**–**	–	–
Private	**2,537**	**2,537**	2,537	2,537
	2,537	**2,537**	2,537	2,537

34.1.1.5 Geographical segment analysis

(Rupees in '000)

	December 31, 2014			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Pakistan	**1,106,152**	**32,900,772**	**9,139,306**	**18,156,495**

	December 31, 2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Pakistan	916,743	35,507,597	8,246,380	21,330,299

34.2 Market risk

The market risk is the risk of reductions in earnings, value and / or reserves arising from changes in market rates (such as interest rates, exchange rates, credit spreads) and market prices (such as commodities, equities, property etc.) as well as their correlations and volatilities. The Company is exposed to market risk primarily through its trading activities, which are cantered in the Treasury and Capital market groups.

The Company classifies its assets in banking and trading books as per instructions from SBP. Company's trading book comprises positions in financial instruments held with trading intent or in order to hedge other elements of the trading book 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. The positions which do not fulfil the criteria of trading book falls under the banking Book and are treated as per SBP requirements.

The Company actively measures, controls and manages market risk on day-to-day basis. Controls are applied to all investment portfolios by setting limits to the exposures taken. This includes stop loss limits on shares in 'Held-for-trading' portfolio, individual and sectoral concentration limits, volatility and value-at-risk limits etc.

The Company measures market risk using various techniques like duration analysis for interest rate sensitivity, Value-at-Risk for adverse price movement and stress testing etc. The results are communicated to ALCO and Risk Management Committee on monthly and quarterly basis respectively. Market risk is effectively managed at portfolio level.

Policies, valuation and accounting of equity investments

In accordance with the requirements of the SBP, valuation and accounting of equity investments is done as per the accounting policy of investment mentioned in note 4.5 to these financial statements. Further, composition of equity investments is available in note 7 of these financial statements.

34.2.1 Interest rate risk

Interest rate risk is the uncertainty resulting from changes in interest rates, including changes in the shape of yield curves. Interest rate risk arises from factors such as mismatches between contractual maturities or re-pricing of on and off balance sheet assets and liabilities. The objective of yield / interest rate risk management is to minimise adverse variances in the Company's profitability.

Government securities (PIBs and T-Bills), investment in TFCs and Sukuks, loans and advances and other money market investments are subject to interest rate risk classified under 'Held-for-trading' as well as 'Available-for-sale' category if they meet the SBP criteria. Duration analysis is carried out to capture the risk associated with these securities. Stress testing is also in place to capture the sensitivity of the portfolio to adverse movement in interest rates. For prudent risk management, all money market investments are marked to market to assess changes in the market value of investments due to interest rate movements.

34.2.2 Foreign exchange risk

Foreign Exchange Risk is the risk of loss arising from fluctuations of exchange rates. The Company is not exposed to any significant funded or non-funded foreign exchange exposure.

(Rupees in '000)

	December 31, 2014			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistani Rupee	**32,900,768**	**23,761,466**	**–**	**9,139,302**
United States Dollar	**4**	**–**	**–**	**4**
	32,900,772	**23,761,466**	**–**	**9,139,306**

	December 31, 2013			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistani Rupee	35,507,593	27,261,217	–	8,246,376
United States Dollar	4	–	–	4
	35,507,597	27,261,217	–	8,246,380

34.2.3 Equity position risk

The Company is exposed to equity position risk on its investments in equity capital markets. The Board with the recommendations of ALCO approves exposure limits applicable to investments in trading book.

Equity investments in Company's trading book are subject to limits and controls imposed by risk management policy to reduce the risk. The risk is managed by applying trading limit, scrip–wise and portfolio wise nominal limits, stop-loss limits and volatility limits. Stress test and value-at-risk figures are also reported to the management for timely decisions.

The Equity Investment Committee is responsible for making investment decisions in the capital market.

34.2.4 Mismatch of interest rate sensitive assets and liabilities

Interest rate risk can arise on account of rising interest rates causing a fall in the value of assets or falling interest rates causing an increase in the value of liabilities. While the Company is largely engaged in transactions on a floating rate basis in both borrowings and lendings, rate reset frequency, ceilings and floors and choice of base rate can translate into interest rate risk.

Interest rate risk is monitored through regular reports on interest rate matching and duration estimates. Furthermore stress techniques are also used to estimate maximum losses in case of adverse movements in interest rates.

(Rupees in '000)

	December 31, 2014											
	Effective yield/ interest rate	Total	Exposed to yield/interest risk									Non-interest Bearing Financial Instruments
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
On-balance sheet financial instruments												
Asset												
Cash and balances with treasury banks	–	123,151	–	–	–	–	–	–	–	–	–	123,151
Balances with other banks	9.42%	76,759	76,759	–	–	–	–	–	–	–	–	–
Investments	12.22%	24,246,894	1,841,835	2,283,424	3,371,929	4,210,276	4,052,253	498,547	483,785	1,517,116	–	5,987,729
Advances	12.20%	7,385,691	2,088,824	2,438,978	940,174	367,576	404,606	395,649	552,228	108,745	–	88,911
Other assets	–	710,668	–	–	–	–	–	–	–	–	–	710,668
		32,543,163	4,007,418	4,722,402	4,312,103	4,577,852	4,456,859	894,196	1,036,013	1,625,861	–	6,910,459
Liabilities												
Borrowings	9.86%	18,089,905	15,812,119	1,017,654	34,833	134,143	300,612	282,165	426,410	81,969	–	–
Deposits and other accounts	10.32%	5,164,230	500,000	2,061,200	2,200,000	403,030	–	–	–	–	–	–
Other liabilities	–	365,675	–	–	–	–	–	–	–	–	–	365,675
		23,619,810	16,312,119	3,078,854	2,234,833	537,173	300,612	282,165	426,410	81,969	–	365,675
On-balance sheet gap		8,923,353	(12,304,701)	1,643,548	2,077,270	4,040,679	4,156,247	612,031	609,603	1,543,892	–	6,544,784
Off–balance sheet financial instruments												
Forward purchase of Government Securities		–	–	–	–	–	–	–	–	–	–	–
Forward Sale of Government Securities		13,952,913	13,952,913	–	–	–	–	–	–	–	–	–
Interest Rate Derivatives – Short position		–	–	–	–	–	–	–	–	–	–	–
Interest Rate Derivatives – Long position		–	–	–	–	–	–	–	–	–	–	–
Off–balance sheet gap		13,952,913	13,952,913	–	–	–	–	–	–	–	–	–
Total Yield / Interest Risk sensitivity gap		22,876,266	1,648,212	1,643,548	2,077,270	4,040,679	4,156,247	612,031	609,603	1,543,892	–	6,544,784
Cumulative Yield / Interest Risk Sensitivity Gap			1,648,212	3,291,760	5,369,030	9,409,709	13,565,956	14,177,987	14,787,590	16,331,482	16,331,482	22,876,266

(Rupees in '000)

	December 31, 2013											
	Effective yield/ interest rate	Total	Exposed to yield/interest risk									Non-interest Bearing Financial Instruments
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	–	96,289	–	–	–	–	–	–	–	–	–	96,289
Balances with other banks	8.08%	233,935	58,484	175,451	–	–	–	–	–	–	–	–
Lendings to financial institutions	–	–	–	–	–	–	–	–	–	–	–	–
Investments	11.13%	27,430,852	6,852,925	12,851,843	242,964	–	205,263	509,455	385,703	29,101	–	6,353,598
Advances	11.72%	6,799,210	2,905,611	2,409,195	705,121	94,428	194,494	214,699	204,125	29,298	17,164	25,075
Other assets	–	620,167	–	–	–	–	–	–	–	–	–	620,167
		35,180,453	9,817,020	15,436,489	948,085	94,428	399,757	724,154	589,828	58,399	17,164	7,095,129
Liabilities												
Borrowings	9.47%	26,391,995	22,695,804	2,921,568	85,854	93,610	190,958	186,216	199,435	18,550	–	–
Deposits and other accounts	9.87%	567,070	25,000	139,424	2,646	400,000	–	–	–	–	–	–
Other liabilities	–	555,646	–	–	–	–	–	–	–	–	–	555,646
		27,514,711	22,720,804	3,060,992	88,500	493,610	190,958	186,216	199,435	18,550	–	555,646
On-balance sheet gap		7,665,742	(12,903,784)	12,375,497	859,585	(399,182)	208,799	537,938	390,393	39,849	17,164	6,539,483
Off–balance sheet financial instruments												
Forward purchase of Government Securities		–	–	–	–	–	–	–	–	–	–	–
Forward Sale of Government Securities		17,542,178	17,542,178	–	–	–	–	–	–	–	–	–
Interest Rate Derivatives – Short position		–	–	–	–	–	–	–	–	–	–	–
Interest Rate Derivatives – Long position		–	–	–	–	–	–	–	–	–	–	–
Off–balance sheet gap		17,542,178	17,542,178	–	–	–	–	–	–	–	–	–
Total Yield / Interest Risk Sensitivity Gap		25,207,920	4,638,394	12,375,497	859,585	(399,182)	208,799	537,938	390,393	39,849	17,164	6,539,483
Cumulative Yield / Interest Risk Sensitivity Gap			4,638,394	17,013,891	17,873,476	17,474,294	17,683,093	18,221,031	18,611,424	18,651,273	18,668,437	25,207,920

34.3 Liquidity Risk

Liquidity risk is the risk that the Company is unable to fund its current obligations and operations in the most cost efficient manner. ALCO is the forum to oversee liquidity management.

Liquidity risk can arise from the Company's activities and can be grouped into three categories:

- Inflows / outflows from on-balance sheet items (other than marketable securities and wholesale borrowings) and off-balance sheet items;
- Marketability of trading securities; and
- Capacity to borrow from the wholesale markets for funding as well as trading activities.

The Company's main funding source is the inter-bank money market. Change in the Government monetary policy and market expectations of interest rate are all important factors that can adversely affect our key funding source. Efficient and accurate planning plays a critical role in liquidity management. Company's MIS provides information on expected cash inflows / out flows which allow the Company to take timely decisions based on the future requirements. Company monitors all the possible sources from which liquidity risk can emanate including market reputation, borrowing terms, deterioration in quality of credit portfolio etc. Other sources are also identified for which early warning indicators have been created and being monitored for early intervention of management sensing a potential liquidity crunch.

Gap analysis and stress testing is done on periodic basis to capture any adverse effect of market movements on liquidity position. Based on the results produced, ALCO devises the liquidity management strategy to maintain sufficient liquidity to deal with any related catastrophe.

34.3.1 Maturities of assets and liabilities - on the basis approved by the Assets and Liabilities Management Committee (ALCO) of the Company

(Rupees in '000)

	Total	December 31, 2014 Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets										
Cash and balances with treasury banks	123,151	30,788	92,363	–	–	–	–	–	–	–
Balances with other banks	76,759	19,190	57,569	–	–	–	–	–	–	–
Investments	24,246,894	3,448,637	862,732	6,358,999	4,764,046	4,063,406	1,234,602	1,381,932	1,777,540	355,000
Advances	7,385,691	1,237,100	462,567	459,719	1,319,171	1,328,103	1,146,661	1,107,025	302,345	23,000
Operating fixed assets	32,318	1,986	3,972	5,024	7,667	11,805	1,864	–	–	–
Other assets	1,035,959	490,072	117,475	80,172	340,975	4,200	3,065	–	–	–
	32,900,772	5,227,773	1,596,678	6,903,914	6,431,859	5,407,514	2,386,192	2,488,957	2,079,885	378,000
Liabilities										
Borrowings	18,089,905	15,799,110	509,251	57,003	384,765	550,111	280,799	427,078	81,788	–
Deposits and other accounts	5,164,230	500,000	2,061,200	2,200,000	403,030	–	–	–	–	–
Deferred tax liabilities	132,921	76,894	(9,445)	9,134	8,051	26,229	21,534	(14,687)	15,211	–
Other liabilities	374,410	85,890	71,606	10,850	36,597	39,030	97,685	30,713	–	2,039
	23,761,466	16,461,894	2,632,612	2,276,987	832,443	615,370	400,018	443,104	96,999	2,039
Net assets	9,139,306	(11,234,121)	(1,035,934)	4,626,927	5,599,416	4,792,144	1,986,174	2,045,853	1,982,886	375,961
Share capital	6,000,000									
Reserves	878,000									
Unappropriated profit	2,110,627									
Surplus on revaluation of assets - net of tax	150,679									
	9,139,306									

	Total	December 31, 2013 Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets										
Cash and balances with treasury banks	96,289	24,072	72,217	–	–	–	–	–	–	–
Balances with other banks	233,935	58,484	175,451	–	–	–	–	–	–	–
Investments	27,430,852	7,462,369	12,466,137	1,843,768	2,629,682	573,295	788,115	1,297,795	119,691	250,000
Advances	6,799,210	1,126,325	948,439	224,233	974,190	1,349,178	972,162	948,682	238,838	17,163
Operating fixed assets	44,636	1,949	3,898	5,847	8,200	12,900	10,047	1,795	–	–
Other assets	902,675	234,797	153,920	41,961	331,973	135,953	1,157	–	–	2,914
	35,507,597	8,907,996	13,820,062	2,115,809	3,944,045	2,071,326	1,771,481	2,248,272	358,529	270,077
Liabilities										
Borrowings	26,391,995	22,674,392	1,421,604	335,891	595,552	691,104	441,108	199,028	33,316	–
Deposits and other accounts	567,070	25,000	139,424	2,646	400,000	–	–	–	–	–
Deferred tax liabilities	14,771	(18,862)	(11,490)	(77)	10,980	17,209	31,918	(16,628)	1,721	–
Other liabilities	287,381	72,246	53,671	23,115	17,325	41,034	38,072	41,918	–	–
	27,261,217	22,752,776	1,603,209	361,575	1,023,857	749,347	511,098	224,318	35,037	–
Net assets	8,246,380	(13,844,780)	12,216,853	1,754,234	2,920,188	1,321,979	1,260,383	2,023,954	323,492	270,077
Share capital	6,000,000									
Reserves	697,026									
Unappropriated profit	1,588,100									
Deficit on revaluation of assets - net	(38,746)									
	8,246,380									

34.3.2 Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the Company

(Rupees in '000)

	Total	December 31, 2014 Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets										
Cash and balances with treasury banks	123,151	30,788	92,363	–	–	–	–	–	–	–
Balances with other banks	76,759	19,190	57,569	–	–	–	–	–	–	–
Investments	24,246,894	3,448,637	862,732	6,358,999	4,764,046	4,063,406	1,234,602	1,381,932	1,777,540	355,000
Advances	7,385,691	1,237,100	462,567	459,719	1,319,171	1,328,103	1,146,661	1,107,025	302,345	23,000
Operating fixed assets	32,318	1,986	3,972	5,024	7,667	11,805	1,864	–	–	–
Other assets	1,035,959	490,072	117,475	80,172	340,975	4,200	3,065	–	–	–
	32,900,772	5,227,773	1,596,678	6,903,914	6,431,859	5,407,514	2,386,192	2,488,957	2,079,885	378,000
Liabilities										
Borrowings	18,089,905	15,799,110	509,251	57,003	384,765	550,111	280,799	427,078	81,788	–
Deposits and other accounts	5,164,230	500,000	2,061,200	2,200,000	403,030	–	–	–	–	–
Deferred tax liabilities	132,921	76,894	(9,445)	9,134	8,051	26,229	21,534	(14,687)	15,211	–
Other liabilities	374,410	85,890	71,606	10,850	36,597	39,030	97,685	30,713	–	2,039
	23,761,466	16,461,894	2,632,612	2,276,987	832,443	615,370	400,018	443,104	96,999	2,039
Net assets	9,139,306	(11,234,121)	(1,035,934)	4,626,927	5,599,416	4,792,144	1,986,174	2,045,853	1,982,886	375,961
Share capital	6,000,000									
Reserves	878,000									
Unappropriated profit	2,110,627									
Surplus on revaluation of assets - net of tax	150,679									
	9,139,306									

	Total	December 31, 2013 Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets										
Cash and balances with treasury banks	96,289	24,072	72,217	–	–	–	–	–	–	–
Balances with other banks	233,935	58,484	175,451	–	–	–	–	–	–	–
Investments	27,430,852	12,499,974	11,323,306	154,575	402,476	594,921	788,115	1,297,795	119,690	250,000
Advances	6,799,210	1,126,325	948,439	224,233	974,190	1,349,178	975,162	948,682	238,838	17,163
Operating fixed assets	44,636	1,949	3,898	5,847	8,200	12,900	10,047	1,795	–	–
Other assets	902,675	234,797	153,920	41,961	331,973	135,953	1,157	–	–	2,914
	35,507,597	13,945,601	12,677,231	426,616	1,716,839	2,092,952	1,771,481	2,248,272	358,528	270,077
Liabilities										
Borrowings	26,391,995	22,674,392	1,421,605	335,891	595,552	691,104	441,108	199,028	33,315	–
Deposits and other accounts	567,070	25,000	139,424	2,646	400,000	–	–	–	–	–
Deferred tax liabilities	14,771	(18,862)	(11,490)	(76)	10,980	17,209	31,918	(16,628)	1,720	–
Other liabilities	287,381	72,246	53,672	23,116	17,325	41,034	38,074	41,914	–	–
	27,261,217	22,752,776	1,603,211	361,577	1,023,857	749,347	511,100	224,314	35,035	–
Net assets	8,246,380	(8,807,175)	11,074,020	65,039	692,982	1,343,605	1,260,381	2,023,958	323,493	270,077
Share capital	6,000,000									
Reserves	697,026									
Unappropriated profit	1,588,100									
Deficit on revaluation of assets - net	(38,746)									
	8,246,380									

34.4 Operational risk

The Company, like all financial institutions, is exposed to many types of operational risks, including the potential losses arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and procedures and the execution of legal, fiduciary and agency responsibilities.

The Company maintains a system of internal controls designed to keep operational risk at appropriate levels, in view of the Company's financial strength and the characteristics of the activities and market in which it operates. These internal controls are periodically updated to conform to industry best practice. The Company has developed a Business Continuity Plan applicable to all its functional areas. Currently the Company uses the Basic Indicator Approach for assessing its operational risk capital charge.

35. NON ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors have proposed a final dividend for the year ended December 31, 2014 of Rs. **0.33** per share (2013: Re.0.33 per share), amounting to Rs. **200** million (2013: Rs.200 million) at their meeting held on **March 10, 2015** , for approval of the members at the annual general meeting to be held on **March 31, 2015** . The unconsolidated financial statements for the year ended December 31, 2014 do not include the effect of these appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2015.

36. GENERAL

36.1 Credit rating

The Company has been assigned credit rating of 'AA+' (Double A plus) in the medium to long term and A1+ (A One Plus) in the short-term by JCR-VIS Credit Rating Agency Limited, SBP approved rating agency. Outlook on the assigned rating is "Stable".

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

37. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue on **March 10, 2015** by the Board of Directors of the Company.

Chief Executive **Director** **Director** **Chairman**

Annexure - I

As referred in note 9.6 of the unconsolidated financial statements

Statement showing written-off loans on any other financial relief of Rs. 500,000 or above provided during the year ended December 31, 2014.

S. No.	Name and address of the borrowers	Name of individual/ partner/director and CNIC No.	Father's /Husband's name	Outstanding Liabilities at the beginning of the year				Amount written-off			
				Principal	Mark-up	Others	Total	Principal	Mark-up	Others	Total
	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

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Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of **Pak Brunei Investment Company Limited** (the Holding Company) and its subsidiary company (Primus Investment Management Limited), here-in-after referred to as the Group, as at **31 December 2014** and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and its subsidiary company. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of Pak Brunei Investment Company Limited and its subsidiary company as at 31 December 2014 and the results of their operations for the year then ended.

Chartered Accountants
Audit Engagement Partner: Shabbir Yunus
Date: March 10, 2015
Karachi

Consolidated
Statement of Financial Position
As at December 31, 2014

2014	2013		Note	2014	2013
(US $ in '000)				(Rupees in '000)	
		ASSETS			
1,224	957	Cash and balances with treasury banks	5	**123,153**	96,317
1,726	2,342	Balances with other banks	6	**173,645**	235,581
–	–	Lendings to financial institutions		**–**	–
240,483	272,535	Investments	7	**24,192,538**	27,416,962
73,492	67,615	Advances	8	**7,393,282**	6,802,019
370	518	Operating fixed assets	9	**37,204**	52,142
–	–	Deferred tax assets		**–**	–
10,703	8,870	Other assets	10	**1,076,782**	892,311
327,998	352,837			**32,996,604**	35,495,332
		LIABILITIES			
–	–	Bills payable		**–**	–
179,820	262,346	Borrowings	11	**18,089,905**	26,391,995
51,334	5,637	Deposits and other accounts	12	**5,164,230**	567,070
–	–	Sub-ordinated loans		**–**	–
–	–	Liabilities against assets subject to finance lease		**–**	–
1,388	147	Deferred tax liabilities	13	**139,656**	14,787
3,918	2,931	Other liabilities	14	**394,156**	294,815
236,460	271,061			**23,787,947**	27,268,667
91,538	81,776	**NET ASSETS**		**9,208,657**	8,226,665
		REPRESENTED BY			
59,642	59,642	Share capital	15	**6,000,000**	6,000,000
8,728	6,929	Reserves		**878,000**	697,026
21,670	15,590	Unappropriated profit		**2,179,978**	1,568,385
90,040	82,161			**9,057,978**	8,265,411
1,498	(385)	Surplus / (deficit) on revaluation of assets - net of tax	16	**150,679**	(38,746)
91,538	81,776			**9,208,657**	8,226,665
		CONTINGENCIES AND COMMITMENTS	17		

The annexed notes from 1 to 37 form an integral part of these consolidated financial statements

Chief Executive **Director** **Director** **Chairman**

Consolidated
Profit and Loss Account
For the Year ended December 31, 2014

2014	2013		Note	2014	2013
(US $ in '000)				(Rupees in '000)	
24,925	13,989	Mark-up / return / interest earned	18	**2,507,431**	1,407,274
20,236	9,633	Mark-up / return / interest expensed	19	**2,035,772**	969,079
4,689	4,356	Net mark-up / interest Income		**471,659**	438,195
(1)	2	(Reversal) / provision against non-performing loans and advances	8.5	**(4)**	230
(35)	77	(Reversal) / provision for diminution in the value of investments	7.3	**(3,661)**	7,791
–	–	Bad debts written off directly		**–**	–
(36)	79			**(3,665)**	8,021
4,725	4,277	Net mark-up / interest income after provisions		**475,324**	430,174
		NON MARK-UP / INTEREST INCOME			
1,184	1,132	Fee, commission and brokerage income		**119,114**	113,922
410	303	Dividend income		**41,253**	30,499
–	–	Income from dealing in foreign currencies		**–**	–
2,913	2,477	Gain on sale of securities - net	20	**293,003**	249,200
31	–	Unrealised loss on revaluation of investments classified as held-for-trading	7.1	**3,114**	–
161	502	Other income	21	**16,159**	50,539
4,699	4,414	Total non mark-up / interest income		**472,643**	444,160
9,424	8,691			**947,967**	874,334
		NON MARK-UP / INTEREST EXPENSES			
3,311	2,548	Administrative expenses	22	**333,075**	256,300
–	–	Other provisions / write off		**–**	–
1	–	Other charges		**120**	–
3,312	2,548	Total non-mark-up / interest expenses		**333,195**	256,300
6,112	6,143			**614,772**	618,034
5,882	2,839	Share of profit of associates	7.10	**591,716**	285,633
11,994	8,982	**PROFIT BEFORE TAXATION**		**1,206,488**	903,667
1,897	1,710	Taxation - Current		**190,833**	171,984
(150)	54	- Prior years		**(15,098)**	5,425
366	390	- Deferred		**36,820**	39,262
2,113	2,154		23	**212,555**	216,671
9,881	6,828	**PROFIT AFTER TAXATION**		**993,933**	686,996
		Attributable to:			
9,881	6,828	Equity shareholders of the Holding Company		**993,933**	686,996
–	–	Non-controlling interest		**–**	–
9,881	6,828			**993,933**	686,996
US $				Rupees	
0.02	0.01	**Earnings per share - basic and diluted**	24	**1.66**	1.14

The annexed notes from 1 to 37 form an integral part of these consolidated financial statements.

Chief Executive **Director** **Director** **Chairman**

Consolidated
Statement of comprehensive income

For the Year ended December 31, 2014

2014	2013		Note	2014	2013
(US $ in '000)				(Rupees in '000)	
9,881	6,828	Profit after taxation		**993,933**	686,996
		Other comprehensive income **Items not to be reclassified to profit or loss in subsequent periods:**			
(20)	–	Remeasurement loss on defined benefit plan		**(2,039)**	–
6	–	Related tax effects		**673**	–
(14)	–			**(1,366)**	–
9,867	6,828	**Total comprehensive income for the year**		**992,567**	686,996
		Attributable to:			
9,867	6,828	Equity shareholders of the Company		**992,567**	686,996
–	–	Non-controlling interest		**–**	–
9,867	6,828			**992,567**	686,996

Surplus/(deficit) arising on revaluation of assets has been reported in accordance with the directives of the State Bank of Pakistan in a separate account below equity.

The annexed notes from 1 to 37 form an integral part of these consolidated financial statements.

Chief Executive **Director** **Director** **Chairman**

Consolidated
Cash Flow Statement

For the Year ended December 31, 2014

2014	2013		Note	2014	2013
(US $ in '000)				(Rupees in '000)	
		CASH FLOWS FROM OPERATING ACTIVITIES			
11,994	8,982	Profit before taxation		**1,206,488**	903,667
410	303	Less: Dividend income		**41,253**	30,499
11,584	8,679			**1,165,235**	873,168
		Adjustments for non-cash charges and other items			
164	162	Depreciation	22	**16,548**	16,339
27	24	Amortisation	22	**2,746**	2,443
(1)	2	(Reversal) / provision against non-performing loans and advances		**(4)**	230
(36)	77	(Reversal) / provision for diminution in the value of investments	7.3	**(3,661)**	7,791
–	–	Other provisions / write off		**–**	–
1	–	Asset written off		**18**	–
(1)	(1)	Gain on sale of property and equipment	21	**(7)**	(48)
(30)	–	Unrealised loss on revaluation of investments classified as held-for-trading		**(3,114)**	–
(5,882)	(2,839)	Share of profit of associates		**(591,716)**	(285,633)
(5,758)	(2,575)			**(579,190)**	(258,878)
5,826	6,104			**586,045**	614,290
		Decrease / (increase) in operating assets			
(284)	–	Held-for-trading securities		**(28,544)**	–
(5,877)	(10,168)	Advances		**(591,259)**	(1,022,852)
(1,400)	(1,078)	Others assets (excluding current taxation)		**(140,839)**	(108,417)
(7,561)	(11,246)			**(760,642)**	(1,131,269)
		(Decrease) / increase in operating liabilities			
(82,526)	238,319	Borrowings		**(8,302,090)**	23,974,856
45,697	(22,444)	Deposits and other accounts		**4,597,160**	(2,257,854)
967	696	Other liabilities (excluding current taxation)		**97,305**	69,974
(35,862)	216,571			**(3,607,625)**	21,786,976
(37,597)	211,429			**(3,782,222)**	21,269,997
(1,903)	(2,974)	Income tax paid		**(191,471)**	(299,416)
(39,500)	208,455	Net cash (used in) / generated from operating activities		**(3,973,693)**	20,970,581
		CASH FLOWS FROM INVESTING ACTIVITIES			
26,892	(178,416)	Net investment in available-for-sale securities		**2,705,377**	(17,948,643)
–	1,901	Net investment in held-to-maturity securities		**–**	191,230
14,198	(23,180)	Investment in associates		**1,428,345**	(2,331,828)
92	886	Dividend income received		**9,238**	89,120
(44)	(106)	Investments in operating fixed assets		**(4,385)**	(10,678)
1	1	Sale proceeds from disposal of property and equipment		**18**	131
41,139	(198,914)	Net cash generated from / (used in) investing activities		**4,138,593**	(20,010,668)
		CASH FLOWS FROM FINANCING ACTIVITIES			
(1,988)	(9,940)	Dividend paid		**(200,000)**	(1,000,000)
(1,988)	(9,940)	Net cash used in financing activities		**(200,000)**	(1,000,000)
(349)	(399)	**Decrease in cash and cash equivalents**		**(35,100)**	(40,087)
3,299	3,698	Cash and cash equivalents at the beginning of the year		**331,898**	371,985
2,950	3,299	Cash and cash equivalents at the end of the year	25	**296,798**	331,898

The annexed notes from 1 to 37 form an integral part of these consolidated financial statements.

Chief Executive **Director** **Director** **Chairman**

Consolidated
Statement of Changes in Equity

For the Year ended December 31, 2014

	Share capital	Statutory reserve	Unappropriated profit	Total
		(Rupees in '000)		
As at January 01, 2013	6,000,000	555,884	2,022,531	8,578,415
Total comprehensive income for the year				
Profit after tax for the year ended December 31, 2013	–	–	686,996	686,996
Other comprehensive income	–	–	–	–
Total comprehensive income for the year ended December 31, 2013	–	–	686,996	686,996
Transfers				
Transfer to statutory reserve	–	141,142	(141,142)	–
Transfers to unappropriated profit	–	–	–	–
Transaction with owners recorded directly in equity				
Final cash dividend paid for the year ended December 31, 2012 @ Rs.1.67 per share	–	–	(1,000,000)	(1,000,000)
As at December 31, 2013	**6,000,000**	**697,026**	**1,568,385**	**8,265,411**
Total comprehensive income for the year				
Profit after tax for the year ended December 31, 2014	–	–	993,933	993,933
Other comprehensive income	–	–	(1,366)	(1,366)
Total comprehensive income for the year ended December 31, 2014	–	–	992,567	992,567
Transfers				
Transfer to statutory reserve	–	180,974	(180,974)	–
Transaction with owners recorded directly in equity				
Final cash dividend paid for the year ended December 31, 2013 @ Rs.0.33 per share	–	–	(200,000)	(200,000)
As at December 31, 2014	**6,000,000**	**878,000**	**2,179,978**	**9,057,978**

The annexed notes from 1 to 37 form an integral part of these consolidated financial statements.

Chief Executive **Director** **Director** **Chairman**

Consolidated
Notes to the Financial Statements

For the Year ended December 31, 2014

1. STATUS AND NATURE OF BUSINESS

The Group comprises of Pak Brunei Investment Company Limited (the Holding Company) and the wholly owned subsidiary companies, Primus Investment Management Limited and Awwal Modaraba Management Limited. Brief profile of the Holding Company and its subsidiary companies is as follows:

1.1 The Holding Company

Pak Brunei Investment Company Limited (the "Holding Company" or "parent") is a Development Finance Institution (DFI) incorporated as an un-listed public limited company under the Companies Ordinance, 1984. The State Bank of Pakistan (the SBP) granted the approval for commencement of business with effect from August 20, 2007. The Holding Company is a joint venture between the Government of Pakistan and the Brunei Investment Agency. The Holding Company's objective interalia includes making investments in the industrial and agro based industrial fields in Pakistan on commercial basis through carrying out of industrial and agro based industrial projects and making of their products in Pakistan and abroad and to undertake other feasible business and to establish and acquire companies to conduct various businesses. The registered office of the Holding Company is situated at Horizon Vista, Plot No. Comm-10, Block No. 4, Scheme No. 5, Clifton, Karachi, Pakistan.

1.2 Primus Investment Management Limited (PIML)

PIML is a public unlisted company incorporated in Pakistan on August 10, 2011 under the Companies Ordinance, 1984. The registered office of the PIML is situated at 4th Floor, Horizon Vista, Plot No. Comm-10, Block No. 4, Scheme No. 5, Clifton, Karachi, Pakistan. PIML has obtained the license of an "Investment Advisor" and "Asset Management Company" (AMC) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

1.3 Awwal Modaraba Management Limited (AMML)

AMML is a public unlisted company incorporated in Pakistan on June 05, 2014 under the Companies Ordinance 1984. The registered office of the AMML is situated at Horizon Vista, Commercial-10, Block-4, Scheme-5, Clifton, Karachi, Pakistan. AMML has been incorporated to carry on the business of modaraba floatation and management in Pakistan and to initiate, sponsor, promote, float, organize, manage, administer and operate Modaraba companies, Modaraba funds, multi purpose and specific purpose Modaraba and Modarabas of all types and description as per Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. As of the balance sheet date, the floatation of Modaraba is in process.

2. BASIS OF PRESENTATION

2.1 Basis of Measurement

These consolidated financial statements have been prepared under the historical cost convention except that certain investments have been stated at revalued amounts in accordance with the directives of the State Bank of Pakistan (SBP).

2.2 US Dollar equivalent

The US dollar amounts shown in the consolidated statement of financial position, consolidated profit and loss account, consolidated statement of comprehensive income and consolidated cash flow statement are stated as additional information solely for the convenience of readers and are not audited. For this purpose of conversion to US Dollars, the rate of Rs.100.60 to US Dollars has been used for both 2014 and 2013, as it was the prevalent rate on December 31, 2014.

3. STATEMENT OF COMPLIANCE

3.1 These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the provisions of and directives issued under the Companies Ordinance, 1984 and the directives issued by the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984 or directives issued under the Companies Ordinance, 1984 and the State Bank of Pakistan differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

3.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for DFIs through BSD Circular Letter No. 11 dated September 11, 2002 till further instructions. Further, according to the notification of the SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable to Banks / DFIs. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

3.3 New accounting standards, interpretations and amendments

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

New, Revised and Amended Standards and Interpretations	Effective Date (Annual periods beginning on or after)
IFRS 10 – Consolidated Financial Statements	January 01, 2015
IFRS 11 – Joint Arrangements	January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 – Fair Value Measurement	January 01, 2015
IAS 1 – Presentation of Financial Statements – Disclosure Initiative (Amendment)	January 01, 2016
IAS 16 & 38 – Property, Plant and Equipment & intangible assets – Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	January 01, 2016
IAS 16 & 41 – Property, Plant and Equipment & Agriculture: Agriculture: Bearer Plants (Amendment)	January 01, 2016
IAS 27 – Separate Financial Statements (Amendment)	January 01, 2016
IAS 19 – Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendment)	July 01, 2014

The Group expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Group's financial statements in the period of initial application except for IFRS 10 for which the Group is currently evaluating the impact on its financial statements.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after July 01, 2014. The Group expects that such improvements to the standards will not have any impact on the Group's financial statements in the period of initial application.

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

Standard	IASB Effective Date (Annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers	January 01, 2017

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year except as described below:

New, Revised and Amended Standards and Interpretations

Standard or interpretation
The Group has adopted the following revised standards, amendments and interpretations of IFRSs which became effective during the current year:

IAS 32 – Financial Instruments : Presentation – (Amendment)
– Offsetting Financial Assets and Financial Liabilities

IAS 36 – Impairment of Assets – (Amendment)
– Recoverable Amount Disclosures for Non-Financial Assets

IFRIC 21 – Levies

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any effect on the consolidated financial statements.

4.2 Basis of consolidation

Subsidiary is the enterprise in which the Group directly or indirectly controls, beneficially owns or holds more than 50 percent of its voting securities or otherwise has power to elect and appoint more than 50 percent of its directors.

Subsidiaries are consolidated from the date on which more than 50 percent of voting rights are transferred to the Group or power to control the entity is established and excluded from consolidation from the date of disposal or when the control is lost.

The financial statements of subsidiaries are prepared for the same reporting year as the Group for the purpose of consolidation, using consistent accounting policies.

The assets, liabilities, income and expenses of subsidiary have been consolidated on a line by line basis and the carrying value of investment in subsidiary held by the Group is eliminated against the shareholders' equity in the consolidated financial statements.

Non-Controlling Interest in equity of the Subsidiaries are measured at proportionate share of net assets of the acquiree.

Material intra-group balances and transactions have been eliminated.

4.3 Cash and cash equivalents

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

4.4 Investments

Investments other than those categorised as held-for-trading are initially recognised at fair value which includes transaction costs associated with the acquisition of investments. Investments classified as held-for-trading are initially recognised at fair value, and transaction costs are expensed in the consolidated profit and loss account. The Group has classified its investment portfolio into 'held-for-trading', 'held-to-maturity' and 'available-for-sale' portfolios as follows:

Held-for-trading
These are investments, which are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements, dealer's margin or are securities included in a portfolio in which a pattern of short-term profit taking exists and are to be sold within 90 days of acquisition. These are carried at market value, with the related surplus / deficit being taken to consolidated profit and loss account.

Held-to-maturity
These are securities with fixed or determinable payments and fixed maturity in respect of which the Group has the positive intent and ability to hold till maturity. These are carried at amortised cost using the effective interest rate method.

Available-for-sale
These are investments that do not fall under the 'held-for-trading' or 'held-to-maturity' categories. These are carried at market value with the surplus / deficit taken to surplus / deficit on revaluation of assets' account below equity. Provision for diminution in the value of investments in respect of unquoted shares is calculated with reference to break-up value. Provision for unquoted debt securities is calculated with reference to the time-based criteria as per the SBP's Prudential Regulations.

On derecognition or impairment in quoted available-for-sale investments, the cumulative gain or loss previously reported as 'surplus / (deficit) on revaluation of assets' below equity is included in the consolidated profit and loss account for the year.

Held-for-trading and quoted available-for-sale securities are marked to market with reference to ready quotes on Reuters page (PKRV) or the Stock Exchanges.

Unquoted equity securities are valued at the lower of cost and break-up value. The break-up value of these securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment, if any.

The carrying values of investments are reviewed for impairment at each reporting date. Where any such indications exist that the carrying values exceed the estimated recoverable amounts, provision for impairment is made through the consolidated profit and loss account.

Investments in associates
Associates are entities over which the Group has a significant influence, but control does not exist.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in the associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee subsequent to the date of acquisition. The increase / decrease in the share of profit or loss of associates is accounted for in the consolidated profit and loss account. The Group applies equity accounting for its own investment in mutual funds managed by PIML.

4.5 Repurchase and resale agreements

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

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

4.6 Derivative financial instruments

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

4.7 Trade date accounting

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

4.8 Financial instruments

Financial assets and liabilities are recognised at the time when the Group becomes party to the contractual provision of the instrument. Financial assets are de-recognised 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-recognised when obligation specific in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognised in the consolidated profit and loss account of the current period. The particular recognition and subsequent measurement method for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

4.9 Advances

Advances are stated net of specific and general provisions. Specific provisions are made in accordance with the requirements of the Prudential Regulations issued by SBP and charged to the consolidated profit and loss account. These regulations prescribe an age based criteria (as supplemented by subjective evaluation of advances) for classification of non-performing loans and advances and computing provision / allowance thereagainst. Advances are written off where there are no realistic prospects of recovery.

Leases are classified as finance leases, when the Group transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessee. A receivable is recognised at an amount equal to the present value of the minimum lease payments, including guaranteed residual value, if any. Finance lease receivables are included in advances to customers.

4.10 Taxation

4.10.1 Current

The charge for current taxation is based on taxable income at the current rates of taxation in accordance with the requirements of the Income Tax Ordinance 2001.The charge for current tax also includes adjustments whenever considered relating to prior year, arising from assessments framed during the year.

4.10.2 Deferred

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and any unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carry forward of unused tax assets and unused tax losses can be utilised.

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

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

Deferred tax relating to gain / loss recognised in 'surplus / deficit on revaluation of assets' or items recognised in other comprehensive income (OCI) are charged / credited to 'surplus / deficit on revaluation of assets' or OCI, as the case may be.

4.11 Operating fixed assets

4.11.1 Property and equipment

4.11.1.1 Owned assets

Operating fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to the consolidated profit and loss account using the straight line method at the rates stated in note 9.1. Depreciation is charged from the date when the asset is available for use and no depreciation is charged from the date when the asset is disposed off.

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

Residual values and useful lives are reviewed at each reporting date and adjusted if the impact on depreciation is considered significant.

Gain / loss on sale or disposal of fixed assets is recognised in the consolidated profit and loss account.

4.11.1.2 Leased assets

Assets held under finance lease are accounted for by recording the assets and the related liability. These are recorded at lower of fair value and the present value of minimum lease payments at the inception of lease and are subsequently stated net of accumulated depreciation.

Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding finance lease liability.

Depreciation is charged on leased assets on a basis similar to that of owned assets.

4.11.2 Intangibles

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any. Intangible assets are amortised using the straight line method at the rate stated in note 9.2. The residual values and useful life are reviewed and adjusted, if appropriate at each reporting date.

Amortisation is charged from the date when the asset is available for use and no amortisation is charged from the date when the asset is disposed off.

4.11.3 Capital work-in-progress

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

4.11.4 Impairment

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

The resulting impairment loss is taken to consolidated profit and loss account. Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognised as income.

4.12 Provisions

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

4.13 Borrowings / deposits

a) Borrowings / deposits are recorded when the proceeds are received.

b) The cost of borrowings / deposits is recognised as an expense in the period in which it is incurred. Any difference between the proceeds and the redemption value is recognised in the consolidated profit and loss account over the period of the borrowings / deposits using the effective interest method.

4.14 Offsetting

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

4.15 Assets acquired in satisfaction of claims

The Group occasionally acquires assets in settlement of certain advances. These are stated at lower of the net realizable value of the related advances or the fair value of such assets.

4.16 Staff retirement benefits

4.16.1 Defined benefit plan - Staff gratuity fund

The Holding Company operates a funded gratuity scheme for its eligible permanent employees. The scheme was established during the year and approved by the Commissioner of Income Tax. The Holding Company recognises expense in accordance with IAS 19 “Employee Benefits”.

The latest actuarial valuation was conducted as at December 31, 2014 and is carried out using the Projected Unit Credit Method (PUCM). Under this method, the cost of providing gratuity is charged to the profit and loss account so as to spread the cost over the service lives of the employees in accordance with the actuarial valuation. Actuarial gains and losses are recognised in full in the period in which they occur in other comprehensive income. All past service costs are recognised at the earlier of when the amendment or curtailment occurs and when the Holding Company has recognised related restructuring or termination benefits.

4.16.2 Defined contribution plan - Staff provident fund

The Group operates a provident fund scheme for its employees. Equal monthly contributions are made both by the Group and the employees to the fund at the rate of 10% of basic salary.

4.17 Revenue recognition

Mark-up / return / interest income on advances and investments is recognised on time proportionate basis taking into account effective yield on the instrument except in case of advances and investments classified under the SBP's Prudential Regulations on which mark-up / return / interest is recognised on receipt basis.

Dividend income is recognised when the Group's right to receive income is established.

Fee, commission and brokerage income, management fee and remuneration for trustee and advisory services are recognised upon of performance of services.

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

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

Return on bank deposits is recognised on time proportionate basis using the effective interest rates.

4.18 Foreign currency translation

Foreign currency transactions are converted into Rupees by applying the exchange rate at the date of the respective transactions. Monetary assets and liabilities in foreign currencies are translated into Rupees at the rates of exchange prevailing at the reporting date. Exchange gains and losses are included in income.

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

4.19 Distributions and other appropriations to reserves

The Group recognises all appropriations, other than statutory appropriations, to reserves including those in respect of cash dividends and bonus shares, in the year in which such appropriations are approved by shareholders / directors as appropriate.

4.20 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no convertible dilutive potential ordinary shares in issue at December 31, 2014 and 2013.

4.21 Segment Reporting

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

4.21.1 Business Segments

Corporate finance

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

Trading and sales

It includes fixed income, equity, foreign exchange, commodities, credit, funding, lending and repos, brokerage debt and prime brokerage.

Commercial Banking

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

4.21.2 Geographical segments

The Group operates in Pakistan only.

4.22 Accounting estimates and judgments

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

4.22.1 Classification of investments

- In classifying investments as 'held-for-trading', the Group has determined securities which are acquired with an intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.

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

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

4.22.2 Provision against non-performing loans and advances

The Group reviews its loan portfolio to assess amount of non-performing loans and advances and determine provision required there against. While assessing this requirement various factors including the past dues, delinquency in the account, financial position of the borrower and requirements of Prudential Regulations are considered.

4.22.3 Impairment of available-for-sale equity investments

The Group 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. The determination of what is "significant or prolonged" requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

4.22.4 Taxation
In making the estimates for income taxes currently payable by the Group, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past.

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

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

4.22.7 Employees' defined benefit plan
The liability for employees' defined benefit plan is determined using actuarial valuations. The actuarial valuation involve assumptions about discount rates, expected rates of returns on assets, future salary increase etc. Due to the long term nature of the plan, such estimates are subject to significant uncertainty.

5. CASH AND BALANCES WITH TREASURY BANKS

	Note	December 31 2014	December 31 2013
		(Rupees in '000)	
In hand		**2**	28
With State Bank of Pakistan in Local currency current account	5.1	**123,135**	96,273
With National Bank of Pakistan in Local currency current account		**16**	16
		123,153	96,317

5.1 This includes the minimum cash reserve required to be maintained with the SBP in accordance with the requirement of BSD Circular No. 04 dated May 22, 2004.

6. BALANCES WITH OTHER BANKS

	Note	December 31 2014	December 31 2013
		(Rupees in '000)	
In Pakistan			
On deposit accounts	6.1	**173,645**	235,581
		173,645	235,581

6.1 These carry mark-up at rates ranging from 6.00% to 8.50% per annum (2013: 6.00% to 8.30% per annum).

7. INVESTMENTS

7.1 Investment by Types

(Rupees in '000)

	Note	December 31, 2014 Held by Group	December 31, 2014 Given as collateral	December 31, 2014 Total	December 31, 2013 Held by Group	December 31, 2013 Given as collateral	December 31, 2013 Total
Held-for-trading securities							
Market Treasury Bills		–	–	–	–	–	–
Pakistan Investment Bonds	7.5.1	**28,544**	–	**28,544**	–	–	–
Units of mutual funds		–	–	–	–	–	–
Ordinary shares of listed companies		–	–	–	–	–	–
		28,544	–	**28,544**	–	–	–
Available-for-sale securities							
Market Treasury Bills	7.5.1	**1,298,579**	**8,062,491**	**9,361,070**	1,156,667	16,787,541	17,944,208
Pakistan Investment Bonds	7.5.1	**243,327**	**5,776,186**	**6,019,513**	364,311	758,049	1,122,360
Ordinary shares of listed companies	7.6	**745,250**	–	**745,250**	312,981	–	312,981
Ordinary shares of unlisted companies	7.7	**124,670**	–	**124,670**	124,670	–	124,670
Units of mutual funds	7.8	**29,835**	–	**29,835**	28,835	–	28,835
Term Finance Certificates and Sukuks	7.11	**2,789,859**	–	**2,789,859**	2,155,934	84,960	2,240,894
Preference shares	7.9	**93,885**	–	**93,885**	95,510	–	95,510
		5,325,405	**13,838,677**	**19,164,082**	4,238,908	17,630,550	21,869,458
Investment in associates	7.10	**5,005,407**	–	**5,005,407**	5,837,921	–	5,837,921
Investments at cost		**10,359,356**	**13,838,677**	**24,198,033**	10,076,829	17,630,550	27,707,379
Less: Provision for diminution in value of Investments	7.3	**(240,304)**	–	**(240,304)**	(243,965)	–	(243,965)
Investments (net of provisions)		**10,119,052**	**13,838,677**	**23,957,729**	9,832,864	17,630,550	27,463,414
Surplus on revaluation of held-for-trading securities - net		**3,114**	–	**3,114**	–	–	–
Surplus / (deficit) on revaluation of available-for-sale securities - net	16.1	**(15,747)**	**247,442**	**231,695**	(31,383)	(15,069)	(46,452)
Total investments at market value		**10,106,419**	**14,086,119**	**24,192,538**	9,801,481	17,615,481	27,416,962

	Note	December 31 2014	December 31 2013
		(Rupees in '000)	

7.2 Investment by Segments

	Note	2014	2013
Federal Government Securities:			
Market Treasury Bills	7.5	**9,361,070**	17,944,208
Pakistan Investment Bonds	7.5	**6,048,057**	1,122,360
Fully paid-up ordinary shares:			
Listed companies	7.6	**745,250**	312,981
Unlisted companies	7.7	**124,670**	124,670
Term Finance Certificates and Sukuks:			
Listed	7.11	**705,909**	419,188
Unlisted	7.11	**2,083,950**	1,821,706
Units of mutual funds (including associates)	7.8 & 7.10	**5,035,242**	5,866,756
Preference shares	7.9	**93,885**	95,510
Total investments at cost		**24,198,033**	27,707,379
Less: Provision for diminution in value of investments	7.3	**(240,304)**	(243,965)
Investments (net of provisions)		**23,957,729**	27,463,414
Surplus on revaluation of held-for-trading securities - net		**3,114**	–
Surplus / (deficit) on revaluation of available-for-sale securities - net	16.1	**231,695**	(46,452)
Total investments at market value		**24,192,538**	27,416,962

7.3 Particulars of Provision

	Note	2014	2013
As at January 01		**243,965**	262,815
Charge for the year		**14,078**	14,755
Reversal during the year		**(17,739)**	(6,964)
		(3,661)	7,791
Impairment on equity securities transferred to profit and loss account on disposal		**–**	(26,641)
	7.3.1	**240,304**	243,965

7.3.1 Particulars of provision in respect of type and segment

	Note	2014	2013
Available-for-sale securities			
Ordinary shares of listed companies	7.6	**27,143**	14,060
Units of mutual funds	7.8	**7,209**	7,209
Preference shares	7.9	**4,875**	6,500
Term finance certificates and Sukuks	7.11	**201,077**	216,196
		240,304	243,965

7.4 Quality of Available-for-Sale Securities

(Rupees in '000)

	December 31, 2014 Market value / Carrying value for unlisted investments	December 31, 2014 Rating	December 31, 2013 Market value / Carrying value for unlisted investments	December 31, 2013 Rating
Market Treasury Bills (T-bills)				
1 year T-bills	**6,935,967**	**Government**	–	Government
6 months T-bills	**–**	**Securities**	238,515	Securities
3 months T-bills	**2,433,980**		17,699,014	
	9,369,947		17,937,529	
Pakistan Investment Bonds (PIBs)				
10 years PIBs	**1,764,841**	**Government**	408,827	Government
5 years PIBs	**567,271**	**Securities**	499,837	Securities
3 years PIBs	**3,941,253**		201,764	
	6,273,365		1,110,428	
Ordinary shares of listed companies				
Oil and gas marketing / exploration companies				
Pakistan State Oil Company Limited	**17,896**	**AA+**	–	–
Pakistan Petroleum Limited	**13,239**	**Unrated**	–	–
Oil & Gas Development Corporation	**20,587**	**AAA**	–	–
Pakistan Oilfields Limited	**9,598**	**Unrated**	–	–
Attock Refinery Limited	**6,572**	**AA**	–	–
National Refinery Limited	**18,485**	**AA+**	–	–
Hascol Petroleum Limited	**24,082**	**A+**	–	–
Shell Pakistan Limited	**6,472**	**Unrated**	–	–
Mari Petroleum Company Limited	**3,661**	**Unrated**	–	–
Commercial banks				
National Bank of Pakistan Limited	**–**	**–**	23,224	AAA
United Bank Limited	**26,507**	**AA+**	45,359	AA+
Askari Commercial Bank Limited	**21,916**	**AA**	–	–
Bank Al-Habib Limited	**9,710**	**AA+**	–	–
Faysal Bank Limited	**22,750**	**AA**	–	–
Bank Alfalah Limited	**13,097**	**AA**	–	–
Habib Metropolitan Bank Limited	**4,308**	**AA+**	–	–
Trust Investment Bank Limited	**219**	**Unrated**	–	–
Communication				
Pakistan Telecommunication Company Limited	**17,157**	**Unrated**	4,266	Unrated
Power generation and distribution				
Kot Addu Power Company Limited	**–**	**–**	62,059	AA+
Pakgen Power Limited	**–**	**–**	3,691	A1+
Nishat Power Limited	**–**	**–**	19,855	A1
Lalpir Power Limited	**2,990**	**AA**	4,288	A1+
The Hub Power Company Limited	**–**	**–**	72,864	AA+
Kohinoor Energy Limited	**31,066**	**AA**	–	–
Cement				
Maple Leaf Cement Limited	**13,275**	**A-**	–	–
Fauji Cement Company Limited	**51,680**	**Unrated**	–	–
Pioneer Cement Limited	**29,963**	**Unrated**	–	–
Lafarge Pakistan Limited	**10,410**	**Unrated**	–	–
Akzo Nobel Pakistan Limited	**10,333**	**Unrated**	–	–
Balance carried forward	**385,973**		235,606	

(Rupees in '000)

	December 31, 2014		December 31, 2013	
	Market value / Carrying value for unlisted investments	**Rating**	Market value / Carrying value for unlisted investments	Rating
Balance brought forward	**385,973**		235,606	
Chemicals				
ICI Pakistan Limited	**30,522**	**Unrated**	–	–
Nimir Industrial Chemicals Limited (related party)	–	–	14,920	Unrated
Ghani Gases Limited	**2,516**	**Unrated**	–	–
Automobile				
Pak Suzuki Motors Limited	**18,556**	**Unrated**	–	–
Indus Motors Limited	**6,602**	**Unrated**	–	–
Honda Atlas Cars (Pakistan) Limited	**12,882**	**Unrated**	–	–
The General Tyre & Rubber Company of Pakistan Limited	**21,846**	**Unrated**	–	–
Food producers				
Clover Pakistan Limited	**1,434**	**Unrated**	–	–
Paper and board				
Century Paper & Board Mills Limited	**8,674**	**A+**	–	–
Fertilizers				
Fauji Fertilizers Company Limited	**45,210**	**Unrated**	–	–
Engro Fertilizer Limited	**51,936**	**A+**	–	–
Agritech Limited	**9,760**	**Unrated**	15,956	D
Personal goods				
Nishat Mills Limited	**9,077**	**AA**	–	–
Nishat (Chunian) Limited	**27,070**	**A-**	–	–
Sugar				
Abdullah Shah Ghazi Sugar Mills Ltd.	**19,881**	**Unrated**	–	–
Miscellaneous				
Crescent Steel & Allied Products Limited	**15,198**	**Unrated**	–	–
EFU General Insurance Limited	**9,968**	**AA+**	–	–
Cyan Limited	**4,296**	**A+**	–	–
Searle Company Limited	**3,216**	**Unrated**	–	–
	684,617		266,482	
Ordinary shares of unlisted companies				
Faruki Pulp Mills Limited	**100,000**	**Unrated**	100,000	Unrated
Omer Jibran Engineering Industries Limited	**24,670**	**Unrated**	24,670	Unrated
	124,670		124,670	
Preference shares				
Pakistan Mercantile Exchange Limited	**15,000**	**Unrated**	15,000	Unrated
Omer Jibran Engineering Industries Limited	**74,010**	**Unrated**	74,010	Unrated
Trust Investment Bank Limited	–	**Unrated**	–	Unrated
	89,010		89,010	
Units of mutual funds				
Pak Oman Advantage Fund	**28,546**	**AA+**	21,626	AA+
Meezan Capital Preservation Fund - III	**1,120**	**Unrated**	–	–
	29,666		21,626	

(Rupees in '000)

	December 31, 2014		December 31, 2013	
	Market value / Carrying value for unlisted investments	**Rating**	Market value / Carrying value for unlisted investments	Rating
Term Finance Certificates (TFCs) and Sukuks				
Listed TFCs				
Commercial banks				
Allied Bank Limited - 1st issue	**–**	**–**	25,217	AA
Allied Bank Limited - 2nd issue	**34,296**	**AA**	25,185	AA
Askari Bank Limited - 4th issue	**101,136**	**AA-**	107,726	AA-
Faysal Bank Limited - 1st issue	**–**	**–**	2,604	AA-
NIB Bank Limited - Perpetual TFC	**246,664**	**A+**	–	A+
Summit Bank Limited	**89,284**	**A (SO)**	89,325	A- (SO)
United Bank Limited - 3rd issue	**–**	**AA**	1,688	AA
Fertilizer				
Engro Chemical Limited	**–**	**–**	2,409	A+
Engro Fertilizer Limited - 3rd issue	**56,145**	**AA-**	156	A+
Real estate developers				
Pace Pakistan Limited	**–**	**–**	575	–
NBFCs				
Saudi Pak Leasing Company Limited - 3rd issue	**–**	**–**	26,200	–
Telecommunication				
World Call Telecom Limited	**11,281**	**Unrated**	21,501	D
Pakistan Mobile Communication Limited	**126,667**	**AA-**	121,200	AA-
Unlisted TFCs and Sukuks				
Commercial banks				
Bank Alfalah Limited	**82,790**	**AA-**	–	–
Bank Alfalah Limited - TFC Floater	**165,100**	**AA-**	–	–
Bank Al-Habib Limited	**151,878**	**AA**	–	–
Askari Bank Limited - Perpetual TFC	**40,020**	**AA-**	–	–
Standard Chartered Bank	**14,734**	**AAA**	–	–
Development finance institution				
Pak Libya Holding Company Ltd. - Perpetual TFC	**52,667**	**AA-**	–	–
Balance carried forward	**1,172,662**		423,786	

(Rupees in '000)

	December 31, 2014 Market value / Carrying value for unlisted investments	Rating	December 31, 2013 Market value / Carrying value for unlisted investments	Rating
Balance brought forward	**1,172,662**		423,786	
Fertilizer				
Agritech Limited - TFC III	**16,662**	**Unrated**	49,003	D
Agritech Limited - TFC I	**8,217**	**Unrated**	7,002	D
Engro Fertilizer Limited - TFC Perpetual I	**439,294**	**AA-**	436,710	A+
Engro Fertilizer Limited - TFC Perpetual II	**64,128**	**AA-**	63,921	A+
Engro Fertilizer Limited - Sukuk	**11,302**	**AA**	–	–
Sugar				
JDW Sugar Mills Limited - 2nd Issue	**–**	**–**	13,748	A+
Pharmaceutical				
Martin Dow Pharmaceutical Pakistan Limited	**–**	**–**	46,035	A
Cement				
Kohat Cement Company Limited	**–**	**–**	1,695	Unrated
Maple Leaf Cement Factory	**97,492**	**A-**	128,511	BB+
Maple Leaf Cement Factory II	**130,853**	**A-**	191,571	BB+
Personal goods (textile)				
Azgard Nine Limited - TFC V	**7,195**	**Unrated**	7,233	D
Azgard Nine Limited - TFC IV	**4,412**	**Unrated**	27,480	D
Azgard Nine Limited	**10,838**	**Unrated**	10,838	D
Real estate developers				
Eden Housing (Private) Limited	**43,642**	**Unrated**	65,462	D
Consumer electronics				
New Allied Electronics (Private) Limited	**–**	**–**	125,000	Unrated
Pak Elektron Limited	**200,000**	**A-**	200,000	Unrated
Media and communication				
Independent Media Corporation (Private) Limited	**187,500**	**A-**	237,500	A+
Manufacturing				
Amreli Steels Limited	**190,000**	**A-**	210,000	A-
	2,584,197		2,245,495	
	19,155,472		21,795,240	

	Note	December 31 2014	December 31 2013
		(Rupees in '000)	
7.5 Particulars of investments in Federal Government Securities			
7.5.1 Held-for-trading			
Pakistan Investment Bonds		**28,544**	–
Available-for-sale			
Market Treasury Bills		**9,361,070**	17,944,208
Pakistan Investment Bonds		**6,019,513**	1,122,360
Carrying value (before revaluation)	7.5.1.1	**15,409,127**	19,066,568
Surplus / (deficit) on revaluation of securities		**265,842**	(18,611)
Market value		**15,674,969**	19,047,957

7.5.1.1 Market Treasury Bills and Pakistan Investment Bonds are held with SBP and are eligible for rediscounting. Market Treasury Bills embody effective yield ranging from 9.51% to 9.99% (2013: 9.30% to 10.34%) per annum and will mature within 12 months. Pakistan Investment Bonds carry mark-up ranging from 11.25% to 12.00% (2013: 11.25% to 12.00%) per annum on semi-annual basis and will mature within 2 to 10 years. Certain government securities are kept with SBP to meet statutory liquidity requirement calculated on the basis of demand and time liabilities.

7.6 Particulars of investments in ordinary shares of listed companies - available-for-sale

Name of investee company	December 31, 2014	December 31, 2013	Cost as at December 31 2014	Cost as at December 31, 2013
	No. of shares held		(Rupees in 000)	
Oil and gas marketing / exploration companies				
Pakistan State Oil Company Limited	**50,000**	–	**19,840**	–
Pakistan Petroleum Limited	**75,000**	–	**14,173**	–
Oil & Gas Development Company Limited	**100,000**	–	**27,128**	–
Pakistan Oilfields Limited	**25,300**	–	**11,898**	–
Attock Refinery Limited	**35,000**	–	**7,876**	–
National Refinery Limited	**100,000**	–	**21,381**	–
Hascol Petroleum Limited	**325,000**	–	**28,517**	–
Shell Pakistan Limited	**25,000**	–	**7,079**	–
Mari Petroleum Company Limited	**7,700**	–	**4,962**	–
Commercial banks				
National Bank of Pakistan	**–**	400,000	**–**	23,692
United Bank Limited	**150,000**	342,200	**28,676**	48,252
Askari Commercial Bank Limited	**950,000**	–	**21,601**	–
Bank Al-Habib Limited	**200,000**	–	**9,577**	–
Faysal Bank Limited	**1,250,000**	–	**22,919**	–
Bank Alfalah Limited	**375,500**	–	**11,687**	–
Habib Metropolitan Bank Limited	**115,500**	–	**4,221**	–
Trust Investment Bank Limited	**162,500**	–	**1,625**	–
Communication				
Pakistan Telecommunication Company Limited	**745,000**	150,000	**22,553**	4,728
Power generation and distribution				
Kot Addu Power Company Limited	**–**	1,005,000	**–**	65,921
Pakgen Power Limited	**–**	170,000	**–**	3,826
Nishat Power Limited	**–**	660,500	**–**	23,774
Lalpir Power Limited	**100,000**	215,500	**2,671**	4,633
The Hub Power Company Limited	**–**	1,200,000	**–**	88,915
Kohinoor Energy Limited	**629,500**	–	**31,334**	–
Cement				
Maple Leaf Cement Limited	**300,000**	–	**12,103**	–
Fauji Cement Company Limited	**2,000,000**	–	**48,023**	–
Pioneer Cement Limited	**35,000**	–	**27,240**	–
Lafarge Pakistan Limited	**600,000**	–	**10,419**	–
Akzo Nobel Pakistan Limited	**28,900**	–	**13,552**	–
Chemicals				
ICI Pakistan Limited	**66,000**	–	**39,039**	–
Nimir Industrial Chemicals Limited (related party)	**–**	2,000,000	**–**	5,163
Ghani Gases Limited	**88,000**	–	**2,599**	–

Name of investee company	December 31, 2014	December 31, 2013	Cost as at December 31 2014	Cost as at December 31, 2013
	No. of shares held		(Rupees in 000)	
Automobile				
Pak Suzuki Motors Limited	**50,000**	–	**18,196**	–
Indus Motors Limited	**7,500**	–	**6,814**	–
Honda Atlas Cars (Pakistan) Limited	**65,000**	–	**14,974**	–
The General Tyre & Rubber Company of Pakistan Limited	**150,000**	–	**23,077**	–
Food producers				
Clover Pakistan Limited	**10,000**	–	**1,697**	–
Paper and board				
Century Paper & Board Mills Limited	**160,000**	–	**8,720**	–
Fertilizers				
Fauji Fertilizers Company Limited	**1,000,000**	–	**44,771**	–
Engro Fertilizer Limited	**665,000**	–	**46,652**	–
Agritech Limited	**1,259,337**	1,259,337	**44,077**	44,077
Personal goods				
Nishat Mills Limited	**75,000**	–	**9,937**	–
Nishat (Chunian) Limited	**596,000**	–	**31,966**	–
Sugar				
Abdullah Shah Ghazi Sugar Mills Ltd.	**1,859,815**	–	**9,299**	–
Miscellaneous				
Crescent Steel & Allied Products	**300,000**	–	**14,213**	–
EFU General Insurance Limited	**65,200**	–	**10,274**	–
Cyan Limited	**50,000**	–	**4,660**	–
Searle Company Limited	**13,300**	–	**3,230**	–
Carrying value (before revaluation and provision) of listed shares 'available-for-sale'			**745,250**	312,981
Provision for diminution in value of investments			**(27,143)**	(14,060)
Deficit on revaluation of securities - net			**(33,490)**	(32,439)
Market value			**684,617**	266,482

7.6.1 The SBP, vide letter No. BPRD / BRD-(Policy) / 2014-11546 dated June 27, 2014, has permitted banks / DFIs to maintain provision equal to 75% of the deficit on revaluation of ordinary shares of Agritech Limited. Accordingly, provision for diminution in value of investments includes Rs.25.738 (2013: Rs.14.060) million against ordinary shares of Agritech Limited. The remaining provision against exposure amounting to Rs.8.579 (2013: Rs.14.060) million on ordinary shares of Agritech Limited has not been recorded in these financial statements based upon the above relaxation from SBP.

7.7 Particulars of investments in ordinary shares of unlisted companies - available-for-sale

(Rupees in '000)

Name of investee company	Note	Name of Chief Executive	December 31, 2014	December 31, 2013	Cost as at December 31, 2014	Cost as at December 31, 2013
			Number of shares held			
Faruki Pulp Mills Limited	7.7.1	Mr. Shahid Saleem	**6,666,667**	6,666,667	**100,000**	100,000
Omer Jibran Engineering Industries Limited		Mr. Feroz Khan	**2,467,000**	2,467,000	**24,670**	24,670
Carrying value of shares of unlisted companies - 'available-for-sale'					**124,670**	124,670

7.7.1 The break-up value per share of Faruki Pulp Mills Limited (FPML) based on the annual audited accounts of FPML for the year ended June 30, 2014 is Rs.7.24 per share as against the cost per share of Rs.15. The Group holds a put option against these shares which is exercisable at any time by the Group, whereby the seller of the shares has agreed to repurchase the above referred shares at Rs.15 per share (cost). Considering the presence of the put option, the Group has not made any provision against the said diminution in the value of these shares.

7.8 Particulars of investment in units of mutual funds - available-for-sale

Name of investee company	December 31, 2014	December 31, 2013	Cost as at December 31 2014	Cost as at December 31, 2013
	No. of units held		(Rupees in 000)	
Closed-end mutual fund				
Pak Oman Advantage Fund	**2,883,499**	2,883,499	**28,835**	28,835
Open-ended mutual fund				
Meezan Capital Preservation Fund-III	**20,206**	–	**1,000**	–
Carrying value (before revaluation and provision) of mutual funds units 'available-for-sale'			**29,835**	28,835
Provision for diminution in value of investments			**(7,209)**	(7,209)
Surplus on revaluation of securities - net			**7,042**	–
Market value			**29,668**	21,626

7.9 Particulars of investment in unlisted preference shares - available-for-sale

Name of investee company	Note	December 31, 2014	December 31, 2013	Cost as at December 31 2014	Cost as at December 31, 2013
		No. of shares held		(Rupees in 000)	
Pakistan Mercantile Exchange Limited	7.9.1	**1,500,000**	1,500,000	**15,000**	15,000
Omer Jibran Engineering Industries Limited	7.9.2	**7,401,000**	7,401,000	**74,010**	74,010
Trust Investment Bank Limited	7.9.3	**487,500**	650,000	**4,875**	6,500
Carrying value (before revaluation and provision) of preference shares 'available-for-sale'				**93,885**	95,510
Provision for diminution in value of investments				**(4,875)**	(6,500)
Market value				**89,010**	89,010

7.9.1 These are cumulative, convertible, redeemable and non-participatory preference shares, carrying dividend at the rate of one year KIBOR +2.5% per annum, of the face value of Rs.10 each.

7.9.2 These are cumulative, convertible, redeemable and non-participatory preference shares, carrying dividend at the rate of 10% per annum applicable after two years from the date of investment i.e. July 06, 2012, of the face value of Rs.10 each. These shares carry call option exercisable at any time after subscription date till termination of this agreement.

7.9.3 These are cumulative, convertible, redeemable and non-participatory preference shares, carrying dividend at the rate of 1 year Kibor +1% per annum, of the face value of Rs.10 each. These shares carry call option exercisable by the issuer between 3 to 5 years from the date of allotment i.e. May 05, 2010.

	Note	December 31 2014	December 31 2013
		(Rupees in '000)	
7.10 Investment in associates			
Name of investee fund			
PIML - Income Fund	7.10.1	**2,968,460**	2,968,410
PIML - Daily Reserve Fund	7.10.2	**1,665,125**	2,762,078
PIML - Strategic Multi Asset Fund	7.10.3	**148,609**	107,433
PIML - Islamic Equity Fund	7.10.4	**115,642**	–
PIML - Islamic Money Market Fund	7.10.5	**107,571**	–
		5,005,407	5,837,921

7.10.1 PIML - Income Fund		
As at January 01	**2,968,410**	2,970,460
Investment made during the year	**8,682,003**	2,704,849
Redemption during the year	**(8,993,470)**	(3,332,476)
Dividend received	**(110,510)**	(160,402)
Share of profit for the year	**422,027**	785,979
	2,968,460	2,968,410
Percentage holding	**71.38%**	91.00%

7.10.1.1 PIML - Income Fund is an open ended mutual fund, listed on the Karachi Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

7.10.1.2 The details of assets, liabilities, revenues and profits of the Fund based on unaudited financial statements are as follows:

(Rupees in '000)

	Assets	Liabilities	Revenue	Profit
2014	**4,189,705**	**30,711**	**493,321**	**389,135**
2013	3,278,205	16,392	128,766	100,346

	December 31 2014	December 31 2013
	(Rupees in '000)	
7.10.2 PIML - Daily Reserve Fund		
As at January 01	**2,762,078**	250,000
Investment made during the year	**3,399,519**	7,879,374
Redemption during the year	**(4,549,230)**	(4,753,721)
Dividend received	**(70,877)**	(110,521)
Share of profit / (loss) for the year	**123,635**	(503,054)
	1,665,125	2,762,078
Percentage holding	**47.18%**	47.26%

7.10.2.1 Primus Daily Reserve Fund is an open ended mutual fund, listed on the Karachi Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

7.10.2.2 The details of assets, liabilities, revenues and profits of the Fund based on unaudited financial statements are as follows:

(Rupees in '000)

	Assets	Liabilities	Revenue	Profit
2014	**3,549,654**	**20,192**	**417,065**	**358,073**
2013	7,474,249	1,629,041	231,232	207,217

	December 31 2014	December 31 2013
	(Rupees in '000)	
7.10.3 Primus Strategic Multi Asset Fund		
As at January 01	**107,433**	–
Investment made during the year	**275,952**	369,000
Redemption during the year	**(255,393)**	(264,275)
Dividend received	**(2,680)**	–
Share of profit for the year	**23,297**	2,708
	148,609	107,433
Percentage holding	**91.30%**	96.75%

7.10.3.1 Primus Strategic Multi Asset Fund is an open ended mutual fund, listed on the Karachi Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

7.10.3.2 The details of assets, liabilities, revenues and profits of the Fund based on unaudited financial statements are as follows:

(Rupees in '000)

	Assets	Liabilities	Revenue	Profit
2014	**164,485**	**1,710**	**20,185**	**17,609**
2013	153,967	42,930	7,275	4,822

	December 31 2014	December 31 2013
	(Rupees in '000)	
7.10.4 PIML - Islamic Equity Fund		
As at January 01	**–**	–
Investment made during the year	**187,949**	–
Redemption during the year	**(83,894)**	–
Dividend received	**(889)**	–
Share of profit for the year	**12,476**	–
	115,642	–
Percentage holding	**90.16%**	0.00%

7.10.4.1 Primus Islamic Equity Fund is an open ended mutual fund, listed on the Karachi Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

7.10.4.2 The details of assets, liabilities, revenues and profits of the Fund based on unaudited financial statements are as follows:

(Rupees in '000)

	Assets	Liabilities	Revenue	Profit
2014	**129,918**	**1,650**	**13,782**	**9,976**

	December 31 2014	December 31 2013
	(Rupees in '000)	
7.10.5 PIML - Islamic Money Market Fund		
As at January 01	**–**	–
Investment made during the year	**720,000**	–
Redemption during the year	**(620,999)**	–
Dividend received	**(1,711)**	–
Share of profit for the year	**10,281**	–
	107,571	–
Percentage holding	**88.17%**	0.00%

7.10.5.1 Primus Islamic Money Market Fund is an open ended mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

7.10.5.2 The details of assets, liabilities, revenues and profits of the Fund based on unaudited financial statements are as follows:

(Rupees in '000)

	Assets	Liabilities	Revenue	Profit
2014	**122,625**	**618**	**8,093**	**5,505**

7.11 Particulars of investments in Term Finance Certificates (TFCs) and Sukuks

Name of the investee	Rate of interest	Profit payment	Maturity	Number of certificates held	Paid-up value per certificate (Rupees)	Total Paid up value (before redemption) (Rupees in '000)	As at December 31, 2014 (Rupees in '000)	Name of Chief Executive
Listed TFCs								
Commercial banks								
Allied Bank Limited - 2nd issue	6 Months KIBOR+0.85%	Half Yearly	28-Aug-19	7,000	5,000	35,000	**34,417**	Mr. Tariq Mehmood
Askari Bank Limited - 4th issue	6 Months KIBOR+2.50%	Half Yearly	18-Nov-19	20,700	5,000	103,500	**103,815**	Syed Majeedullah Husaini
NIB Bank Limited - Perpetual TFC	6 Months KIBOR+1.15%	Half Yearly	19-Jun-22	50,000	5,000	250,000	**249,980**	Mr. Atif R. Bukhari
Summit Bank Limited	6 Months KIBOR+3.25%	Half Yearly	27-Oct-18	18,200	5,000	91,000	**90,874**	Mr. Hussain Lawai
Fertilizer								
Engro Fertilizer Limited - 3rd issue	6 Months KIBOR+2.4%	Half Yearly	17-Dec-16	16,411	5,000	82,055	**56,208**	Mr. Ruhail Muhammad
Real estate developers								
Pace Pakistan Limited *	6 Months KIBOR+1.50%	Half Yearly	15-Feb-17	115	5,000	575	**575**	Ms. Aamna Ali Taseer
NBFCs								
Saudi Pak Leasing Company Limited - 3rd issue *	6.00% Fixed	Monthly	13-Mar-17	9,099	5,000	45,495	**25,085**	Muhammad Tariq Masood
Telecommunication								
World Call Telecom Limited *	6 Months KIBOR+1.60%	Half Yearly	7-Oct-13	10,000	5,000	50,000	**21,406**	Mr. Babar Ali Syed
Pakistan Mobile Communication Limited	3 Months KIBOR+2%	Quarterly	18-Apr-16	2,280	100,000	228,000	**123,549**	Mr. Jeffery Hedberg
							705,909	

Name of the investee	Rate of interest	Profit payment	Maturity	Number of certificates held	Paid-up value per certificate (Rupees)	Total Paid up value (before redemption) (Rupees in '000)	As at December 31, 2014 (Rupees in '000)	Name of Chief Executive
Unlisted TFCs								
Commercial banks								
Askari Bank Limited - Perpetual TFC	6 Months KIBOR+1.20%	Half Yearly	30-Sep-24	8,000	5,000	40,000	**40,020**	Syed Majeedullah Husaini
Bank Alfalah Limited	Fixed 15.00 %	Half Yearly	2-Dec-17	16,000	5,000	80,000	**82,790**	Mr. Atif Bajwa
Bank Alfalah Limited - TFC Flotter	6 Months KIBOR+2.50%	Half Yearly	2-Dec-17	32,600	5,000	163,000	**165,100**	Mr. Atif Bajwa
Bank Al Habib Limited	Fixed 15.00 %	Half Yearly	30-Jun-21	29,600	5,000	148,000	**151,878**	Mr. Abbas D. Habib
Standard Chartered Bank (Pakistan) Limited	6 Months KIBOR+0.75%	Half Yearly	29-Jun-22	3,000	5,000	15,000	**14,734**	Mr. Shazad Dada
Development finance institution								
Pak Libya Holding Company Limited - Perpetual TFC	6 Months KIBOR+1.60%	Half Yearly	7-Feb-16	22,005	5,000	110,025	**52,667**	Mr. Abid Aziz
Fertilizer								
Agritech Limited - TFC III *	3 Months KIBOR+3.25%	Quarterly	1-Dec-17	9,000	5,000	45,000	**44,247**	Ahmed Jaudet Bilal
Agritech Limited - TFC *	6 Months KIBOR+1.75%	Half Yearly	29-Nov-17	1,000	5,000	5,000	**4,535**	Ahmed Jaudet Bilal
Agritech Limited - TFC I *	0% Coupon	Half Yearly	1-Jan-15	1,672	5,000	8,360	**8,217**	Ahmed Jaudet Bilal
Engro Fertilizer Limited - TFC Perpetual I	6 Months KIBOR+1.90%	Half Yearly	18-Mar-18	90,050	5,000	450,250	**439,294**	Mr. Ruhail Muhammad
Engro Fertilizer Limited - Sukuk	6 Months KIBOR+1.50%	Half Yearly	6-Sep-15	2,355	5,000	11,775	**11,303**	Mr. Ruhail Muhammad
Engro Fertilizer Limited - TFC Perpetual II	6 Months KIBOR+1.45%	Half Yearly	18-Mar-18	13,000	5,000	60,500	**64,128**	Mr. Ruhail Muhammad
Personal goods (textiles)								
Azgard Nine Limited - TFC IV *	0% Coupon	Quarterly	28-Jun-17	5,496	5,000	27,480	**27,517**	Mr. Ahmed H. Shaikh
Azgard Nine Limited - TFC V *	3 Months KIBOR+1.25%	Quarterly	18-Nov-15	15,000	5,000	75,000	**7,196**	Mr. Ahmed H. Shaikh
Azgard Nine Limited *	6 Months KIBOR+1.25%	Half Yearly	4-Dec-17	5,000	5,000	25,000	**10,838**	Mr. Ahmed H. Shaikh
							1,124,464	
Unlisted sukuks								
Cement								
Maple Leaf Cement Factory Limited II	3 Months KIBOR+1.00%	Quarterly	3-Jun-17	45,200	5,000	226,000	**130,853**	Mr. Sayeed Tariq Saigol
Maple Leaf Cement Factory Limited	3 Months KIBOR+1.00%	Quarterly	3-Jun-17	55,000	5,000	275,000	**97,492**	Mr. Sayeed Tariq Saigol
Consumer electronics								
New Allied Electronics (Private) Limited *	3 Months KIBOR+2.20%	Quarterly	3-Dec-12	–	5,000	–	**110,000**	Mr. Mian Parvaiz Akhtar
Pak Elektron Limited	3 Months KIBOR+1.00%	Quarterly	31-Mar-19	40,000	5,000	200,000	**200,000**	Mr. Naseem Saigol
Real estate developers								
Eden Housing (Private) Limited	3 Months KIBOR+3.00%	Half Yearly	29-Jun-14	66,526	5,000	332,630	**43,641**	Dr. Muhammad Amjad
Media and communication								
Independent Media Corporation (Private) Limited	3 Months KIBOR+3.00%	Quarterly	5-Aug-18	50,000	5,000	250,000	**187,500**	Mr. Mir Ibrahim Rahman
Manufacturing								
Amreli Steels Limited	3 Months KIBOR+2.50%	Quarterly	9-Dec-16	50,000	5,000	250,000	**190,000**	Mr. Abbas Akberali
							959,486	
Carrying value (before revaluation and provision) of TFCs and Sukuks - 'available-for-sale'							**2,789,859**	
Provision for diminution in value of investments							**(201,077)**	
Deficit on revaluation of securities - net							**(4,585)**	
Market value							**2,584,197**	

* This represents non-performing term finance certificates and provision thereagainst has been made as per the Prudential Regulations and the directives issued by the SBP.

8. ADVANCES

	Note	December 31 2014	December 31 2013
		(Rupees in '000)	
Loans, cash credits, running finances, etc. In Pakistan	8.1	**5,059,839**	5,125,325
LTFF scheme under State Bank of Pakistan		**1,293,827**	805,659
Net investment in finance lease In Pakistan	8.3	**1,042,480**	873,903
Advances - gross	8.2	**7,396,146**	6,804,887
Provision for non-performing advances - specific	8.4	**(2,537)**	(2,537)
Provision for non-performing advances - general		**(327)**	(331)
	8.5	**(2,864)**	(2,868)
Advances - net of provision		**7,393,282**	6,802,019

8.1 Included herein is Rs.9.13 million (2013: Nil) representing advances against lease which carry mark-up at the rate of 6 months' KIBOR + 4.25% per annum (2013: Nil).

		December 31 2014	December 31 2013
		(Rupees in '000)	
8.2	**Particulars of advances - gross**		
8.2.1	In local currency	**7,396,146**	6,804,887
	In foreign currencies	**–**	–
		7,396,146	6,804,887
8.2.2	Short-term (for upto one year)	**3,480,555**	3,274,259
	Long-term (for over one year)	**3,915,591**	3,530,628
		7,396,146	6,804,887

8.3 Net Investment In Finance Lease

(Rupees in '000)

	2014			2013		
	Not later than one year	**Later than one year and less than five years**	**Total**	Not later than one year	Later than one year and less than five years	Total
Lease rentals receivable	**389,224**	**626,571**	**1,015,795**	324,422	571,272	895,694
Residual value	**29,730**	**188,093**	**217,823**	15,967	131,022	146,989
Minimum lease payments	**418,954**	**814,664**	**1,233,618**	340,389	702,294	1,042,683
Financial charges for future periods	**(94,754)**	**(96,384)**	**(191,138)**	(82,548)	(86,232)	(168,780)
Present value of minimum lease payments	**324,200**	**718,280**	**1,042,480**	257,841	616,062	873,903

8.3.1 These leases are executed for a term of 3 to 5 years. Security deposit has been obtained within a range of 10% to 37.50% of the cost of investment at the time of disbursement and has been recorded in other liabilities. The rate of return ranges from 11.90% to 26.01% per annum (2013: 12.57% to 20.00% per annum). Lease rentals are receivable in monthly / quarterly instalments. The assets are insured in favour of the Holding Company.

8.4 Advances include Rs.2.537 million (2013: Rs.2.638 million) which have been placed under non-performing status as detailed below:

(Rupees in '000)

	2014								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Category of classification									
Other assets especially mentioned	–	–	–	–	–	–	–	–	–
Substandard	–	–	–	–	–	–	–	–	–
Doubtful	–	–	–	–	–	–	–	–	–
Loss	**2,537**	–	**2,537**	**2,537**	–	**2,537**	**2,537**	–	**2,537**
	2,537	–	**2,537**	**2,537**	–	**2,537**	**2,537**	–	**2,537**

(Rupees in '000)

	2013								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Category of classification									
Other assets especially mentioned	–	–	–	–	–	–	–	–	–
Substandard	–	–	–	–	–	–	–	–	–
Doubtful	–	–	–	–	–	–	–	–	–
Loss	2,537	–	2,537	2,537	–	2,537	2,537	–	2,537
	2,537	–	2,537	2,537	–	2,537	2,537	–	2,537

8.5 Particulars of provision against non-performing advances

(Rupees in '000)

	2014			2013		
	Specific	**General**	**Total**	Specific	General	Total
As at January 01	**2,537**	**331**	**2,868**	2,638	–	2,638
(Reversal) / Charge during the year	**–**	**(4)**	**(4)**	(101)	331	230
	2,537	**327**	**2,864**	2,537	331	2,868

8.5.1 Particulars of provision against non-performing advances

(Rupees in '000)

	2014			2013		
	Specific	**General**	**Total**	Specific	General	Total
In local currency	**2,537**	**327**	**2,864**	2,537	331	2,868
In foreign currencies	**–**	**–**	**–**	–	–	–
	2,537	**327**	**2,864**	**2,537**	**331**	**2,868**

	December 31 2014	December 31 2013
	(Rupees in '000)	
8.6 Particulars of loans and advances to Directors, Associated Companies, etc.		
Debts due by directors, executives or officers of the Group or any of them either severally or jointly with any other persons:		
As at January 01	**65,730**	47,797
Loans granted during the year	**36,204**	31,492
Repayments during the year	**(14,834)**	(13,559)
	87,100	65,730

8.7 Details of loans written offs of Rs.500,000 and above

The aforesaid details are given in Annexure-I which forms an integral part of these financial statements.

	Note	December 31 2014	December 31 2013
		(Rupees in '000)	

9. OPERATING FIXED ASSETS

	Note	2014	2013
Capital work-in-progress		–	18
Property and equipment	9.1	**34,883**	47,306
Intangible assets	9.2	**2,321**	4,818
		37,204	52,142

9.1 Property and equipment

(Rupees in '000)

December 31, 2014

	COST				DEPRECIATION				Book value	
	As at January 01, 2014	Additions	Disposals	As at December 31, 2014	As at January 01, 2014	Charge for the year	Disposals	As at December 31, 2014	as at December 31, 2014	Rate of depreciation
Owned										
Leasehold improvement	**42,321**	**143**	**–**	**42,464**	**15,137**	**8,479**	**–**	**23,616**	**18,848**	**20%**
Furniture and fixture	**15,778**	**542**	**–**	**16,320**	**10,057**	**1,965**	**–**	**12,022**	**4,298**	**20%**
Office equipment	**4,658**	**547**	**–**	**5,205**	**3,196**	**517**	**–**	**3,713**	**1,492**	**20%**
Computers	**14,613**	**1,114**	**–**	**15,727**	**11,144**	**2,040**	**–**	**13,184**	**2,543**	**33.33%**
Vehicles	**15,783**	**1,558**	**–**	**17,341**	**6,392**	**3,440**	**–**	**9,832**	**7,509**	**25%**
Mobile phones	**300**	**232**	**(30)**	**502**	**221**	**107**	**(19)**	**309**	**193**	**50%**
	93,453	**4,136**	**(30)**	**97,559**	**46,147**	**16,548**	**(19)**	**62,676**	**34,883**	

(Rupees in '000)

December 31, 2013

	COST				DEPRECIATION				Book value	
	As at January 01, 2013	Additions	Disposals	As at December 31, 2013	As at January 01, 2013	Charge for the year	Disposals	As at December 31, 2013	as at December 31, 2013	Rate of depreciation
Owned										
Leasehold improvement	42,321	–	–	42,321	6,673	8,464	–	15,137	27,184	20%
Furniture and fixture	15,658	120	–	15,778	7,365	2,692	–	10,057	5,721	20%
Office equipment	4,292	366	–	4,658	2,501	695	–	3,196	1,462	20%
Computers	12,590	2,147	(124)	14,613	9,422	1,790	(68)	11,144	3,469	33.33%
Vehicles	10,318	5,705	(240)	15,783	4,011	2,603	(222)	6,392	9,391	25%
Mobile sets	256	103	(59)	300	176	95	(50)	221	79	50%
	85,435	8,441	(423)	93,453	30,148	16,339	(340)	46,147	47,306	

9.1.1 Property and equipment having cost of Rs.24.720 million (2013: Rs.15.221 million) are fully depreciated.

9.1.2 Details of disposal of fixed assets

Details of assets whose original cost or the book value exceeds rupees one million or two hundred and fifty thousand, whichever is lower are given below:

Rupees in '000)

Particulars of assets	Cost	Net Book Value	Sale proceeds	Gain	Mode of Disposal	Particulars of Purchaser
Mobile phones	**30**	**11**	**18**	**7**	Insurance claim	EFU General Insurance Limited
2014	**30**	**11**	**18**	**7**		
2013	423	83	131	48		

9.2 Intangible assets

(Rupees in '000)

December 31, 2014

	COST			AMORTIZATION			Book value	
	As at January 01, 2014	Additions	As at December 31, 2014	As at January 01, 2014	Charge for the year	As at December 31, 2014	as at December 31, 2014	Rate of Amortization
Software	**16,661**	**249**	**16,910**	**11,843**	**2,746**	**14,589**	**2,321**	**33.33%**

December 31, 2013

	COST			AMORTIZATION			Book value	
	As at January 01, 2013	Additions	As at December 31, 2013	As at January 01, 2013	Charge for the year	As at December 31, 2013	as at December 31, 2013	Rate of Amortization
Software	14,424	2,237	16,661	9,400	2,443	11,843	4,818	33.33%

	Note	December 31 2014	December 31 2013
		(Rupees in '000)	

10. OTHER ASSETS

	Note	2014	2013
Income / mark-up accrued in local currency		**514,286**	287,749
Advances, deposits and other prepayments		**121,787**	74,649
Advance tax (payment less provision)		**277,869**	262,133
Receivable against sale of assets	10.1	**180,680**	303,416
Receivable from associates	10.2	**31,701**	13,688
Dividend receivable		**250**	660
Others		**209**	16
	10.4	**1,126,782**	942,311
Less: Provision held against advances, deposits and other prepayments	10.4 & 10.5	**(50,000)**	(50,000)
Other assets (net of provisions)		**1,076,782**	892,311

10.1 Included herein is receivable amounting to Rs.147.812 million (2013: Rs.276.727 million) arising on account of deferred sale consideration for sale of certain listed equity securities and properties (which were previously classified under 'assets acquired in satisfaction of claims') at a marked-up price determined in accordance with the sale agreement dated May 30, 2013. The balance outstanding at the end of the current year will be received by the Group as per the terms and conditions of the underlying agreement latest by August 2015. The shares will be released as and when payments are received while the title to the properties will be transferred by the Group only upon receipt of the entire sale consideration as agreed under the above agreement.

10.2 Included herein is Rs.10.55 million representing expenses paid on behalf of AMML's Modaraba being its incorporation expenses.

10.3 Included herein is an amount of Rs.0.056 million (2013: Rs.Nil) in respect of payments made on behalf of a director of the Group which will be adjusted subsequently against directors' meeting fees.

10.4 This represents Rs.50 million (2013: Rs.50 million) advance against Pre-IPO placement of Term Finance Certificate of Dewan Cement Limited.

	Note	December 31 2014	December 31 2013
		(Rupees in '000)	
10.5 Provision against other assets			
As at January 01		**50,000**	50,000
Charge for the year		**–**	–
		50,000	50,000

11. BORROWINGS

	Note	2014	2013
In Pakistan		**18,089,905**	26,391,995
Outside Pakistan		**–**	–
		18,089,905	26,391,995

11.1 Particulars of borrowings with respect to currencies

	Note	2014	2013
In local currency		**18,089,905**	26,391,995
In foreign currencies		**–**	–
		18,089,905	26,391,995

11.2 Details of borrowings secured / unsecured

	Note	2014	2013
Secured			
Borrowing from SBP under LTFF Scheme	11.3	**1,293,827**	805,659
Repurchase agreement borrowings (Repo)	11.4	**13,944,322**	17,508,002
Borrowing from Banks	11.5	**750,000**	1,533,334
		15,988,149	19,846,995
Unsecured			
Letters of placement	11.6	**2,101,756**	6,545,000
		18,089,905	26,391,995

11.3 The Group has entered into agreements for financing with the SBP for Long-Term Financing under Export Oriented Projects to customers. According to the terms of the respective agreements, the SBP has the right to receive the outstanding amount from the Group at the due date by directly debiting the current account maintained by the Group with SBP. The rate of return ranges from 6.00% to 9.70% per annum (2013: 7.25% to 9.70% per annum). This is repayable within 5 years (2013: 6 years).

11.4 These represent borrowings from various financial institutions at mark-up rate ranging from 9.50% to 10.00% per annum (2013: 9.40% to 10.15% per annum), maturing within 1 week. Market Treasury Bills and Pakistan Investment Bonds amounting to Rs.13,839 million (2013: Rs.17,631 million) have been given as collateral against these borrowings (see note 7).

11.5 These represent borrowings secured against hypothecation of receivables and floating charge over term finance certificates. These carry mark-up at rate of 10.61% per annum (2013: 10.11% to 10.95% per annum) and are repayable within 2 years (2013: 3 years).

11.6 These carry mark-up at rate ranging from 9.50% to 10.50% per annum (2013: 10.00% to 10.25% per annum) and are repayable within 3 months (2013: 3 months).

	Note	December 31 2014	December 31 2013
		(Rupees in '000)	

12. DEPOSITS AND OTHER ACCOUNTS

	Note	2014	2013
Customers			
Certificates of investment- remunerative	12.1	**5,164,230**	567,070

12.1 These carry mark-up at rates ranging from 7.25% to 10.50% per annum (2013: 8.95% to 10.25% per annum) and are repayable within 1 month to 10 months (2013: 1 month to 11 months).

12.2 Particulars of deposits

	Note	2014	2013
In local currency		**5,164,230**	567,070
In foreign currencies		**–**	–
		5,164,230	567,070

13. DEFERRED TAX LIABILITIES - NET

	Note	2014	2013
Taxable temporary differences			
Surplus on revaluation of securities - net		**81,016**	–
Amortisation of discount on investments		**71,362**	40,531
Net investment in finance lease		**64,004**	66,516
Difference between accounting book value of fixed assets and tax base		**–**	4,755
Investment in associates		**7,122**	–
Deductible temporary differences			
Provision for diminution in the value of investments		**(54,524)**	(60,939)
Provision against other assets		**(16,500)**	(17,000)
Provision for compensated absences and bonus		**(9,900)**	(10,200)
Provision against non-performing loans and advances		**(945)**	(975)
Difference between accounting book value of fixed assets and tax base		**(965)**	–
Remeasurements of defined benefit plan		**(673)**	–
Deficit on revaluation of securities - net		**–**	(7,706)
Pre-incorporation expenses		**(341)**	(195)
		139,656	14,787

13.1 Movement in temporary differences during the year

	Balance as at January 01, 2013	Recognised in profit and loss account	Recognised in OCI or surplus/(deficit) in revaluation of assets	Balance as at December 31, 2013	Recognised in profit and loss account	Recognised in OCI or surplus/(deficit) in revaluation of assets	Balance as as at December 31, 2014
	(Rupees in '000)						
Taxable temporary differences							
Surplus on revaluation of securities - net	3,367	–	(3,367)	–	–	81,016	**81,016**
Amortisation of discount on investments	27,195	13,336	–	40,531	30,831	–	**71,362**
Net investment in finance lease	45,692	20,824	–	66,516	(2,512)	–	**64,004**
Difference between accounting book value of fixed assets and tax base	8,009	(3,254)	–	4,755	(4,755)	–	**–**
Investment in associates	–	–	–	–	7,122	–	**7,122**
Deductible temporary differences							
Provision for diminution in the value of investments	(69,981)	9,042	–	(60,939)	6,415	–	**(54,524)**
Provision against other assets	(17,500)	500	–	(17,000)	500	–	**(16,500)**
Provision for compensated absences and bonus	(8,400)	(1,800)	–	(10,200)	300	–	**(9,900)**
Provision against non-performing loans and advances	(923)	(52)	–	(975)	30	–	**(945)**
Difference between accounting book value of fixed assets and tax base	–	–	–	–	(965)	–	**(965)**
Remeasurements of defined benefit plan	–	–	–	–	–	(673)	**(673)**
(Surplus) / deficit on revaluation of securities - net	–	–	(7,706)	(7,706)	–	7,706	**–**
Pre-incorporation expenses	(861)	666	–	(195)	(146)	–	**(341)**
	(13,402)	39,262	(11,073)	14,787	36,820	88,049	**139,656**

14. OTHER LIABILITIES

	Note	December 31 2014	December 31 2013
		(Rupees in '000)	
Mark-up / return / interest payable in local currency		**125,886**	102,319
Accrued expenses		**35,245**	35,202
Brokerage commission payable		**2,540**	2,289
Unearned commission		**9,924**	7,216
Security deposit against lease		**196,198**	136,989
Payable to tax authorities		**1,510**	888
Federal excise duty payable on management fee	14.1	**15,677**	5,112
Payable to defined benefit plan	27.1	**2,039**	–
Others		**5,137**	4,800
		394,156	294,815

14.1 The Finance Act, 2013 has extended the scope of the Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. During the year ended December 31, 2013, demand notices were received by certain asset management companies for the collection of FED. The Mutual Fund Association of Pakistan (MUFAP) has taken up the matter collectively and filed a petition with the Honorable Sindh High Court (SHC) and has been granted stay in this regard.

During the year ended December 31, 2013, PIML received a notice under section 14 of the Federal Excise Act, 2005 demanding payment of FED on management remuneration. As the asset management services rendered to the collective investment schemes (CISs) are already subject to the provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the CISs, PIML is of the view that further levy of FED may result in double taxation, which does not appear to be the spirit of the law. Therefore, PIML has also filed a petition against the demand notice in the SHC and has been granted stay on the basis of the pending constitutional petition from MUFAP in the SHC as referred to above.

In view of the pending decision, as a matter of abundant caution, the management fee charged to the CISs during the period includes the imposed FED.

15. SHARE CAPITAL

15.1 Authorised capital

2014	2013		2014	2013
Number of shares			(Rupees in '000)	
600,000,000	600,000,000	Ordinary shares of Rs.10 each	**6,000,000**	6,000,000

15.2 Issued, subscribed and paid-up

2014	2013		2014	2013
600,000,000	600,000,000	Ordinary shares fully paid in cash	**6,000,000**	6,000,000

15.3 The Ministry of Finance and Secretary Economic Affairs Division holds 299,995,999 and 4,001 shares (2013: 299,995,999 and 4,001 shares) respectively on behalf of the Government of Pakistan and remaining 300,000,000 (2013: 300,000,000 shares) are held by the Brunei Investment Agency.

16. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF TAX

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

	December 31 2014	December 31 2013
	(Rupees in '000)	
Market treasury bills	**8,876**	(6,679)
Pakistan Investment Bonds	**253,852**	(11,932)
Listed securities		
- Term finance certificates	**(4,585)**	4,598
- Units of open-ended mutual funds	**122**	–
- Units of closed-end mutual funds	**6,920**	–
- Ordinary shares of listed companies	**(33,490)**	(32,439)
	231,695	(46,452)
Deferred tax (liability) / asset recognised	**(81,016)**	7,706
	150,679	(38,746)

	December 31 2014	December 31 2013
	(Rupees in '000)	

17. CONTINGENCIES AND COMMITMENTS

17.1 Transaction related contingent liability

Letters of credit	745,642	117,657

17.2 In the year 2009, Burj Bank Limited (formerly Dawood Islamic Bank Limited) filed a legal suit amounting to Rs.200 million for damages against the Group for alleged non performance of underwriting commitment to issue shares at a premium. Legal advisors of the Group are of the opinion that the possibility of the Group being subject to any liability in relation to the suit is negligible.

17.3 As fully disclosed in the annual audited financial statements of PIML - Daily Reserve Fund (formerly Primus Daily Reserve Fund) (the Fund), the Board of Directors of PIML, in the larger interest of the unit holders of the Fund, passed a resolution on April 25, 2013 resolving that the liability of Workers' Welfare Fund (WWF) for the first six months of the Fund's operations ending June 30, 2013, shall be paid by PIML in the event that the constitutional petition pending adjudication with the Honorable High Court of Sindh pertaining to WWF, filed by certain collective investment schemes, is not decided in their favor. The accumulated amount of unrecognised WWF in respect of the Fund as at the year end amounted to Rs.1.2 million.

17.4 During the year, PIML received show cause notice from Punjab Revenue Authority (PRA) for assessment of tax under section 24 read with section 2(33) of Punjab Sales Tax on Services Act, 2012 for the tax period July 2013 to March 2014 under which PIML was required to register with PRA and deposit Punjab sales tax amounting to Rs.1.86 million on management fee charged to Funds in which residents of Punjab have invested.

This industry issue has been examined by experts and tax advisors who are of the view that since the services 'commence' and 'terminate' in Sindh there is no nexus of taxability in Punjab. Hence, PIML is not liable to get registration / enrolment with PRA under Punjab Sales tax on Services Act, 2012.

Further, various asset management companies had filed a petition in Sindh High Court (SHC) against the notices issued by PRA and on 10 July 2014, the SHC has issued a stay order against the impugned notice.

17.5 Tax contingencies have been discussed in note 23.2 to these consolidated financial statements.

	December 31 2014	December 31 2013
	(Rupees in '000)	
17.6 Commitments in respect of purchaseof government securities	1,106,995	1,590,109
17.7 Commitments to extend credit	2,350,945	2,080,355
17.8 Commitments in respect of sale of government securities	13,952,913	17,542,178

	December 31 2014	December 31 2013
	(Rupees in '000)	

18. MARK-UP / RETURN / INTEREST EARNED

On loans and advances to:		
Customers	793,779	594,076
Financial institutions	11,908	13,022
On investments in:		
Available-for-sale securities	1,670,296	699,148
Held to maturity securities	–	10,931
Held-for-trading securities	1,156	12,122
On deposits with financial institutions	6,881	30,666
On securities purchased under resale agreements	7,877	32,936
Finance income on deferred sale of assets acquired on satisfaction of claims - non-banking assets	15,534	14,373
	2,507,431	1,407,274

	Note	December 31 2014	December 31 2013
		(Rupees in '000)	

19. MARK-UP / RETURN / INTEREST EXPENSED

Securities sold under repurchase agreements		1,026,676	288,732
Short-term borrowings		411,218	220,076
Deposits		376,287	209,107
Long-term borrowings		221,591	251,164
		2,035,772	969,079

20. GAIN ON SALE OF SECURITIES - NET

Federal Government Securities			
- Market Treasury Bills		17,392	1,279
- Pakistan Investment Bonds		116,874	6,072
		134,266	7,351
Units of mutual funds - associates		32,319	40,302
Ordinary shares of listed companies	20.1	122,470	201,433
Term finance certificates		3,948	114
		293,003	249,200

20.1 This includes gain on settlement of Rs.12.455 million (2013: Rs.58.716 million) on derecognition of certain listed equity securities, as more fully disclosed in note 10.1.

	Note	December 31 2014	December 31 2013
		(Rupees in '000)	

21. OTHER INCOME

Income on forward contracts		**13,840**	48
Rent income		**2,312**	3,675
Profit on sale of property and equipment		**7**	661
Gain on sale of assets acquired in satisfaction of claims - non-banking assets	10.1	**–**	46,155
		16,159	50,539

	Note	December 31 2014	December 31 2013
		(Rupees in '000)	

22. ADMINISTRATIVE EXPENSES

Salaries and allowances		**167,393**	144,339
Charge for defined benefit plan	27.1	**24,887**	–
Contribution to defined contribution plan	27.2	**7,054**	4,695
Non-executive directors' fees, allowances and other expenses		**2,962**	3,000
Rent, taxes, insurance, electricity, etc.		**24,212**	18,752
Legal and professional charges		**9,010**	8,173
Travelling and accommodation		**5,942**	5,764
Communications		**3,765**	2,612
Repairs and maintenance		**9,273**	6,508
Brokerage commission		**13,557**	7,415
Stationery and printing		**3,385**	2,140
Advertisement and publicity		**3,254**	2,333
Donation	22.1	**1,000**	–
Auditors' remuneration	22.2	**2,117**	2,029
Depreciation	9.1	**16,548**	16,339
Amortisation	9.2	**2,746**	2,443
Vehicle maintenance and fuel expense		**25,088**	20,901
Medical expense		**2,517**	2,528
Fee and subscription		**2,340**	2,748
Bank charges		**855**	873
Others		**5,170**	2,708
		333,075	256,300

22.1 Represents donation made to Centre for Development of Social Services, Karachi, in which no director or his / her spouse had any interest.

	Note	December 31 2014	December 31 2013
		(Rupees in '000)	

22.2 Auditors' remuneration

Audit fee	**915**	690
Half yearly review fee	**260**	225
Special certifications and other services	**738**	965
Out-of-pocket expenses	**204**	149
	2,117	2,029

	December 31 2014	December 31 2013
	(Rupees in '000)	

23. TAXATION

Current	**190,833**	171,984
Prior years	**(15,098)**	5,425
Deferred	**36,820**	39,262
	212,555	216,671

	December 31 2014	December 31 2013
	(Rupees in '000)	

23.1 Relationship between tax expense and accounting profit

Accounting profit before tax	**1,206,488**	903,667
Tax rate	**33%**	34%
Tax on accounting profit	**398,140**	307,247
Tax effect of:		
Income chargeable to tax at special rate	**(242,615)**	(142,741)
Income exempt from tax	**–**	(36,892)
Permanent differences	**74,554**	84,029
Adjustment of prior year business loss	**–**	(87)
Prior year charge	**(15,098)**	5,425
Others	**(2,427)**	(310)
	212,555	216,671

23.2 Income tax returns for the tax years 2007 to 2013 have been filed by the Holding Company on due dates that are deemed to be assessed by the Commissioner Inland Revenue under the provisions of section 120 of the Income Tax Ordinance, 2001.

Assessments for the tax years 2008 and 2009 were amended by the Additional Commissioner Inland Revenue (ACIR) vide orders dated July 27, 2010 passed under Section 221/122(5A) of the Income Tax Ordinance, 2001 whereby tax demands of Rs.3.213 million and Rs.46.577 million respectively were created. In the amended assessment orders, besides making other additions to income, the ACIR taxed the amount of amortisation of discount on securities as against the gain on disposal of securities as offered by the Holding Company.

The Holding Company went into appeal where the Commissioner Inland Revenue (Appeals) set aside most of the issues including the issue of amortisation of discount on securities with specific directions. The tax department has issued appeal effect orders for tax years 2008 and 2009 on June 30, 2013 relating to combined Appellate order passed by ATIR on April 02, 2012. Nonetheless, the tax department has failed to issue appeal effect order on issues set aside by CIR(A) within stipulated time as provided under the Income Tax Ordinance, 2001. The Holding Company has discharged all tax liabilities created through above-said appeal effect orders with the exception of tax year 2009 wherein tax amounting to Rs.18.016 million was short paid.

An appeal filed with the CIR(A) against the rectified order levying Workers' Welfare Fund (WWF) in the tax year 2009 was decided in favour of the Holding Company. The tax department filed an appeal with the Appellate Tribunal Inland Revenue (ATIR) against the aforesaid decision of CIR(A). In this connection, appeal proceedings are in progress and hearing is yet to be fixed by ATIR.

Assessment order for tax year 2010 has been amended through order under section 122(5A) passed by the ACIR creating a tax demand of Rs.106.50 million. The Holding Company filed appeal before the CIR(A) and an application for stay of demand against the tax demand. The said order was rectified by ACIR under section 221 of the Income Tax Ordinance vide order dated January 27, 2012 with a revised tax demand of Rs.51.26 million. An amount of Rs.15.80 million has been paid against the said tax demand and another appeal was also filed against the rectified order. Both the Holding Company and the tax department have filed appeals before the ATIR. The tax department has issued appeal effect order for Tax Year 2010 continuing its previous position for set-aside issues and created further tax demand of Rs.25.245 million which has been discharged by the Holding Company immediately.

Assessment for tax year 2011 was also amended through order under section 122(5A) dated April 30, 2012 creating tax demand of Rs.55.547 million which was reduced to Rs.52.091 million after issuance of rectified order under section 221 of the Income Tax Ordinance, 2001. The Holding Company has paid for Rs.33.381 million out of the reduced tax demand. The remaining tax demand was adjusted by the tax department against available refund relating to tax year 2012. An appeal against the amendment order has already been filed before CIR(A) and appellate order to this effect is yet to be received by the Holding Company.

24. EARNINGS PER SHARE

		December 31 2014	December 31 2013
Profit for the year	Rupees in '000	**993,933**	686,996
Weighted average number of ordinary shares	Numbers in '000	**600,000**	600,000
Basic earnings per share	Rupees	**1.66**	1.14

24.1 There were no convertible dilutive potential ordinary shares outstanding as on December 31, 2014 and 2013.

25. CASH AND CASH EQUIVALENTS

	December 31 2014	December 31 2013
	(Rupees in '000)	
Cash and balances with treasury banks	**123,153**	96,317
Balances with other banks	**173,645**	235,581
	296,798	331,898

26. STAFF STRENGTH

	(Numbers)	
Permanent	**77**	62
Temporary / on contractual basis	**30**	30
Total staff strength	**107**	92

27. STAFF RETIREMENT BENEFITS

(Rupees in '000)

27.1 Defined benefit plan

27.1.1 Net defined benefit plan's liability

Present value of defined benefit obligations	**26,938**	–
Fair value of plan assets	**(24,899)**	–
	2,039	–

	Note	December 31 2014	December 31 2013
		(Rupees in '000)	
27.1.2 Movement in defined benefit plan's liability			
As at January 01		**–**	–
Charge recognised in profit and loss account			
Present value of defined benefit plan at the inception of fund		**22,688**	–
Current service cost		**2,199**	–
	22	**24,887**	–
Remeasurements recognised in other comprehensive income			
Return on plan assets excluding net interest income		**1,631**	–
Actuarial loss / (gain) arising from changes in			
- demographic assumptions		**(1,748)**	–
- experience assumptions		**2,156**	–
		2,039	–
Contributions by the Company		**(24,887)**	–
		2,039	–
27.1.3 Movement in present value of defined benefit obligations			
As at January 01		**–**	–
Present value of defined benefit plan at the inception of fund		**22,688**	–
Current service cost		**2,199**	–
Interest cost		**1,643**	–
Actuarial loss / (gain) arising from changes in			
- demographic assumptions		**(1,748)**	–
- experience assumptions		**2,156**	–
		26,938	–
27.1.4 Movement in fair value of plan assets			
As at January 01		**–**	–
Contributions by the Holding Company		**24,887**	–
Interest income		**12**	–
		24,899	–
27.1.5 Break-up of plan assets			
Cash and bank balances		**24,899**	–
27.1.6 Significant actuarial assumptions			
Financial assumptions			
Discount rate		**11.25%**	–
Long-term salary increase rate		**10.25%**	–
Demographic assumptions			
Mortality rates (for death in service)		**SLIC (2001-2005) rated down 1 year**	–
Rates of employee turnover		**Moderate**	–

27.1.7 Sensitivity analysis on significant financial assumptions

A sensitivity analysis for each significant financial assumption as of the balance sheet date, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date, is as follows:

	December 31, 2014		December 31, 2013	
	+ 1%	- 1%	+ 1%	- 1%
Discount rate	**(24,116)**	**30,247**	–	–
Long-term salary increase rate	**30,247**	**(24,068)**	–	–

	December 31 2014	December 31 2013
	(Rupees in '000)	
27.1.8 Maturity profile of the defined benefit obligation		
Weighted average duration (number of years)	**11.38**	–
The retirement will at most continue (year)	**2034**	–

27.1.9 The Holding Company expects to contribute Rs.4.980 million to the defined benefit plan for the next year.

27.1.10 Description of risks

The defined benefit plans expose the Holding Company to the following risks:

Withdrawal risks - The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.

Mortality risks - The risk that the actual mortality experience is different. Similar to the withdrawal risk, the effect depends on the beneficiaries' service / age distribution and the benefit

Investment risks - The risk of the investment underperformance and being not sufficient to meet the liabilities.

Final salary risks - The risk that the final salary at the time of cessation of service is greater than what was assumed.

27.2 Defined Contribution Plan

The Group operates a provident fund scheme for all its permanent employees. Equal monthly contribution at the rate of 10.00% per annum (2013: 10.00% per annum) is made both by the Group (employer) and employees. Contributions made to the provident fund during the year are as follows:

	December 31 2014	December 31 2013
	(Rupees in '000)	
Contribution made by the Group	**7,054**	4,695
Contribution made by employees	**7,054**	4,695
	14,108	9,390

	Note	December 31 2014	December 31 2013
		(Rupees in '000)	
27.2.1 Information related to the provident funds			
Size of the fund		**62,706**	37,005
Cost of investments made		**60,535**	34,797
Percentage of investments made		**98.83%**	71.13%
Fair value of investments		**61,972**	26,321

27.2.2 Break-up of investments at fair value

	December 31, 2014		December 31, 2013	
	Fair value (Rs. in '000)	% of the size of the fund	Fair value (Rs. in '000)	% of the size of the fund
Government Securities	**49,151**	**78.38%**	8,453	22.84%
Quoted shares	**5,736**	**9.15%**	–	0.00%
Term Finance Certificate	**4,620**	**7.37%**	15,946	43.09%
Mutual Funds	**2,465**	**3.93%**	1,922	5.19%
	61,972	**98.83%**	26,321	71.13%

The financial year end of provident funds is June 30 and, accordingly, the above information is based on the unaudited financial statement of the provident funds.

Investments out of the provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance,1984 and the rules formulated for this purpose.

28. COMPENSATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVE

(Rupees in '000)

	Chief Executive		Directors		Executives	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Managerial remuneration	**34,762**	29,594	**–**	–	**112,041**	82,110
Contribution to defined contribution plan	**1,681**	1,319	**–**	–	**5,174**	3,684
Charge for defined benefit plan	**6,357**	–	**–**	–	**16,064**	–
Utilities	**437**	1,886	**–**	–	**7,886**	7,952
Medical	**533**	676	**–**	–	**2,641**	1,812
Travelling allowance	**431**	299	**2,557**	2,585	**512**	1,393
Fee for attending Board meetings	**–**	–	**405**	415	**–**	–
Other benefits	**490**	1,385	**–**	–	**–**	201
	44,691	35,159	**2,962**	3,000	**144,318**	97,152
Number of persons	**3**	2	**7**	7	**52**	39

28.1 The Chief executives are provided with Group maintained cars. Executive means employees other than the managing director and directors, whose basic salary exceeds five hundred thousand rupees in a financial year.

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

All quoted investments have been stated at their market values as disclosed in note 7. All un-quoted investments have been stated at lower of cost or break up value, being their estimated fair values.

Fair value of loans and advances, other assets (excluding properties acquired in satisfaction of claims as disclosed in note 10.1) and other liabilities cannot be determined with reasonable accuracy due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. Loans and advances are repriced frequently on market rates and are reduced for any impairment against non-performing advances determined in accordance with Prudential Regulations as stated in note 4.22.2.

The maturity and re-pricing profile and effective rates are stated in notes 34.3.1 and 34.2.4 respectively.

Fair value of these assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of deposits, they are frequently repriced.

30. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance	Trading and Sales (Rupees in '000)	Commercial Banking
2014			
Total income	**53,088**	**2,744,235**	**707,190**
Total expenses	**35,926**	**1,851,204**	**478,581**
Net income	**17,162**	**893,031**	**228,609**
Segment assets (gross)	**–**	**26,676,643**	**6,868,445**
Segment non performing loans	**–**	**2,537**	**–**
Investment provided for	**–**	**331,485**	**–**
Segment provision required *	**–**	**242,841**	**–**
Segment liabilities	**–**	**18,860,236**	**4,923,871**
Segment return on assets (ROA) (%)	**–**	**3.35%**	**3.34%**
Segment return on net assets (ROA) (%)	**–**	**11.43%**	**13.04%**
Segment cost of funds (%)	**–**	**9.61%**	**9.61%**
2013			
Total income	62,660	1,581,054	547,864
Total expenses	35,239	890,395	308,104
Net income	27,421	690,659	239,760
Segment assets (gross)	–	29,198,584	6,815,987
Segment non performing loans	–	2,537	–
Investment provided for	–	354,100	–
Segment provision required *	–	246,502	–
Segment liabilities	–	22,072,103	5,196,948
Segment return on assets (ROA) (%)	–	2.37%	3.52%
Segment return on net assets (ROA) (%)	–	9.98%	14.81%
Segment cost of funds (%)	–	8.59%	8.59%

* The provision required against each segment represents provision held on advances and investments.

31. TRUST ACTIVITIES

The Holding Company has assumed the role of Trustee to certain issues of Term Finance Certificates (TFCs) / Sukuk and is holding the trust properties in fiduciary capacity on behalf of the relevant beneficiaries. In this behalf, the Holding Company is fulfilling all its obligations and duties in accordance with the provisions of respective trust documents. The Holding Company is registered as Debt Securities Trustee (DST) under the Debt Securities Trustee Regulations, 2012 (DST Regulations, 2012) issued by the SECP.

The Holding Company is acting as trustee to various Debt Instruments (Term Finance Certificates and Sukuk) issued by Agritech Limited, Al-Baraka Bank (Pakistan) Limited, Askari Bank Limited, Azgard Nine Limited, Bank Alfalah Limited, Bank Al-Habib Limited, Engro Fertilizer Limited, Faysal Bank Limited, Hascol Petroleum Limited, Independent Media Corporation (Private) Limited, Jahangir Siddiqui & Co. Limited, K-Electric Limited (formerly Karachi Electric Supply Company), Maple Leaf Cement Factory Limited, NIB Bank Limited, Pak Water & Power Development Authority (WAPDA) and WAPDA Third Sukuk Company Limited. The combined value of the debt securities as at December 31, 2014 amounted to Rs.72,077 million (2013: Rs.59,777 million).

32. RELATED PARTY TRANSACTIONS

The Group has related party relationship with:

- associates (collective investment schemes managed by Primus Investment Management Limited);
- its employee defined benefit plan and defined contribution plan;
- its key management personnel; and
- other related parties include Maple Leaf Cement Factory Limited, Omer Jibran Engineering Industries Ltd., Nimir Industrial Chemicals Limited and Haq Bahu Sugar Mills (Pvt) Limited due to common directorship.

Details of loans and advances to the executives are given in note 8.6 to these consolidated financial statements. There are no transactions with key management personnel other than under their terms of employment. Contribution to approved defined contribution plan are disclosed in note 27.2 to these consolidated financial statements. Remuneration to the executives is disclosed in note 28 to the consolidated financial statements. Transactions with owners have been disclosed in 'Consolidated Statement of Changes in Equity'. All other transactions between the Group and its related parties are carried out under normal course of business except employee staff loans that are as per terms of employment. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these consolidated financial statements, are as follows:

(Rupees in '000)

	2014				2013			
	Key management personnel	**State controlled entities**	**Other related parties**	**Associates**	Key management personnel	State controlled entities	Other related parties	Associates
Advances								
As at January 01	**36,726**	**127,852**	**415,723**	**–**	23,626	153,423	693,565	–
Addition during the year	**23,622**	**66,982**	**297,918**	**–**	20,137	–	117,570	–
Deleted during the year	**–**	**–**	**–**	**–**	(1,949)	–	(300,000)	–
Repaid during the year	**(5,332)**	**(34,009)**	**(34,009)**	**–**	(5,088)	(25,571)	(95,412)	–
	55,016	**160,825**	**679,632**	**–**	36,726	127,852	415,723	–
Borrowings								
As at January 01	**–**	**13,263,851**	**–**	**575,000**	–	2,909,539	–	–
Received during the year	**–**	**460,721,602**	**–**	**7,430,000**	–	150,837,364	–	5,715,000
Repaid during the year	**–**	**(458,105,329)**	**–**	**(7,315,000)**	–	(140,483,052)	–	(5,140,000)
	–	**15,880,124**	**–**	**690,000**	–	13,263,851	–	575,000
Placements								
As at January 01	**–**	**–**	**–**	**–**	–	–	–	–
Placements made during the year	**–**	**2,613,974**	**–**	**–**	–	27,896,197	–	–
Placements matured during the year	**–**	**(2,613,974)**	**–**	**–**	–	(27,896,197)	–	–
	–	**–**	**–**	**–**	–	–	–	–
Investments								
As at January 01	**–**	**29,676**	**334,984**	**5,823,211**	–	21,366	334,965	3,241,144
Investments / additions made during the year	**–**	**74,493,435**	**723,034**	**13,283,580**	–	1,640,767	232,830	10,942,881
Redemption during the year	**–**	**(59,014,491)**	**(479,039)**	**(14,158,356)**	–	(1,632,457)	(232,811)	(8,360,814)
	–	**15,508,620**	**578,979**	**4,948,435**	–	29,676	334,984	5,823,211
Mark-up / return / interest earned	**1,351**	**1,860,215**	**120,518**	**–**	939	12,760	54,653	182
Mark-up / return / interest expensed	**–**	**586,785**	**–**	**60,986**	–	346,099	–	38,568
Gain on sale of securities - net	**–**	**136,436**	**26,269**	**–**	–	24,203	15,027	–
Dividend income	**–**	**12,403**	**–**	**–**	–	2,800	–	–
Salaries and other benefits	**102,106**	**–**	**–**	**–**	132,311	–	–	–
Processing fee	**–**	**–**	**10,432**	**–**	–	–	–	–
Fee Income	**–**	**–**	**–**	**66,026**	–	–	–	51,262
Reimbursement of expenses	**4,946**	**–**	**–**	**–**	4,997	–	–	–
Formation cost paid by the Group	**–**	**–**	**–**	**2,041**	–	–	–	7,231
Formation cost reimbursed by the Group	**–**	**–**	**–**	**6,933**	–	–	–	3,231
Sales tax on fee income	**–**	**–**	**–**	**200**	–	–	–	9,021
FED on fee income	**–**	**–**	**–**	**11,875**	–	–	–	5,112
Others	**–**	**–**	**–**	**158**	–	–	–	14,138

33. CAPITAL ASSESSMENT AND ADEQUACY

33.1 Capital adequacy

Capital Management aims to ensure that there is sufficient capital to meet the capital requirements of the Bank as determined by the underlying business strategy and the minimum requirements of the SBP. The Capital Management process is governed by the Holding Company's Asset and Liability Committee (ALCO). Further, capital adequacy and management is overseen by the Board's Risk Management Committee (RMC).

The Group's regulatory capital is analyzed into two tiers:

Tier 1 capital, which includes fully issued, subscribed and paid-up capital, balance in share premium account, reserve for bonus issue, general reserves as per the financial statements and net un-appropriated profits, etc. after deductions for investments in the equity of subsidiary companies engaged in banking and financial activities, reciprocal cross holdings in capital instruments of banking, financial, and insurance entities and deficit on revaluation of available-for-sale investments.

The Group's capital management seeks:

- to comply with the capital requirements set by the regulators and comparable to the peers;
- to actively manage the supply of capital costs and increase capital velocity;
- to increase strategic and tactical flexibility in the deployment of capital to allow for the timely reallocation of capital;
- to improve the liquidity of the Group's assets to allow for an optimal deployment of the Group's resources;
- to protect the Company against unexpected events and maintain strong ratings;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide adequate return to shareholders;
- availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Group to expand; and
- to achieve low overall cost of capital with appropriate mix of capital elements.

Pak Brunei Investment Company maintains sufficient cushion of capital over required regulatory capital. The capital buffer is sufficient to cater current and future business needs of the Group. Maintained capital comprise of Tier I capital only with small amount of Tier II capital in form of unrealized gains on AFS securities and general reserves.

33.2 Scope of Applications

The Basel Framework is applicable to Pak Brunei Investment Company both at the consolidated level and also on a stand alone basis. The Group has two fully owned subsidiaries namely Primus Investment Management Limited and Awwal Modaraba Management Limited. Both subsidiaries are consolidated as per International Financial Reporting Standards (IFRS).

	Note	December 31 2014	December 31 2013
		(Rupees in '000)	
Detail of the Group's eligible capital (on consolidated basis) is as follows:			
Common Equity Tier 1 capital (CET1): Instruments and reserves			
Fully paid-up capital / capital deposited with SBP		**6,000,000**	6,000,000
Balance in share premium account		**–**	–
Reserve for issue of bonus shares		**–**	–
Discount on Issue of shares		**–**	–
General / statutory reserves		**878,000**	697,026
Gain / (losses) on derivatives held as cash flow hedge		**–**	–
Unappropriated / unremitted profits / (losses)		**2,179,978**	1,568,385
Minority Interests arising from CET1 capital instruments consolidated Company subsidiaries (amount allowed in CET1 capital of the consolidation group)		**–**	–
CET 1 before regulatory adjustments		**9,057,978**	8,265,411
Total regulatory adjustments applied to CET1	33.2.1	**(1,966,460)**	(2,109,669)
Common Equity Tier 1	*a*	**7,091,518**	6,155,742
Additional Tier 1 (AT 1) Capital			
Qualifying Additional Tier-1 instruments plus any related share premium			
of which: Classified as equity		**–**	–
of which: Classified as liabilities		**–**	–
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which: instrument issued by subsidiaries subject to phase out		**–**	–
AT1 before regulatory adjustments		**–**	–
Total regulatory adjustment applied to AT1 capital	33.2.2	**–**	–
Additional Tier 1 capital recognized for capital adequacy	*b*	**–**	–
Tier 1 Capital (CET1 + admissible AT1)	*(c=a+b)*	**7,091,518**	6,155,742
Tier 2 Capital			
Qualifying Tier 2 capital instruments under Basel III plus any related share premium		**–**	–
Tier 2 capital instruments subject to phase out arrangement issued under Pre-Basel III rules		**–**	–
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2) of which: instruments issued by subsidiaries subject to phase out		**–**	–
General Provisions or general reserves for loan losses - up to maximum of 1.25% of Credit Risk Weighted Assets		**327**	331
Revaluation reserves			
of which: Revaluation reserves on property		**–**	–
of which: Unrealised gains / losses on AFS		**84,380**	–
Foreign exchange translation reserves		**–**	–
Undisclosed / other reserves (if any)		**–**	–
T2 before regulatory adjustments		**84,707**	331
Total regulatory adjustment applied to T2 capital	33.2.3	**(84,707)**	(331)
Tier 2 capital (T2) after regulatory adjustments		**–**	–

	Note	December 31 2014	December 31 2013
		(Rupees in '000)	
Tier 2 capital recognized for capital adequacy		**–**	–
Portion of Additional Tier 1 capital recognized in Tier 2 capital		**–**	–
Total Tier 2 capital admissible for capital adequacy	*d*	**–**	–
TOTAL CAPITAL (T1 + admissible T2)	*(e=c+d)*	**7,091,518**	6,155,742
Total Risk Weighted Assets (RWA)	f 33.2.4 & 33.5	**20,452,495**	17,184,541
Capital ratios and buffers (in percentage of risk weighted assets)			
CET1 to total RWA	*(a/f)*	**34.67%**	35.82%
Tier-1 capital to total RWA	*(c/f)*	**34.67%**	35.82%
Total capital to RWA	*(e/f)*	**34.67%**	35.82%
Company specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		**12.50%**	12.50%
of which: capital conservation buffer requirement		**2.50%**	2.50%
of which: countercyclical buffer requirement		**0.00%**	0.00%
of which: D-SIB or G-SIB buffer requirement		**0.00%**	0.00%
CET1 available to meet buffers (as a percentage of risk weighted assets)		**24.67%**	25.82%
National minimum capital requirements prescribed by SBP			
CET1 minimum ratio		**5.50%**	5.00%
Tier 1 minimum ratio		**7.00%**	6.50%
Total capital minimum ratio		**10.00%**	10.00%

33.2.1 Common Equity Tier 1 capital: Regulatory adjustments

(Rupees in '000)

	December 31, 2014	Amounts subject to Pre-Basel III treatment	December 31, 2013
Goodwill (net of related deferred tax liability)	**–**	–	–
All other intangibles (net of any associated deferred tax liability)	**2,321**	–	4,818
Shortfall of provisions against classified assets	**–**	–	–
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	**–**	–	–
Defined-benefit pension fund net assets	**–**	–	–
Reciprocal cross holdings in CET1 capital instruments	**–**	–	–
Cash flow hedge reserve	**–**	–	–
Investment in own shares / CET1 instruments	**–**	–	–
Securitization gain on sale	**–**	–	–
Capital shortfall of regulated subsidiaries	**–**	–	–
Deficit on account of revaluation from Company's holdings of property / AFS	**–**	–	38,746
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	**6,674**	26,696	–
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)	**–**	–	–
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	**–**	–	–
Amount exceeding 15% threshold of which: significant investments in the common stocks of financial entities of which: deferred tax assets arising from temporary differences	**–**	–	–
National specific regulatory adjustments applied to CET1 capital	**–**	–	–
Investment in TFCs of other banks exceeding the prescribed limit	**–**	–	–
Any other deduction specified by SBP	**–**	–	–
Regulatory adjustment applied to CET1 due to insufficient	**–**	–	–
AT1 and Tier 2 to cover deductions	**1,957,464**	–	2,068,387
Total regulatory adjustments applied to CET1	**1,966,460**	26,696	2,111,951

33.2.2 *Additional Tier 1 Capital: regulatory adjustments*

	December 31, 2014	Amounts subject to Pre-Basel III treatment	December 31, 2013
	(Rupees in '000)		
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	**1,968,669**	–	2,063,988
Investment in own AT1 capital instruments	–	–	–
Reciprocal cross holdings in Additional Tier 1 capital instruments	–	–	–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	–	–	–
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	–	–
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	–	–	125,000
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	**(11,204)**	–	124,699
Total of Regulatory Adjustment applied to AT1 capital	**1,957,465**	–	2,313,687

33.2.3 *Tier 2 Capital: regulatory adjustments*

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	–	–	125,000
Reciprocal cross holdings in Tier 2 instruments	–	–	–
Investment in own Tier 2 capital instrument	–	–	–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	**73,503**	**294,011**	–
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	–	–
Total regulatory adjustment applied to T2 capital	**73,503**	**294,011**	125,000

33.2.4 Additional information

	December 31 2014	December 31 2013
	(Rupees in '000)	
Total Risk Weighted Assets subject to pre-Basel III treatment		
Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment	**320,707**	9,499,022
of which: recognised 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		
of which: deferred tax assets	–	–
of which: Defined-benefit pension fund net assets	–	–
of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	**320,707**	–
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)		
Non-significant investments in the capital of other financial entities	**1,306,450**	342,471
Significant investments in the common stock of financial entities	–	–
Deferred tax assets arising from temporary differences (net of related tax liability)	–	–

	December 31 2014	December 31 2013
	(Rupees in '000)	
Applicable caps on the inclusion of provisions in Tier 2		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	–	–
Cap on inclusion of provisions in Tier 2 under standardized approach	–	–
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	–	–
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	–	–

33.3 Capital Structure Reconciliation

33.3.1 Step 1

	December 31, 2014	
	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	(Rupees in '000)	
Assets		
Cash and balances with treasury banks	**123,153**	123,153
Balances with other banks	**173,645**	173,645
Lendings to financial institutions	–	–
Investments	**24,192,538**	24,192,538
Advances	**7,393,282**	7,393,282
Operating fixed assets	**37,204**	37,204
Deferred tax assets	–	–
Other assets	**1,076,782**	1,076,782
Total assets	**32,996,604**	32,996,604
Liabilities and equity		
Bills payable	–	–
Borrowings	**18,089,905**	18,089,905
Deposits and other accounts	**5,164,230**	5,164,230
Sub-ordinated loans	–	–
Liabilities against assets subject to finance lease	–	–
Deferred tax liabilities	**139,656**	139,656
Other liabilities	**394,157**	394,157
Total liabilities	**23,787,948**	23,787,948
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully paid-up capital / capital deposited with SBP	**6,000,000**	6,000,000
Reserves	**878,000**	878,000
Unappropriated / unremitted profit / (losses)	**2,179,978**	2,179,978
Minority interest	–	–
Surplus on revaluation of assets	**150,679**	150,679
Total liabilities and equity	**9,208,657**	9,208,657

33.3.2 Step 2

	References	Balance sheet as in published financial statements	Under regulatory scope of consolidation
		December 31, 2014	
		(Rupees in '000)	
Assets			
Cash and balances with treasury banks		**123,153**	123,153
Balance with other banks		**173,645**	173,645
Lending to financial institutions		**–**	–
Investments		**24,192,538**	24,192,538
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	a	**73,503**	73,503
of which: significant capital investments in financial sector entities exceeding regulatory threshold	b	**–**	–
of which: Mutual Funds exceeding regulatory threshold	c	**1,968,669**	1,968,669
of which: Reciprocal cross holdings in CET1	d	**–**	–
of which: Reciprocal cross holdings in Tier2	d	**–**	–
of which: others	e	**–**	–
Advances	f	**7,393,282**	7,393,282
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB general provisions reflected in Tier 2 capital	g	**327**	327
Fixed Assets	h	**37,204**	37,204
of which: Intangibles	i	**2,321**	2,321
Deferred tax assets		**–**	–
of which: DTAs excluding those arising from temporary differences	j	**–**	–
of which: DTAs arising from temporary differences exceeding regulatory threshold	k	**–**	–
Other assets	l	**1,076,782**	1,076,782
of which: Goodwill	m	**–**	–
of which: Intangibles	m	**–**	–
of which: Defined-benefit pension fund net assets		**–**	–
Total assets		**32,996,604**	32,996,604
Liabilities and equity			
Bills payable		**–**	–
Borrowings		**18,089,905**	18,089,905
Deposits and other accounts		**5,164,230**	5,164,230
Sub-ordinated loans		**–**	–
of which: eligible for inclusion in AT1	n	**–**	–
of which: eligible for inclusion in Tier 2	o	**–**	–
Liabilities against assets subject to finance lease		**–**	–
Deferred tax liabilities		**139,656**	139,656
of which: DTLs related to goodwill	p	**–**	–
of which: DTLs related to intangible assets	q	**–**	–
of which: DTLs related to defined pension fund net assets	r	**–**	–
of which: other deferred tax liabilities	s	**–**	–
Other liabilities		**394,157**	394,157
Total liabilities		**23,787,948**	23,787,948

	References	Balance sheet as in published financial statements	Under regulatory scope of consolidation
		December 31, 2014	
		(Rupees in '000)	
Share capital		**6,000,000**	6,000,000
of which: amount eligible for CET1	t	**6,000,000**	6,000,000
of which: amount eligible for AT1	u	**–**	–
Reserves		**878,000**	878,000
of which: portion eligible for inclusion in CET1: Share premium	v	**878,000**	878,000
of which: portion eligible for inclusion in CET1 general / statutory reserve	w	**–**	–
of which: portion eligible for inclusion in Tier 2	x	**–**	–
Unappropriated profit / (losses)	y	**2,179,978**	2,179,978
Minority Interest		**–**	–
of which: portion eligible for inclusion in CET1	z	**–**	–
of which: portion eligible for inclusion in AT1	aa	**–**	–
of which: portion eligible for inclusion in Tier 2		**–**	–
Surplus on revaluation of assets	ab	**150,679**	150,679
of which: Revaluation reserves on fixed assets	ac	**–**	–
of which: Unrealised gains / losses on AFS		**150,679**	150,679
In case of deficit on revaluation (deduction from CET1)	ad	**–**	–
Total liabilities and equity		**32,996,605**	32,845,926

33.3.3 Step 3

	Source based on reference number from step 2	Component of regulatory capital reported by Group
		(Rupees in '000)
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully paid-up capital / capital deposited with SBP	(t)	**6,000,000**
Balance in share premium account		**–**
Reserve for issue of Bonus Shares		**–**
General / statutory reserves	(v)	**878,000**
Gain / (losses) on derivatives held as cash flow hedge		**–**
Unappropriated/unremitted profits / (losses)	(y)	**2,179,978**
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	(z)	**–**
CET 1 before regulatory adjustments		**9,057,978**

	Source based on reference number from step 2	Component of regulatory capital reported by Group
		(Rupees in '000)
Common Equity Tier 1 capital: Regulatory adjustments		
Goodwill (net of related deferred tax liability)	(l)-(p)	–
All other intangibles (net of any associated deferred tax liability)	(i) - (q)	**2,321**
Shortfall of provisions against classified assets	(g)	–
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	{(h) - (r} * x%	–
Defined-benefit pension fund net assets	{(l) - (q)} * x%	–
Reciprocal cross holdings in CET1 capital instruments	(d)	–
Cash flow hedge reserve		–
Investment in own shares / CET1 instruments		–
Securitization gain on sale		–
Capital shortfall of regulated subsidiaries		–
Deficit on account of revaluation from Company's holdings of property / AFS	(ab)	–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	(a)-(ac)-(ae)	**6,674**
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)	–
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i)	–
Amount exceeding 15% threshold		
of which: significant investments in the common stocks of financial entities		–
of which: deferred tax assets arising from temporary differences		–
National specific regulatory adjustments applied to CET1 capital		–
Investment in TFCs of other banks exceeding the prescribed limit		–
Any other deduction specified by SBP (mention details)		–
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		**1,957,464**
Total regulatory adjustments applied to CET1 (sum of 9 to 25)		**1,966,460**
Common Equity Tier 1		**7,091,518**

	Source based on reference number from step 2	Component of regulatory capital reported by Group
		(Rupees in '000)
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 instruments plus any related share premium		–
of which: Classified as equity	(t)	–
of which: Classified as liabilities	(m)	–
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	(y)	–
of which: instrument issued by subsidiaries subject to phase out		–
AT1 before regulatory adjustments		–
Additional Tier 1 Capital: regulatory adjustments		–
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	(c)	**1,968,669**
Investment in own AT1 capital instruments		–
Reciprocal cross holdings in Additional Tier 1 capital instruments		–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	(ac)	–
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)	–
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		–
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		**(11,204)**
Total of regulatory adjustment applied to AT1 capital		**1,957,464**
Additional Tier 1 capital		–
Additional Tier 1 capital recognised for capital adequacy		–

	Source based on reference number from step 2	Component of regulatory capital reported by Group
		(Rupees in '000)
Tier 1 capital (CET1 + admissible AT1)		**7,091,518**
Tier 2 capital		
Qualifying Tier 2 capital instruments under Basel III		–
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	(n)	–
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	(z)	–
of which: instruments issued by subsidiaries subject to phase out		–
General Provisions or general reserves for loan losses-up to maximum of 1.25% of credit risk weighted assets	(g)	**327**
Revaluation Reserves eligible for Tier 2		–
of which: Revaluation reserves on fixed assets	portion of (aa)	–
of which: Unrealized gains / losses on AFS	portion of (aa)	**84,380**
Foreign exchange translation reserves	(v)	–
Undisclosed / other reserves (if any)		–
T2 before regulatory adjustments		**84,707**
Tier 2 Capital: regulatory adjustments		
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		–
Reciprocal cross holdings in Tier 2 instruments		–
Investment in own Tier 2 capital instrument		–
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	(ae)	**73,503**
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	–
Amount of regulatory adjustment applied to T2 capital		**73,503**
Tier 2 capital (T2)		–
Tier 2 capital recognised for capital adequacy		–
Excess Additional Tier 1 capital recognised in Tier 2 capital		–
Total Tier 2 capital admissible for capital adequacy		–
TOTAL CAPITAL (T1 + admissible T2)		7,091,518

33.4 Main Features of Regulatory Capital Instruments

Sr. No.	Main Features	Common Shares	Instrument-2	Explanation
1	Issuer	6,000,000		Pak Brunei. Common shares are held by Ministry of Finance, Government of Pakistan and Brunei Investment Agency in a 50:50 ratio
2	Unique identifier (e.g. KSE Symbol or Bloomberg identifier etc.)			NA
3	Governing law(s) of the instrument			Companies Ordinance, 1984, Government of Pakistan
	Regulatory treatment			
4	Transitional Basel III rules			NA
5	Post-transitional Basel III rules			Common Equity Tier 1
6	Eligible at solo / group / group and solo			Solo
7	Instrument type			Ordinary Shares
8	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)			9,057,978
9	Par value of instrument			Rs.10 per share
10	Accounting classification			Shareholder's Equity
11	Original date of issuance			4-Nov-06
12	Perpetual or dated			No maturity
13	Original maturity date			NA
14	Issuer call subject to prior supervisory approval			No
15	Optional call date, contingent call dates and redemption amount			NA
16	Subsequent call dates, if applicable Coupons / dividends			NA
17	Fixed or floating dividend / coupon			NA
18	Coupon rate and any related index/ benchmark			NA
19	Existence of a dividend stopper			Yes (please refer PR-11)
20	Fully discretionary, partially discretionary or mandatory			Fully discretionary
21	Common Equity Tier 1 capital (CET1): Instruments and reserves Existence of step up or other incentive to redeem			No
22	Non-cumulative or cumulative			Non cumulative
23	Convertible or non-convertible			Non-convertible
24	If convertible, conversion trigger (s)			NA
25	If convertible, fully or partially			NA
26	If convertible, conversion rate			NA
27	If convertible, mandatory or optional conversion			NA
28	If convertible, specify instrument type convertible into			NA
29	If convertible, specify issuer of instrument it converts into			NA
30	Write-down feature			No
31	If write-down, write-down trigger(s)			NA
32	If write-down, full or partial			NA
33	If write-down, permanent or temporary			NA
34	If temporary write-down, description of write-up mechanism			NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument			N/A
36	Non-compliant transitioned features			No
37	If yes, specify non-compliant features			N/A

33.5 Risk weighted assets

The capital requirements for the Group as per the major risk categories is indicated below:

(Rupees in '000)

	Capital Requirements		Risk Weighted Assets	
	December 31, 2014	December 31, 2013	**December 31, 2014**	December 31, 2013
Credit risk				
Portfolios subject to standardised approach (Simple or Comprehensive)				
Cash and cash equivalents	**–**	–	**–**	–
Sovereign	**–**	–	**–**	–
Public sector entities	**4,999**	2,588	**49,985**	25,879
Banks	**4,579**	4,679	**45,786**	47,119
Corporate	**693,599**	607,042	**6,935,994**	6,070,419
Retail	**2,295**	1,881	**22,945**	20,915
Residential mortgages	**1,978**	1,304	**19,777**	13,044
Past due loans	**3,461**	3,497	**34,608**	34,972
Operating fixed assets	**3,563**	4,210	**35,630**	47,324
Other assets	**59,837**	64,581	**598,365**	634,562
	774,310	689,782	**7,743,090**	6,894,234
Portfolios subject to Internal Rating Based (IRB) approach				
Off - balance sheet				
Non-market related	**252,406**	201,169	**2,524,058**	2,011,685
Market related exposures	**292**	9	**2,915**	91
Equity exposure risk in the banking book				
Under simple risk weight method	**119,913**	59,301	**1,199,132**	593,013
Under Internal models approach	**–**	–	**–**	–
	372,612	260,479	**3,726,105**	2,604,789
Market risk				
Capital requirement for portfolios subject to standardised approach				
Interest rate risk	**181,561**	61,564	**2,269,513**	615,638
Equity position risk	**413,253**	510,265	**5,165,663**	5,084,325
Foreign Exchange risk	**–**	–	**–**	–
	594,813	571,829	**7,435,175**	5,699,963
Capital requirement for portfolios subject to internal models approach				
Operational risk				
Capital requirement for operational risks	**123,850**	196,364	**1,548,125**	1,814,638
Total	**1,865,584**	1,718,454	**20,452,495**	17,013,624

(Rupees in '000)

	December 31, 2014		December 31, 2013	
	Required	Actual	Required	Actual
CET1 to total RWA	**5.50%**	34.67%	**5.00%**	35.94%
Tier-1 capital to total RWA	**7.00%**	34.67%	**6.50%**	35.94%
Total capital to total RWA	**10.00%**	34.67%	**10.00%**	35.94%

33.6 Capital adequacy

Objectives of managing capital

Capital Management aims to ensure that there is sufficient capital to meet the capital requirements of the Group as determined by the underlying business strategy and the minimum requirements of the SBP. The Capital Management process is governed by the Holding Company's Asset and Liability Committee (ALCO). Further, capital adequacy and management is overseen by the Board's Risk Management Committee (RMC).

Group's capital management seeks:
- to comply with the capital requirements set by the regulators and comparable to the peers;
- to actively manage the supply of capital costs and increase capital velocity;
- to increase strategic and tactical flexibility in the deployment of capital to allow for the timely reallocation of capital;
- to improve the liquidity of the Group's assets to allow for an optimal deployment of the Group's resources;
- to protect the Group against unexpected events and maintain strong ratings;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide adequate return to shareholders;
- availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Group to expand; and
- to achieve low overall cost of capital with appropriate mix of capital elements.

Externally imposed capital requirements

In order to strengthen the solvency of Banks / Development Financial Institutions (DFI), SBP through its BSD Circular No. 19 of 2008 dated September 05, 2008 has asked the DFIs to raise their minimum paid up capital to Rs.6 billion free of losses by the end of financial year 2009.

SBP through its BSD Circular No. 09 dated April 15, 2009 has asked Banks to achieve the minimum Capital Adequacy Ratio (CAR) of 10% on standalone as well as on consolidated basis latest by December 31, 2010.

The paid-up capital and CAR of the Group stands at Rs.6 billion and 34.12% of its risk weighted exposure as at December 31, 2014.

The Group has complied with all externally imposed capital requirements as at year end.

34. RISK MANAGEMENT

The Risk Management Framework (the Framework) provides principles for identifying, assessing, and monitoring risk within the Group. The Framework specifies the key elements of the risk management process in order to maximise opportunities, to minimise adversity and to achieve improved outcomes and outputs based on informed decision making.

Categories of risk

The Group generates most of its revenues by accepting Credit, Liquidity and Market Risk. Effective management of these risks is the decisive factor in our profitability. In addition, the Group is subject to certain consequential risks that are common to all business undertakings. These risks are grouped under two headings: Operational and Reputational Risk. The Framework is organised with reference to these five risk categories, as detailed below:

Credit risk — This risk is defined as the possibility of loss due to unexpected default or a deterioration of credit worthiness of a counter party.

Market risk — The risk of loss generated by adverse changes in the price of assets or contracts currently held by the Group (this risk is also known as price risk).

Liquidity risk	The risk that the Group is unable to meet its payment obligations or fund increases in assets when they fall due without incurring an unacceptable cost; the consequences of which may be the failure to meet obligations to repay investors and fulfil commitments to lend.
Operational risk	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. The definition includes legal risk.
Reputational risk	The risk of failing to meet the standards of performance or behaviour required or expected by stakeholders in commercial activities or the way in which business is conducted.

Risk responsibilities

The Board of Directors (the Board) is accountable for overall supervision of the risk management process. The Board is responsible for approval of all risk policies and ensuring that these are properly implemented. Further, the Board appoints the senior management personnel who are capable of managing the risk activities conducted by the Group.

A separate unit has been setup for credit risk management. Risk Management comprises of two areas; Credit Risk Management (CRM) and Middle Office and Operational Risk (MOOR). CRM oversees credit risk taken by the Group while MOOR function overviews market, interest rate, liquidity and operational risks of the Group. The functions of both of these units are subject to the policies and manuals approved by the Board, Prudential Regulations and additional regulatory directives issued from time to time. These units are independent of business generation and risk taking. CRM monitors the credit portfolio of the Group on a regular basis to ensure prudent lending. Moreover, this department will also set parameters for various risks including i) sectoral concentration, ii) exposure limits for single and group clients, and iii) monitoring watch list accounts and the entire portfolio. The risk management philosophy is to identify and monitor risk on portfolio basis and assess the risk taking capacity of the balance sheet as a whole.

Different Management Committees have been set up to review different kinds of risks; mainly being the Assets and Liabilities Committee (ALCO), Credit Committee (CC) and Risk Management Committee (RMC). Comprehensive risk management manuals have been designed which cover all significant risks including credit, liquidity, market and operational risks and provides guidance to management on risk controls, limits, risk measurement tools and a reporting framework.

34.1 Credit risk

Credit risk, the potential default of one or more debtors, is the largest source of risk for the Group. The Group is exposed to credit risk through its lending and investment activities. The credit risk arising from exposure to corporates is governed by the Credit Risk Management Policy and Credit Administration Frameworks. The counter party credit risk arising from interbank lines are addressed in the Treasury policy framework.

The Group manages 3 principal sources of credit risk:
i) Sovereign credit risk on its public sector advances.
ii) Non-sovereign credit risk on its private sector advances.
iii) Counterparty credit risk on interbank limits.

Sovereign credit risk

When the Group lends to public sector borrowers, it prefers obtaining a full sovereign guarantee or the equivalent from the Government of Pakistan (GoP). However, certain public sector enterprises have a well defined cash flow stream and appropriate business model, based on which the lending is secured through collaterals other than GoP guarantee.

Non-sovereign credit risk

When the Group lends to private sector borrowers it does not benefit from sovereign guarantees or the equivalent. Consequently, each borrower's credit worthiness is analysed on a stand alone basis. A new internal rating model to rate corporate and commercial customers has been designed and its framework has been approved by the Board in July 2011. The new model has been running under parallel testing with the old model since December 2012.

Counter party credit risk on interbank limits

In the normal course of its business, the Group's Treasury utilises products such as Reverse Repo and call lending to meet the needs of the borrowers and manage its exposure to fluctuations in market interest rates and to temporarily invest its liquidity prior to disbursement. All of these financial instruments involve, to varying degrees, the risk that the counterparty in the transaction may be unable to meet its obligation to the Group.

Reflecting a preference for minimizing exposure to counterparty credit risk, the Group maintains eligibility criteria that link the exposure limits to counterparty credit ratings by external rating agencies. For example, the minimum rating for counterparties to be eligible for a financing relationship with the Group is BBB.

Credit administration

Credit Administration Department is involved in minimizing losses that could arise due to security and documentation deficiencies.

Risk analytics

To ensure a prudent distribution of asset portfolio, the Group manages its lending and investment activities within a framework of Borrower, Group, Product, Geographical and Sector exposure limits and risk profile benchmarks.

Stress testing

The Group also conducts stress testing of its existing portfolio, which includes all assets, i.e., advances as well as investments. This exercise is conducted on a semi-annual basis through assigning shocks to distressed / non performing assets of the Group and assessing its resulting affect on capital adequacy.

Regular monitoring

Regular monitoring of the advances portfolio is carried out which focuses on early problem recognition and influences the front office to carry out an assessment of the borrower's ability to rectify the identified problem / weakness within a reasonable time-frame, consider tighter structuring of facilities, confirm that there are no critical deficiencies in the existing security position and, if possible, arrange for strengthening of the same through obtaining additional collateral. It should however, be noted that these actions are taken prior to incurring overdues on the facility.

Portfolio diversification

While expanding the advances and the investment (TFCs) portfolio, efficient portfolio diversification has been a key consideration despite the relatively small size of operations.

34.1.1 Segmental Information

34.1.1.1 Segments by class of business

	December 31, 2014					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Cement	**254,810**	**3.45**	**–**	**–**	**–**	**–**
Textile	**1,603,754**	**21.71**	**–**	**–**	**801,538**	**4.41**
Sugar	**1,525,886**	**20.65**	**200**	**0.00**	**23,820**	**0.13**
Chemicals and pharmaceuticals	**363,001**	**4.91**	**3,030**	**0.06**	**278,000**	**1.53**
Production and transmission of energy	**1,255,687**	**17.00**	**–**	**–**	**1,153,019**	**6.35**
Auto and allied	**4,356**	**0.06**	**–**	**–**	**–**	**–**
Financial	**52,537**	**0.71**	**4,730,000**	**91.59**	**15,059,908**	**82.95**
Individuals	**87,100**	**1.08**	**–**	**–**	**–**	**–**
Health and pharma	**97,500**	**1.32**	**–**	**–**	**–**	**–**
Telecommunication	**65,019**	**0.88**	**–**	**–**	**–**	**–**
Paper and board	**88,889**	**1.20**	**–**	**–**	**–**	**–**
Food and confectionary	**519,906**	**7.04**	**–**	**–**	**149,952**	**0.83**
Entertainment	**128,830**	**1.74**	**–**	**–**	**7,000**	**0.04**
Printing	**9,130**	**0.12**	**–**	**–**	**1,871**	**0.01**
Public sector	**–**	**–**	**400,000**	**7.75**	**–**	**–**
Transportation	**113,083**	**1.53**	**–**	**–**	**400,000**	**2.20**
Packaging	**193,365**	**2.62**	**–**	**–**	**210,000**	**1.16**
Services	**6,925**	**0.09**	**–**	**–**	**70,056**	**0.39**
Electronics and electrical appliances	**480,000**	**6.50**	**–**	**–**	**–**	**–**
Engineering	**46,829**	**0.63**	**–**	**–**	**1,321**	**0.01**
Construction	**83,688**	**1.13**	**–**	**–**	**–**	**–**
Poultry	**286,458**	**3.88**	**–**	**–**	**–**	**–**
Others	**129,393**	**1.75**	**31,000**	**0.60**	**10**	**0.00**
	7,396,146	**100.00**	**5,164,230**	**100.00**	**18,156,495**	**100.00**

	December 31, 2013					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Cement	278,570	4.10	–	–	–	–
Textile	919,255	13.51	–	–	721,496	3.38
Sugar	1,296,216	19.06	–	–	387,657	1.82
Chemicals and pharmaceuticals	193,623	2.85	2,646	0.47	300,000	1.41
Production and transmission of energy	1,638,404	24.09	–	–	515,000	2.41
Financial	135,870	2.00	465,000	82.00	19,132,287	89.70
Individuals	65,155	0.92	–	–	–	–
Hotel	25,741	0.38	–	–	–	–
Telecommunication	100,000	1.47	–	–	–	–
Paper and board	276,667	4.07	–	–	–	–
Food and confectionary	396,941	5.84	–	–	–	–
Entertainment	80,083	1.18	–	–	60,000	0.28
Transportation	203,788	3.00	–	–	–	–
Packaging	178,542	2.62	–	–	–	–
Services	91,773	1.35	74,424	13.12	60,000	0.28
Electronics and electrical appliances	229,463	3.37	–	–	538	0.00
Engineering	98,316	1.45	–	–	26,321	0.12
Others	596,480	8.77	25,000	4.41	127,000	0.60
	6,804,887	100	567,070	100	21,330,299	100

34.1.1.2 Segment by sector

(Rupees in '000)

	December 31, 2014					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	**160,824**	**2**	**400,000**	**8**	**12,166,316**	**67**
Private	**7,235,322**	**98**	**4,764,230**	**92**	**5,990,179**	**33**
	7,396,146	**100**	**5,164,230**	**100**	**18,156,495**	**100**

	December 31, 2013					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	127,853	2	–	–	7,873,777	37
Private	6,677,034	98	567,070	100	13,456,522	63
	6,804,887	100	567,070	100	21,330,299	100

34.1.1.3 Details of non-performing advances and specific provisions by class of business segments

(Rupees in '000)

	2014		2013	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
Financial	**2,537**	**2,537**	2,537	2,537
	2,537	**2,537**	2,537	2,537

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

(Rupees in '000)

	2014		2013	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
Public / Government	–	–	–	–
Private	**2,537**	**2,537**	2,537	2,537
	2,537	**2,537**	2,537	2,537

34.1.1.5 Geographical segment analysis

(Rupees in '000)

	December 31, 2014			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Pakistan	**1,206,488**	**32,996,604**	**9,208,657**	**18,156,495**

	December 31, 2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Pakistan	903,667	35,495,332	8,226,665	21,330,299

34.2 Market risk

The market risk is the risk of reductions in earnings, value and / or reserves arising from changes in market rates (such as interest rates, exchange rates, credit spreads) and market prices (such as commodities, equities, property etc.) as well as their correlations and volatilities. The Group is exposed to market risk primarily through its trading activities, which are cantered in the Treasury and Capital market groups.

The Group classifies its assets in banking and trading books as per instructions from SBP. Group's trading book comprises positions in financial instruments held with trading intent or in order to hedge other elements of the trading book 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. The positions which do not fulfil the criteria of trading book falls under the banking Book and are treated as per SBP requirements.

The Group actively measures, controls and manages market risk on day-to-day basis. Controls are applied to all investment portfolios by setting limits to the exposures taken. This includes stop loss limits on shares in 'Held-for-trading' portfolio, individual and sectoral concentration limits, volatility and value-at-risk limits etc.

The Group measures market risk using various techniques like duration analysis for interest rate sensitivity, Value-at-Risk for adverse price movement and stress testing etc. The results are communicated to ALCO and Risk Management Committee on monthly and quarterly basis respectively. Market risk is effectively managed at portfolio level.

Policies, valuation and accounting of equity investments

In accordance with the requirements of the SBP, valuation and accounting of equity investments is done as per the accounting policy of investment mentioned in note 4.5 to these financial statements. Further, composition of equity investments is available in note 7 of these financial statements.

34.2.1 Interest rate risk

Interest rate risk is the uncertainty resulting from changes in interest rates, including changes in the shape of yield curves. Interest rate risk arises from factors such as mismatches between contractual maturities or re-pricing of on and off balance sheet assets and liabilities. The objective of yield / interest rate risk management is to minimise adverse variances in the Group's profitability.

Government securities (PIBs and T-Bills), investment in TFCs and Sukuks, loans and advances and other money market investments are subject to interest rate risk classified under 'Held-for-trading' as well as 'Available-for-sale' category if they meet the SBP criteria. Duration analysis is carried out to capture the risk associated with these securities. Stress testing is also in place to capture the sensitivity of the portfolio to adverse movement in interest rates. For prudent risk management, all money market investments are marked to market to assess changes in the market value of investments due to interest rate movements.

34.2.2 Foreign exchange risk

Foreign Exchange Risk is the risk of loss arising from fluctuations of exchange rates. The Group is not exposed to any significant funded or non-funded foreign exchange exposure.

(Rupees in '000)

	December 31, 2014			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistani Rupee	**32,996,600**	**23,787,947**	**–**	**9,208,653**
United States Dollar	**4**	**–**	**–**	**4**
	32,996,604	**23,787,947**	**–**	**9,208,657**

	December 31, 2013			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistani Rupee	35,495,328	27,268,667	–	8,226,661
United States Dollar	4	–	–	4
	35,495,332	27,268,667	–	8,226,665

34.2.3 Equity position risk

The Group is exposed to equity position risk on its investments in equity capital markets. The Board with the recommendations of ALCO approves exposure limits applicable to investments in trading book.

Equity investments in Group's trading book are subject to limits and controls imposed by risk management policy to reduce the risk. The risk is managed by applying trading limit, scrip–wise and portfolio wise nominal limits, stop-loss limits and volatility limits. Stress test and value-at-risk figures are also reported to the management for timely decisions.

The Equity Investment Committee is responsible for making investment decisions in the capital market.

34.2.4 Mismatch of interest rate sensitive assets and liabilities

Interest rate risk can arise on account of rising interest rates causing a fall in the value of assets or falling interest rates causing an increase in the value of liabilities. While the Company is largely engaged in transactions on a floating rate basis in both borrowings and lendings, rate reset frequency, ceilings and floors and choice of base rate can translate into interest rate risk.

Interest rate risk is monitored through regular reports on interest rate matching and duration estimates. Furthermore stress techniques are also used to estimate maximum losses in case of adverse movements in interest rates.

(Rupees in '000)

	Effective yield/ interest rate	December 31, 2014										
		Total	Exposed to yield/interest risk									Non-interest Bearing Financial Instruments
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
On-balance sheet financial instruments												
Asset												
Cash and balances with treasury banks	–	123,153	–	–	–	–	–	–	–	–	–	123,153
Balances with other banks	9.42%	173,645	173,645	–	–	–	–	–	–	–	–	–
Investments	12.22%	24,192,538	1,841,835	2,283,424	3,371,929	4,210,276	4,052,253	498,547	483,785	1,517,116	–	5,933,373
Advances	12.20%	7,393,282	2,088,824	2,438,978	940,174	367,576	404,606	395,649	552,228	108,745	–	96,502
Other assets	–	732,370	–	–	–	–	–	–	–	–	–	732,370
		32,614,988	4,104,304	4,722,402	4,312,103	4,577,852	4,456,859	894,196	1,036,013	1,625,861	–	6,885,398
Liabilities												
Borrowings	9.86%	18,089,905	15,812,119	1,017,654	34,833	134,143	300,612	282,165	426,410	81,969	–	–
Deposits and other accounts	10.32%	5,164,230	500,000	2,061,200	2,200,000	403,030	–	–	–	–	–	–
Other liabilities	–	384,617	–	–	–	–	–	–	–	–	–	384,617
		23,638,752	16,312,119	3,078,854	2,234,833	537,173	300,612	282,165	426,410	81,969	–	384,617
On-balance sheet gap		8,976,236	(12,207,815)	1,643,548	2,077,270	4,040,679	4,156,247	612,031	609,603	1,543,892	–	6,500,781
Off–balance sheet financial instruments												
Forward purchase of Government Securities		–	–	–	–	–	–	–	–	–	–	–
Forward Sale of Government Securities		13,952,913	13,952,913	–	–	–	–	–	–	–	–	–
Interest Rate Derivatives – Short position		–	–	–	–	–	–	–	–	–	–	–
Interest Rate Derivatives – Long position		–	–	–	–	–	–	–	–	–	–	–
Off–balance sheet gap		13,952,913	13,952,913	–	–	–	–	–	–	–	–	–
Total Yield / Interest Risk sensitivity gap		22,929,149	1,745,098	1,643,548	2,077,270	4,040,679	4,156,247	612,031	609,603	1,543,892	–	6,500,781
Cumulative Yield / Interest Risk Sensitivity Gap			1,745,098	3,388,646	5,465,916	9,506,595	13,662,842	14,274,873	14,884,476	16,428,368	16,428,368	22,929,149

(Rupees in '000)

	Effective yield/ interest rate	December 31, 2013										
		Total	Exposed to yield/interest risk									Non-interest Bearing Financial Instruments
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	–	96,317	–	–	–	–	–	–	–	–	–	96,317
Balances with other banks	10.30%	235,581	58,895	176,686	–	–	–	–	–	–	–	–
Investments	13.00%	27,416,962	6,850,925	12,849,843	240,964	–	203,263	504,455	384,814	29,101	–	6,353,597
Advances	13.91%	6,802,019	2,905,768	2,409,510	705,593	94,865	195,184	215,389	204,173	29,298	17,164	25,075
Other assets	–	343,440	202,796	105,442	19,777	11,636	3,789	–	–	–	–	–
		34,894,319	10,018,384	15,541,481	966,334	106,501	402,236	719,844	588,987	58,399	17,164	6,474,989
Liabilities												
Borrowings	12.06%	26,391,995	22,695,804	2,921,568	85,854	93,610	190,958	186,216	199,435	18,550	–	–
Deposits and other accounts	12.74%	567,070	25,000	139,424	2,646	400,000	–	–	–	–	–	–
Other liabilities	–	287,599	–	–	–	–	–	–	–	–	–	287,599
		27,246,664	22,720,804	3,060,992	88,500	493,610	190,958	186,216	199,435	18,550	–	287,599
On-balance sheet gap		7,647,655	(12,702,420)	12,480,489	877,834	(387,109)	211,278	533,628	389,552	39,849	17,164	6,187,390
Off–balance sheet financial instruments												
Forward purchase of Government Securities		–	–	–	–	–	–	–	–	–	–	–
Forward Sale of Government Securities		19,132,287	19,132,287	–	–	–	–	–	–	–	–	–
Interest Rate Derivatives – Short position		–	–	–	–	–	–	–	–	–	–	–
Interest Rate Derivatives – Long position		–	–	–	–	–	–	–	–	–	–	–
Off–balance sheet gap		19,132,287	19,132,287	–	–	–	–	–	–	–	–	–
Total Yield / Interest Risk Sensitivity Gap		26,779,942	6,429,867	12,480,489	877,834	(387,109)	211,278	533,628	389,552	39,849	17,164	6,187,390
Cumulative Yield / Interest Risk Sensitivity Gap			6,429,867	18,910,356	19,788,190	19,401,081	19,612,359	20,145,987	20,535,539	20,575,388	20,592,552	26,779,942

34.3 Liquidity Risk

Liquidity risk is the risk that the Group is unable to fund its current obligations and operations in the most cost efficient manner. ALCO is the forum to oversee liquidity management.

Liquidity risk can arise from the Group's activities and can be grouped into three categories:

- Inflows / outflows from on-balance sheet items (other than marketable securities and wholesale borrowings) and off-balance sheet items;
- Marketability of trading securities; and
- Capacity to borrow from the wholesale markets for funding as well as trading activities.

The Group's main funding source is the inter-bank money market. Change in the Government monetary policy and market expectations of interest rate are all important factors that can adversely affect our key funding source. Efficient and accurate planning plays a critical role in liquidity management. Group's MIS provides information on expected cash inflows / out flows which allow the Group to take timely decisions based on the future requirements. Group monitors all the possible sources from which liquidity risk can emanate including market reputation, borrowing terms, deterioration in quality of credit portfolio etc. Other sources are also identified for which early warning indicators have been created and being monitored for early intervention of management sensing a potential liquidity crunch.

Gap analysis and stress testing is done on periodic basis to capture any adverse effect of market movements on liquidity position. Based on the results produced, ALCO devises the liquidity management strategy to maintain sufficient liquidity to deal with any related catastrophe.

34.3.1 Maturities of assets and liabilities - on the basis approved by the Assets and Liabilities Management Committee (ALCO) of the Company

(Rupees in '000)

		December 31, 2014								
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets										
Cash and balances with treasury banks	**123,153**	**30,788**	**92,365**	–	–	–	–	–	–	–
Balances with other banks	**173,645**	**19,190**	**154,455**	–	–	–	–	–	–	–
Investments	**24,192,538**	**3,448,637**	**808,376**	**6,358,999**	**4,764,046**	**4,063,406**	**1,234,602**	**1,381,932**	**1,777,540**	**355,000**
Advances	**7,393,282**	**1,237,100**	**462,567**	**459,719**	**1,321,169**	**1,328,103**	**1,146,661**	**1,112,618**	**302,345**	**23,000**
Operating fixed assets	**37,204**	**1,986**	**3,972**	**5,024**	**7,667**	**16,691**	**1,864**	–	–	–
Other assets	**1,076,782**	**490,072**	**158,298**	**80,172**	**340,975**	**4,200**	**3,065**	–	–	–
	32,996,604	**5,227,773**	**1,680,033**	**6,903,914**	**6,433,857**	**5,412,400**	**2,386,192**	**2,494,550**	**2,079,885**	**378,000**
Liabilities										
Borrowings	**18,089,905**	**15,799,110**	**509,251**	**57,003**	**384,765**	**550,111**	**280,799**	**427,078**	**81,788**	–
Deposits and other accounts	**5,164,230**	**500,000**	**2,061,200**	**2,200,000**	**403,030**	–	–	–	–	–
Deferred tax liabilities	**139,656**	**76,894**	**(2,710)**	**9,134**	**8,051**	**26,229**	**21,534**	**(14,687)**	**15,211**	–
Other liabilities	**394,156**	**85,890**	**71,605**	**10,850**	**56,344**	**39,030**	**97,685**	**30,713**	–	**2,039**
	23,787,947	**16,461,894**	**2,639,346**	**2,276,987**	**852,190**	**615,370**	**400,018**	**443,104**	**96,999**	**2,039**
Net assets	**9,208,657**	**(11,234,121)**	**(959,313)**	**4,626,927**	**5,581,667**	**4,797,030**	**1,986,174**	**2,051,446**	**1,982,886**	**375,961**
Share capital	**6,000,000**									
Reserves	**878,000**									
Unappropriated profit	**2,179,978**									
Surplus on revaluation of assets - net of tax	**150,679**									
	9,208,657									

		December 31, 2013								
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets										
Cash and balances with treasury banks	96,317	96,317	–	–	–	–	–	–	–	–
Balances with other banks	235,581	58,895	176,686	–	–	–	–	–	–	–
Investments	27,416,962	7,485,954	12,513,406	1,914,582	2,724,099	573,320	788,115	1,297,795	119,691	–
Advances	6,802,019	1,126,313	948,325	224,288	974,924	1,349,287	972,646	948,120	240,954	17,162
Operating fixed assets	52,142	1,988	3,820	5,886	15,728	12,879	10,046	1,795	–	–
Other assets	892,311	232,433	151,920	39,961	329,973	133,953	1,157	–	–	2,914
	35,495,332	9,001,900	13,794,157	2,184,717	4,044,724	2,069,439	1,771,964	2,247,710	360,645	20,076
Liabilities										
Borrowings	26,391,995	22,674,392	1,421,604	335,891	595,552	691,104	441,108	199,028	33,316	–
Deposits and other accounts	567,070	25,000	139,424	2,646	400,000	–	–	–	–	–
Deferred tax liabilities	14,787	(18,862)	(11,490)	(60)	10,980	17,209	31,918	(16,628)	1,720	–
Other liabilities	294,815	72,246	53,671	30,549	17,325	41,034	38,072	41,918	–	–
	27,268,667	22,752,776	1,603,209	369,026	1,023,857	749,347	511,098	224,318	35,036	–
Net assets	8,226,665	(13,750,876)	12,190,948	1,815,691	3,020,867	1,320,092	1,260,866	2,023,392	325,609	20,076
Share capital	6,000,000									
Reserves	697,026									
Unappropriated profit	1,568,385									
Deficit on revaluation of assets - net	(38,746)									
	8,226,665									

34.3.2 Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the Group

(Rupees in '000)

		December 31, 2014								
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets										
Cash and balances with treasury banks	**123,153**	**30,788**	**92,365**	–	–	–	–	–	–	–
Balances with other banks	**173,645**	**19,190**	**154,455**	–	–	–	–	–	–	–
Investments	**24,192,538**	**3,448,637**	**808,376**	**6,358,999**	**4,764,046**	**4,063,406**	**1,234,602**	**1,381,932**	**1,777,540**	**355,000**
Advances	**7,393,282**	**1,237,100**	**462,567**	**459,719**	**1,321,169**	**1,328,103**	**1,146,661**	**1,112,618**	**302,345**	**23,000**
Operating fixed assets	**37,204**	**1,986**	**3,972**	**5,024**	**7,667**	**16,691**	**1,864**	–	–	–
Other assets	**1,076,782**	**490,072**	**158,298**	**80,172**	**340,975**	**4,200**	**3,065**	–	–	–
	32,996,604	**5,227,773**	**1,680,033**	**6,903,914**	**6,433,857**	**5,412,400**	**2,386,192**	**2,494,550**	**2,079,885**	**378,000**
Liabilities										
Borrowings	**18,089,905**	**15,799,110**	**509,251**	**57,003**	**384,765**	**550,111**	**280,799**	**427,078**	**81,788**	–
Deposits and other accounts	**5,164,230**	**500,000**	**2,061,200**	**2,200,000**	**403,030**	–	–	–	–	–
Deferred tax liabilities	**139,656**	**76,894**	**(2,710)**	**9,134**	**8,051**	**26,229**	**21,534**	**(14,687)**	**15,211**	–
Other liabilities	**394,156**	**85,890**	**71,605**	**10,850**	**56,344**	**39,030**	**97,685**	**30,713**	–	**2,039**
	23,787,947	**16,461,894**	**2,639,346**	**2,276,987**	**852,190**	**615,370**	**400,018**	**443,104**	**96,999**	**2,039**
Net assets	**9,208,657**	**(11,234,121)**	**(1,035,934)**	**4,626,927**	**5,599,416**	**4,792,144**	**1,986,174**	**2,045,853**	**1,982,886**	**375,961**
Share capital	**6,000,000**									
Reserves	**878,000**									
Unappropriated profit	**2,179,978**									
Deficit on revaluation of assets - net of tax	**150,679**									
	9,208,657									

		December 31, 2013								
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets										
Cash and balances with treasury banks	96,317	96,317	–	–	–	–	–	–	–	–
Balances with other banks	235,581	58,895	176,686	–	–	–	–	–	–	–
Investments	27,416,962	12,630,083	11,373,306	179,575	422,476	605,921	788,115	1,297,795	119,691	–
Advances	6,802,019	1,126,313	948,325	224,288	974,924	1,349,287	972,646	948,120	240,954	17,162
Operating fixed assets	52,142	1,988	3,820	5,886	15,728	12,879	10,046	1,795	–	–
Other assets	892,311	232,433	151,920	39,961	329,973	133,953	1,157	–	–	2,914
	35,495,332	14,146,029	12,654,057	449,710	1,743,101	2,102,040	1,771,964	2,247,710	360,645	20,076
Liabilities										
Borrowings	26,391,995	22,674,392	1,421,604	335,891	595,552	691,104	441,108	199,028	33,316	–
Deposits and other accounts	567,070	25,000	139,424	2,646	400,000	–	–	–	–	–
Deferred tax liabilities	14,787	(18,862)	(11,490)	(60)	10,980	17,209	31,918	(16,628)	1,720	–
Other liabilities	294,815	72,246	53,671	30,549	17,325	41,034	38,072	41,918	–	–
	27,268,667	22,752,776	1,603,209	369,026	1,023,857	749,347	511,098	224,318	35,036	–
Net assets	8,226,665	(8,606,747)	11,050,848	80,684	719,244	1,352,693	1,260,866	2,023,392	325,609	20,076
Share capital	6,000,000									
Reserves	697,026									
Unappropriated profit	1,568,385									
Surplus on revaluation of assets - net of tax	(38,746)									
	8,226,665									

34.4 Operational risk

The Group, like all financial institutions, is exposed to many types of operational risks, including the potential losses arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and procedures and the execution of legal, fiduciary and agency responsibilities.

The Group maintains a system of internal controls designed to keep operational risk at appropriate levels, in view of the Group's financial strength and the characteristics of the activities and market in which it operates. These internal controls are periodically updated to conform to industry best practice. The Group has developed a Business Continuity Plan applicable to all its functional areas. Currently the Group uses the Basic Indicator Approach for assessing its operational risk capital charge.

35. NON ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors have proposed a final dividend for the year ended December 31, 2014 of Rs. **0.33** per share (2013: Re.0.33 per share), amounting to Rs. **200** million (2013: Rs.200 million) at their meeting held on **March 10, 2015** , for approval of the members at the annual general meeting to be held on **March 31, 2015** . The unconsolidated financial statements for the year ended December 31, 2014 do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2015.

36. GENERAL

36.1 Credit rating

The Holding Company has been assigned credit rating of 'AA+' (Double A plus) in the medium to long term and A1+ (A One Plus) in the short-term by JCR-VIS Credit Rating Agency Limited, SBP approved rating agency. Outlook on the assigned rating is "Stable".

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

37. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on **March 10, 2015** by the Board of Directors of the Holding Company.

Chief Executive **Director** **Director** **Chairman**

Annexure - I

As referred in note 9.6 of the consolidated financial statements

Statement showing written-off loans on any other financial relief of Rs. 500,000 or above provided during the year ended December 31, 2014.

S. No.	Name and address of the borrowers	Name of individual/ partner/director and CNIC No.	Father's /Husband's name	Outstanding Liabilities at the beginning of the year				Amount written-off			
				Principal	Mark-up	Others	Total	Principal	Mark-up	Others	Total
	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil