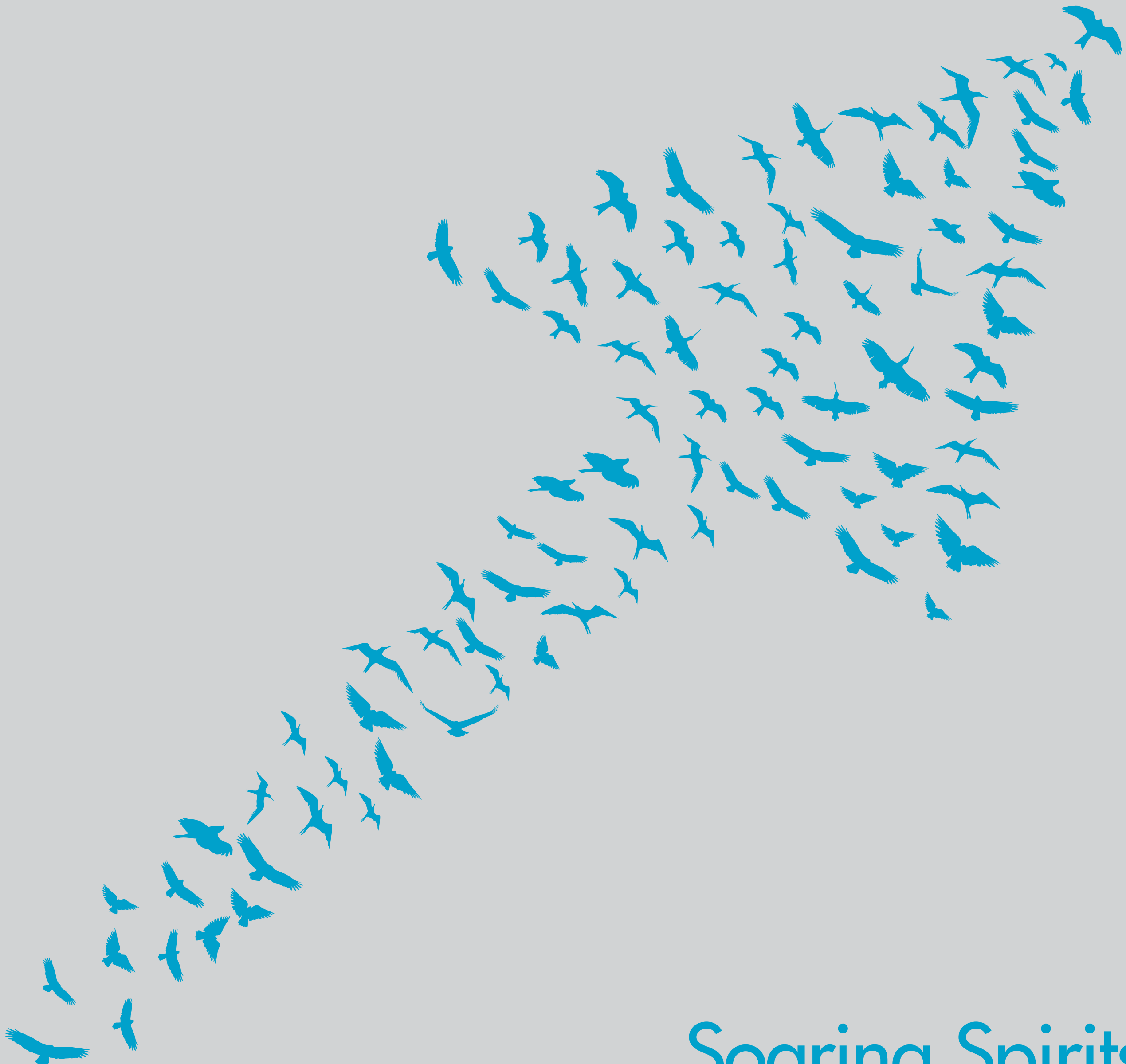

Soaring Spirits

Annual Report 2014

PakLibya

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Soaring Spirits

Being ambitious is essential to achieving Success and requires a spirit of confidence, persistence and most importantly Strategy. While many people aim to achieve something better to differentiate themselves from others, Pak Libya Holding Company (Private) Limited (PLHC) is in soaring spirits to become the highest ranking Investment Company of Pakistan by extending development financing to meet socio-economic objectives of the Country.

The flock of birds forming an inclining arrow symbolizes new opportunities and future development of Pakistan.

Ratings

Entity Rating Maintained by PACRA

Long Term:
AA-
(Double A Minus)

Short Term:
A1+
(A One Plus)

Instrument Rating

Privately Placed Secured TFC

Rs.750 million
AA (Double A)

Issue Date: February 07, 2011
Maturity Date: February 07, 2016

Privately Placed Secured TFC

Rs.1,000 million
AA (Double A)

Issue Date: February 24, 2015
Maturity Date: February 24, 2020

From the Gulf of Investments to Coastlines of Returns

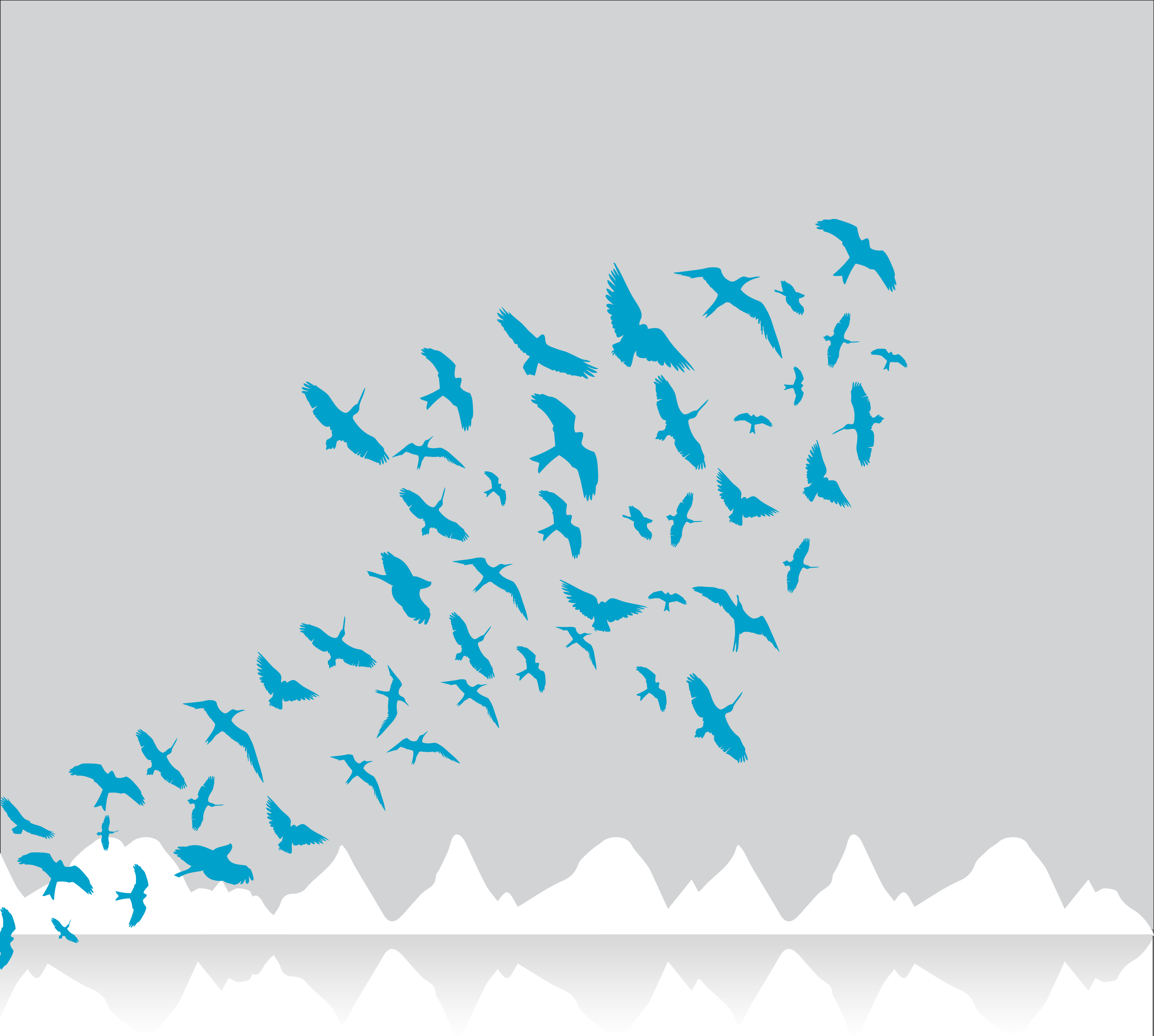
This illustration portrays the model of flocking behavior of birds which is strategically controlled during their Journey towards the Coastline. Likewise, PLHC is on a Journey to promoting the economic development of Pakistan by routing development funds to fruitful sectors, such as infrastructure and industries, through strategic investments.

Vision

To maintain and sustain Pak Libya Holding Company (Private) Limited's position as a leading financial institution by developing and contributing to shareholders' investment.

Mission

To be firmly committed to development finance and investment activities whilst efficiently managing costs and maximizing returns in order to build a Company that plays a vital role towards corporate responsibility.



Core Values:

- Value creativity and innovation
- Recognize that Leadership, Empowerment and Accountability are essential for corporate success
- Strongly believe that quality and an unyielding commitment to continuous improvement are indispensable to achieving growth

Corporate Strategy:

- Invest in people to build organizational capability
- Leverage the available financial resources and management skills
- Focus on integrated value creation

Board of Directors

Mr. Haque Nawaz
Director

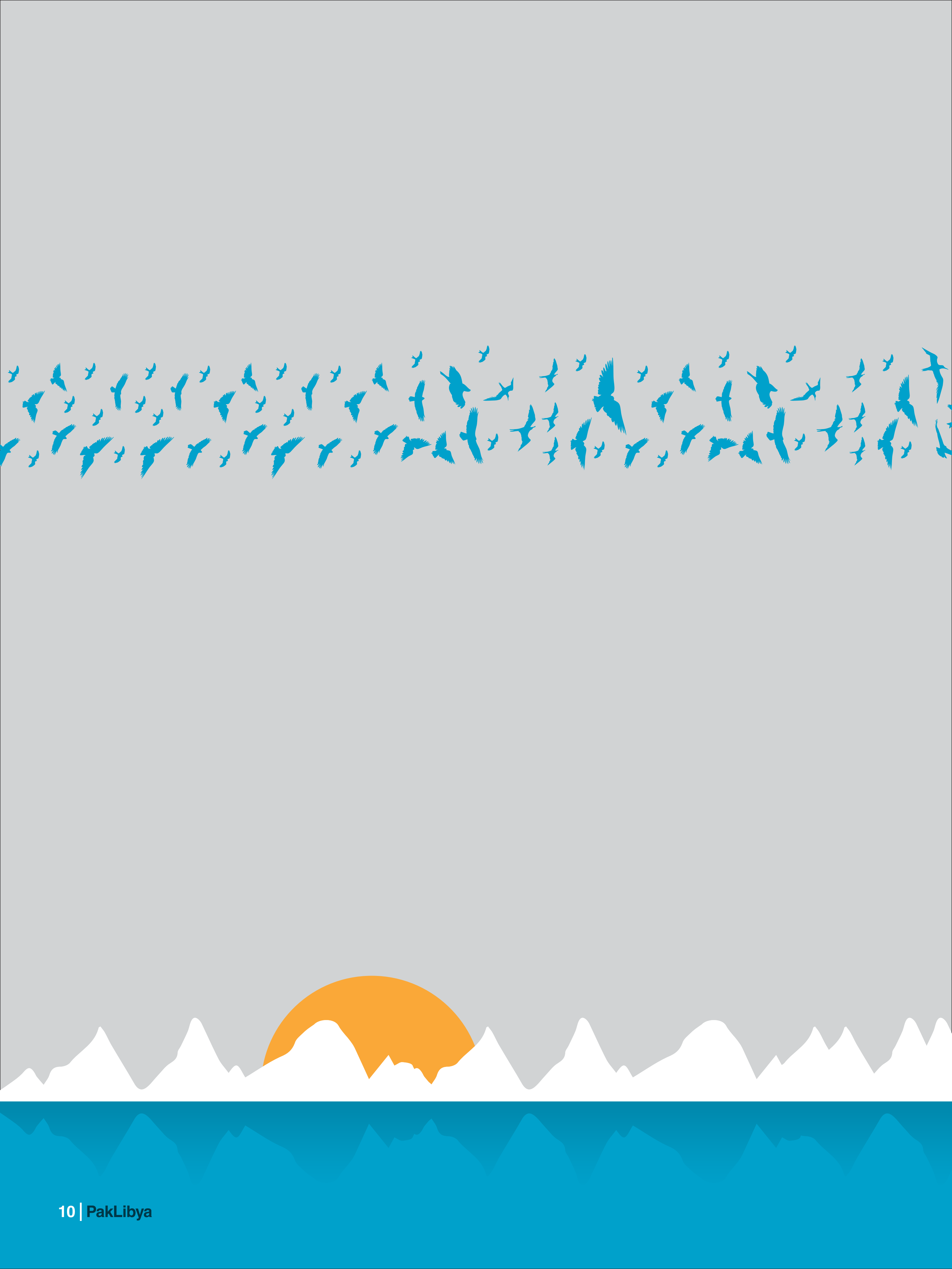
Mr. Fazal-ur-Rehman
Director

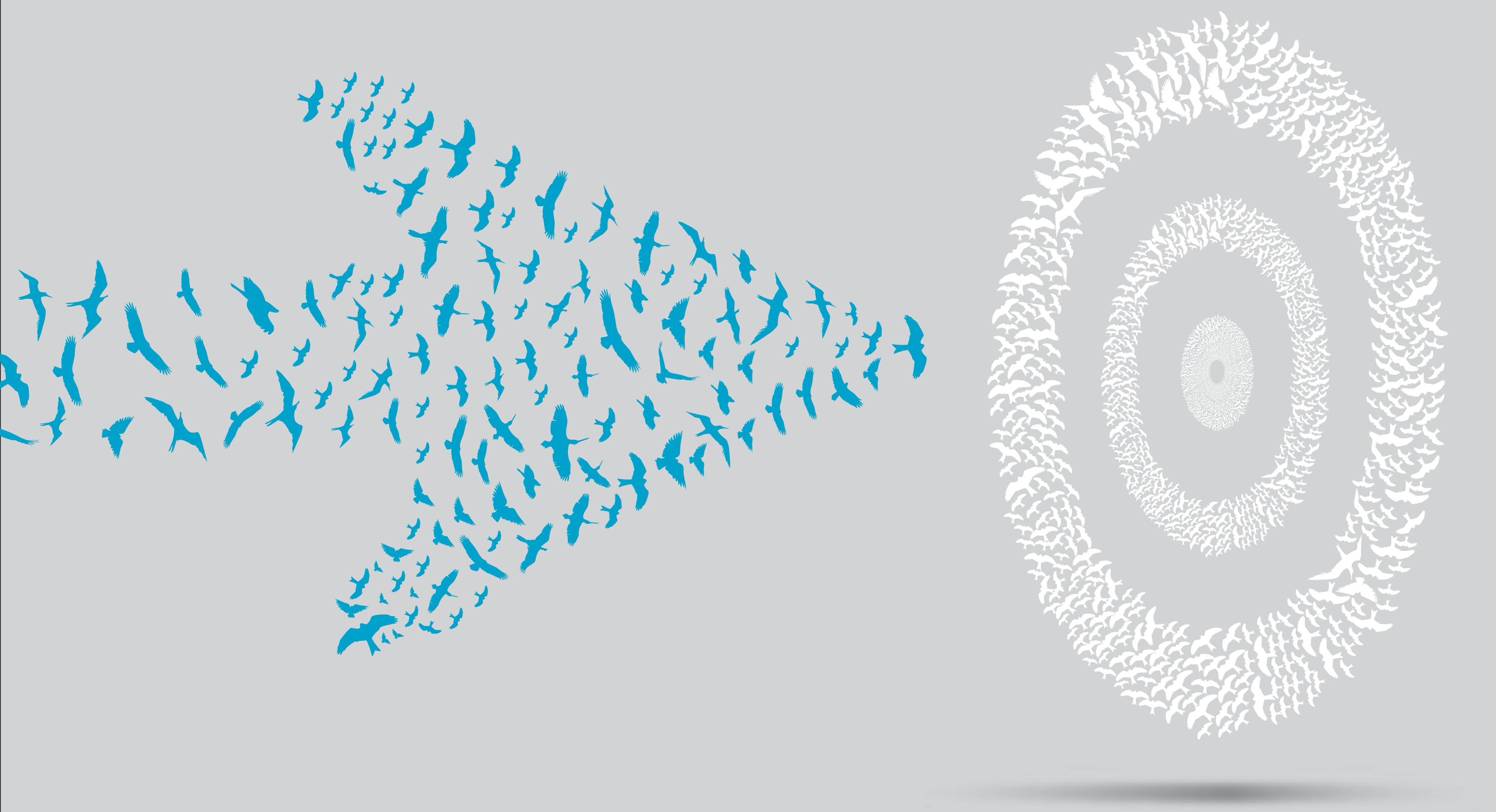
Mr. Abid Aziz
Managing Director / Director

Mr. Bashir B. Omer
Chairman

Mr. Ramadan A. Haggiagi
Director

Mr. Khalid S.T. Benrjoba
Deputy Managing Director / Director





Achieving High Altitudes of Success

Over the past few years, PLHC has played a vital role in fostering growth of sustainable businesses in Pakistan, improving lives and achieving social development goals set by the government. The birds flocking high in the sky depict the achievements of PLHC by hitting the bullseye.

Corporate Information

BOARD COMMITTEES

CREDIT/ INVESTMENT COMMITTEE

Mr. Bashir B. Omer	Chairman
Mr. Haque Nawaz	Member
Mr. Abid Aziz	Member
Mr. Merajuddin	Secretary

RISK MANAGEMENT COMMITTEE

Mr. Fazal-ur-Rehman	Chairman
Mr. Ramadan A. Haggiagi	Member
Mr. Khalid S.T. Benrjoba	Member
Mr. Abdul Latif Memon	Secretary

AUDIT COMMITTEE

Mr. Ramadan A. Haggiagi	Chairman
Mr. Fazal-ur-Rehman	Member
Mr. Haque Nawaz	Member
Mr. Merajuddin	Secretary

RECRUITMENT AND COMPENSATION COMMITTEE

Mr. Bashir B. Omer	Chairman
Mr. Fazal-ur-Rehman	Member
Mr. Abid Aziz	Member
Mr. M. Iqbal Ghori	Secretary

COMPANY SECRETARY

Mr. Merajuddin

AUDITORS

M/s. Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

LEGAL ADVISORS

M/s. Mohsin Tayebaly & Company

REGISTERED OFFICE

5th Floor, Block 'C', Finance & Trade Centre,
Shahrah-e-Faisal, Karachi, Pakistan

WEBSITE

www.paklibya.com.pk

Our Team

EXECUTIVE COMMITTEE

Mr. Abid Aziz
Managing Director & CEO

Mr. Khalid S.T. Benrjoba
Deputy Managing Director

SENIOR MANAGEMENT

Syed Ghazanfar Ali
Head of Corporate & Investment Banking Division

Mr. Muhammad Ali Yacoob
Head of Securities Portfolio Management Division

Mr. Najam Iqbal Mirza
Head of Treasury & Fund Management Division

Ms. Tasneem Lotia
Head of Liability Management

Mr. Muhammad Masood Ebrahim
Chief Financial Officer

Mr. Manzoor Saber
Head of Internal Audit Division

Mr. Arshad Ismail Khan
Head of Operations (Back Office)

Mr. Muhammad Sabihuddin
Head of Compliance Division

Mr. Abdul Latif Memon
Head of Risk Management Division

Mr. Muhammad Iqbal Ghori
Head of Human Resources & Administration Division

Mr. Saadat Muzaffar
Head of North Region, Lahore

Mr. Minhaj-ul-Islam Farooqi
Head of Law Division

Alighting with New Opportunities

The investment activities of PLHC are primarily focused on bridging the gap between commercial investments and infrastructure development. In addition, the Company is actively tapping new business opportunities to contribute to the economic prosperity of the Nation.

Chairman's Review

I am pleased to present the Annual Report of Pak Libya Holding Company (Private) Limited for the year ended December 31, 2014.

"The tremendous efforts of the management and our staff are evident in the results for the year."

After suffering substantial losses in the financial years 2009 - 2012, Company's performance is back on track as a result of successful implementation of revised business strategy. This year the Company earned a profit after tax of Rs. 232.68 million, which is a result of extraordinary teamwork.

The Company remains well positioned in terms of its business strategy and selective stance in asset growth. Strengthening risk management, compliance and associated controls remain at the core of our philosophy, which is in keeping with the Company's business orientation and future plans. These initiatives are aimed for sustainable long term strategic growth of the Company.

The Company successfully implemented its renewed investment strategy for shares and portfolio management division and has been taking due advantage of the opportunities offered by Pakistan's stock market.

The Company has been performing well regardless of certain operational limitations due to the existing situation of minimum capital requirement. The shareholders, in the AGM held in April 2013, gave their consent, in principle to increase the paid-up capital of the Company through rights issue transaction of Rs. 4.00 billion. The Board has been reviewing the performance, entire situation of the Company considering sustainable growth and income and developments in the process of equity injection.

The Company has nevertheless continued to achieve its objectives and fulfill requirements in a manner proportionate to its business model. I am confident of a positive outcome and an early completion of the equity injection process.

I have no doubt that given the continuous dedication and team spirit of our employees as well as the steadfast support of our existing and prospective customers, Pak Libya can prosper further in the years ahead.

Acknowledgements

I would like to express my sincere gratitude to all the stakeholders of Pak Libya for the confidence they continue to repose in the Company. I also want to express my sincere appreciation to the shareholders; LAFICO and SBP for their continued support and guidance.

Bashir B. Omer
Chairman

Date: February 20, 2015
Karachi

Directors' Report

The Board of Directors of Pak Libya Holding Company (Private) Limited ("the Company" or "Pak Libya" or "PLHC") is pleased to present the Annual Report of the Company for the year ended December 31, 2014.

Economic Overview

During the year, the economy started to reflect the serious efforts made to turnaround the economic conditions by the Federal Government and implementation of its economic vision. The economy successfully achieved 4.14% growth in the outgoing fiscal year, which is the highest level of achievement since 2008-09. Initial positive indicators, notably stabilizing foreign exchange reserves, appreciation of exchange rate, relative stability in prices due to decrease in inflation and reducing oil prices, significant increases in remittances, and historical heights of Karachi Stock Exchange reinforced this view. The international regulators and monetary agencies are also acknowledging and appreciating the positive improvements in the national economy.

In view of the declining inflationary outlook, State Bank of Pakistan (SBP) decreased the policy rate by 50 bps in its monetary policy announcement in November 2014. Subsequent to year end, SBP has decided to reduce the policy rate further by 100 bps from 9.5% to 8.5% effective January 26, 2015 for two months as CPI inflation and its expectations continue to follow a downward trajectory.

However, ongoing efforts will be decisive as the economy continued to face, during the current year, serious 'long term historic challenges' like distressed law and order situation, energy crisis, inadequacy of taxation reforms, and balance of payment issues.

Going forward, the vision of a strong and stable Pakistan is dependent upon effective implementation of consistent socio-economic policies without further delay.

Corporate Performance

The Company has witnessed crests and troughs in the recent past; however, 2014 proved a success of our business strategy which we started implementing after financial year 2012.

New and evolving regulatory requirements governing capital, leverage, and liquidity, together with the steps we have taken to adapt to them, have been critical for the profitable operations of the Company and to creating a safer and more resilient financial system.

The Company has been making profits since FY 2013 as against the substantial losses suffered in FY 2009 - 2012.

"During the year under review, the Company earned a profit after tax of Rs. 232.68 million - an increase of Rs. 51.09 million as compared to last year."

The main contributors toward profit during the year were net gain from trading in securities, income and fee recovery from certain non-performing and troubled assets. Net mark-up income during the year increased by Rs. 60.968 million as compared to the previous year and stood at Rs. 315.218 million.

Since last year we have been actively monitoring provisioning which resulted in net provision reversal / income during the current and previous years. The focus of our efforts was two-fold; along with concentrating on building a high quality asset portfolio and recoveries of non-performing portfolio, we strove to improve risk management and enhance the profitability of the Company. Through strenuous recovery efforts and follow ups, the Company achieved reversal of provisions against certain old classified assets which made contribution to the profit for the year.

During the year, the Company maintained its cautious and selective stance in asset growth and focused on risk adjusted improvements in portfolio. A retail liability product launched by the Company last year, with a view to diversify its deposit base and lower risk profile in liabilities has been achieving its objectives. Moreover, risk management, compliance and internal control framework, including internal controls over financial reporting (ICFR) is being further strengthened. We are hopeful that all these measures will result in lower risk profile of the Company and will help in sustainable future growth.

The Company has been successful in implementing Board's strategy to capitalise available opportunities in the money market and harvest the benefit of interest rate changes by investing in government securities, which resulted in the increase in core earnings.

The Company has successfully implemented its renewed investment strategy for Securities and Portfolio Management (SPM) division and took advantage of the opportunities available in the stock market, consequently made a strong contribution towards profits for the year.

A brief summary of the financial results and financial position is as follows:

	Rs. in thousands	
Year-end balances:	**2014**	2013
Total assets	**12,436,185**	12,120,737
Total liabilities	**8,849,498**	8,800,819
Net assets	**3,586,687**	3,319,918
Shareholders' equity (net):		
Share capital	**6,141,780**	6,141,780
Reserves	**82,855**	36,319
Accumulated loss	**(2,655,790)**	(2,845,431)
Sub total	**3,568,845**	3,332,668
Surplus/(deficit) on revaluation of assets – net of tax	**17,842**	(12,750)
Total	**3,586,687**	3,319,918
For the year:		
Profit before taxation	**317,579**	195,995
Profit after taxation	**232,681**	181,595
Earnings per share (Rs.)	**379**	296

The Company has transferred an amount equal to 20% of profit after taxation to statutory reserves as per the applicable legal requirements.

In view of the minimum capital requirement (MCR) shortfall faced by the Company, no amount could be considered for distribution of dividends (bonus or cash) to the shareholders. We are, however, confident that once the capital injection transaction of Rs. 4 billion is completed, the Company will earn sufficient profits to enable dividend distributions to its shareholders in addition to compliance with MCR.

Statement on Corporate and Financial Reporting Framework

- The financial statements prepared by the management, present fairly its state of affairs, the result of its operations, cash flows, and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment. Further, changes in the accounting policies are duly disclosed in the financial statements.
- International Financial Reporting Standards, as applicable in Pakistan for DFIs, have been followed in the preparation of financial statements.
- There are no doubts regarding the Company's ability to continue as a going concern.
- Tax contingencies have been disclosed in the financial statements.
- There has been no material departure from the best practice of corporate governance.
- Directors Training Programmes (DTPs) are being arranged for the Directors in compliance with the Code of Corporate Governance (Code). Further, to comply with the requirement of the Code, one of the executive directors, subsequent to year end, has obtained certification under DTP and another director has completed 3 days training program and now required to attend 2 days program for certification. The remaining directors will complete their training at the earliest possible time. Further as per the requirement of the Code, the roles and responsibilities of the Chairman of the Board and the Chief Executive Officer of the Company have been approved by the Board of Directors.
- Public Sector Companies (Corporate Governance) Rules, 2013 issued by the Securities and Exchange Commission of Pakistan (SECP) were not applicable to the Company as the same have been exempted by SECP subject to the conditions that training of directors, performance evaluation of the board and audit of financial statements through QCR rated firms shall be ensured. The Company intends to ensure compliance with these conditions of exemption in letter and spirit.
- The system of internal controls including internal controls over financial reporting is sound in design and has been effectively implemented and monitored.
- Summary of key operational and financial data for last six years is enclosed.

Corporate Social Responsibility

The Company has always remained active in fulfilling its social responsibility and will continue its efforts on this front in future as well.

Board Composition

During the year, the appointment process of one GoP nominee director was completed, thereby completing the board composition of the Company. This helped in more robust execution of policies and strategic matters of the Company.

Credit Rating

In its rating announcement (June-2014) during the year, PACRA maintained Company's credit rating as follows:

Long Term:	AA- (Double A minus)
Short Term:	A1+ (A one plus)

These ratings denote a very low expectation of credit risk emanating from very strong capacity for timely payment of financial commitments.

Further, Privately Placed Secured TFC issue (Feb-2011) of the Company has been rated AA (Double A) by PACRA. A negative outlook has been assigned to the Company and TFC ratings signifying the need for timely injection of equity.

Risk Management Framework

Risk management structure of the Company entails a consolidated and holistic approach. Risk management process of the Company is overseen by the Board's Risk Management Committee.

The Credit Policy and Credit Manuals for the Company were updated and modified based on the changing risk and regulatory environment and are being implemented. The Obligor Risk Rating model and Facility Risk Rating model were redesigned with a view to emphasize upon internal ratings model covering objective aspects. Moreover, implementation of sound monitoring and reporting mechanism has improved the overall credit risk management process.

SBP has introduced Basel III regulations for Capital Adequacy Ratio (CAR) calculations, with effect from December 2013, with a phase wise approach, with full scale implementation by December 2019. The Company has maintained its CAR well above prescribed regulatory thresholds throughout the year based on applicable Basel II and Basel III requirements. Internal Capital Adequacy Assessment Process framework has been reviewed in light of the new guidelines issued by SBP and implemented to make the process more robust and effective. Moreover, efforts are underway to comply with regulatory Minimum Capital Requirement (MCR) of Rs. 6 billion. SBP has allowed exemption to the Company from meeting the required MCR till March 31, 2015.

The Company continued its efforts to enhance the scope of its Operational Risk Management Framework in order to better understand the operational risk profile and improve the overall control environment. Existing Business Continuity Plan and Disaster Recovery policies are being continuously reviewed to address the relevant risks appropriately.

The market risk function continues to monitor market related risks. Stress Testing analyses are used to assess impact of key potential risks on existing exposures. The Company has also formulated a Liquidity Risk Management Policy in addition to the Liquidity Management Policy.

Growth in the Company's portfolio is being handled effectively to avoid risk concentration through established limits. The Company aims at business growth by assuming direct exposure or through risk participation. Risk management division proactively contributes in exposure selection within the defined risk parameters. .

The Company is continuously making its efforts to further improve and strengthen the risk management and internal control framework of the Company.

Statement on Internal Controls

A sound system of internal controls is in place to achieve organizational objectives and continuous improvement is made therein in light of the changing requirements of the business and operating environment. Management has evaluated the internal control, including internal controls over financial reporting as effective and the Board endorses the same evaluation.

Comments of Auditors in their Audit Report

The Company auditors have added emphasis of matter paragraphs in their audit report.

They have drawn attention to note 1.2 to the accompanying financial statements and stated that the State Bank of Pakistan (SBP) has granted exemption to the Company from the required minimum paid-up capital (free of losses) of Rs. 6 billion till March 31, 2015 and has advised the Company to ensure equity injection by the sponsors within this timeline.

Further, auditors have also drawn attention to note 11 to the accompanying financial statements relating to deferred tax asset amounting to Rs. 205.513 million. The auditors have stated that management has recorded the said asset based upon their assessment of its recoverability, on the basis of financial projections for future years, as approved by the Board of Directors of the Company, which take into account various assumptions regarding the future business and economic conditions including the injection of capital by shareholders in the future. However, as disclosed in the said note, a significant change in the assumptions used may have an impact on the realisability of the deferred tax asset recorded in the financial statements.

The opinion of auditors is not qualified in respect of the above matters.

Comments of Auditors in their Review Report on Code of Corporate Governance (Code)

Auditors have highlighted the instances of non-compliance in their review report on the statement of compliance with the Code in which they have disclosed the status of directors training under the directors training programme and implementation of a mechanism for evaluation of Board's performance as required by the Code.

The conclusion of auditors is not qualified in respect of the above matters.

Statement of Investment of Provident and Gratuity Funds

The values of investments (excluding cash at bank) of provident fund and gratuity fund as at December 31, 2013 are Rs. 53.822 million and Rs. 90.041 million respectively based on the audited accounts of these funds.

Details of Board Meetings and Board Sub-committee meetings attendances and their memberships

During the year five meetings of the Board of Directors were held and attended by directors as follows:

Name of Director	Designation	Meetings held during directorship	Meetings attended
Mr. Bashir B. Omer	Chairman	5	5
Mr. Fazal-ur-Rehman	Director	5	5
Mr. Ramadan A. Haggiagi	Director	5	5
Mr. Jamil Ahmed Khan	Director	2	2
Mr. Haque Nawaz (*)	Director	3	3
Mr. Abid Aziz	Managing Director	5	5
Mr. Khalid S.T. Benrjoba	Deputy Managing Director	5	5

(*) Replaced Mr. Jamil Ahmed Khan as Director

Details of Audit Committee Meetings

During the year four meetings of the audit committee were held and attended by members as follows:

Name of Director	Designation	Meetings held during directorship	Meetings attended
Mr. Ramadan A. Haggiagi	Chairman	4	4
Mr. Fazal-ur-Rehman	Member	4	4
Mr. Jamil Ahmed Khan	Member	2	2
Mr. Haque Nawaz (*)	Member	1	1

(*) Replaced Mr. Jamil Ahmed Khan as Member

Details of Risk Management Committee Meetings

During the year two meetings of the risk management committee (RMC) were held and attended by members as follows:

Name of Director	Designation	Meetings held during directorship	Meetings attended
Mr. Fazal-ur-Rehman	Chairman	2	2
Mr. Ramadan A. Haggiagi	Member	2	2
Mr. Khalid S.T. Benrjoba	Member	2	2

Details of Recruitment and Compensation Committee Meetings

During the year three meetings of the recruitment and compensation committee were held and attended by members as follows:

Name of Director	Designation	Meetings held during directorship	Meetings attended
Mr. Bashir B. Omer	Chairman	3	3
Mr. Jamil Ahmed Khan	Member	1	1
Mr. Abid Aziz	Member	3	3
Mr. Fazal-ur-Rehman (*)	Member	2	2

(*) Replaced Mr. Jamil Ahmed Khan as Member

Details of Credit/Investment Committee Meeting

During the year three meetings of the credit/investment committee was held and attended by members as follows:

Name of Director	Designation	Meeting held during directorship	Meeting attended
Mr. Bashir B. Omer	Chairman	3	3
Mr. Fazal-ur-Rehman	Member	2	2
Mr. Abid Aziz	Member	3	3
Mr. Haque Nawaz (*)	Member	1	1

(*) Replaced Mr. Fazal-ur-Rehman as Member

Auditors

The present auditors M/s Ernst & Young Ford Rhodes Sidat Hyder and Co. Chartered Accountants (A member firm of Ernst and Young Global Limited) retire and being eligible have offered themselves for re-appointment. The Audit Committee has recommended re-appointment of auditors for the year ending December 31, 2015 which has been endorsed by the Board of Directors in compliance with the Code of Corporate Governance.

Pattern of Shareholding

Shareholders	Shareholding (%)
Government of Pakistan through State Bank of Pakistan	50
Government/State of Libya through Libyan Foreign Investment Company (LAFICO)	50
Total	**100**

Company Outlook

As well as addressing the regulatory challenges we face, it is essential to keep a sense of perspective and to be able to focus on the significant opportunities arising from successful execution of our strategy.

Necessary work towards Rs. 4 billion rights issue capital injection transaction of the Company in line with recommendation of the Board is in process. This increase in paid-up capital aims to comply with statutory minimum capital requirement (MCR), for risk absorption and for better future business prospects of the Company. In the Annual General Meeting (AGM) held on April 29, 2013, in principle agreement on injection of capital by way of rights issue of Rs. 4 billion was given by the shareholders. Further, management has been following up the matter with the Ministry of Finance (MOF) and Libyan Foreign Investment Company (LAFICO) in light of the decisions of the Board and shareholders to conclude the capital injection in FY 2015. We are hopeful of a positive outcome on the matter.

The management is focusing on all possible avenues for profitable operations of the Company. These include, but are not limited to, the recovery efforts for troubled and non-performing assets which are a source of potential earnings. Moreover, a cautious stance is being maintained towards further asset growth. Furthermore, as per the Board's approved plan, efforts to exit from Kamoki Energy Limited (KEL) in the best possible manner are underway. During the year, the Company has filed a claim for recovery consequent to the appointment of Official Assignee in a liquidation process ordered by the Sindh High Court. Pak Libya, through its legal advisor, is in the process of filing a reference in the Court for the transfer of KEL assets in its name, being the sole creditor to protect the interest of the Company which will help us in implementing our efficient exit strategy.

In view of the overall efforts being made by the management, we are hopeful of positive business prospects for the Company.

It is important to highlight that consistent macro-economic policies including effective handling of major challenges like energy crises, fiscal imbalances, law and order situation, and taxation reforms etc., by the Government of Pakistan will play a significant role in determining the future path of the economic activity in the Country. This will resultantly impact the businesses operating in the Country including the Company.

Acknowledgments

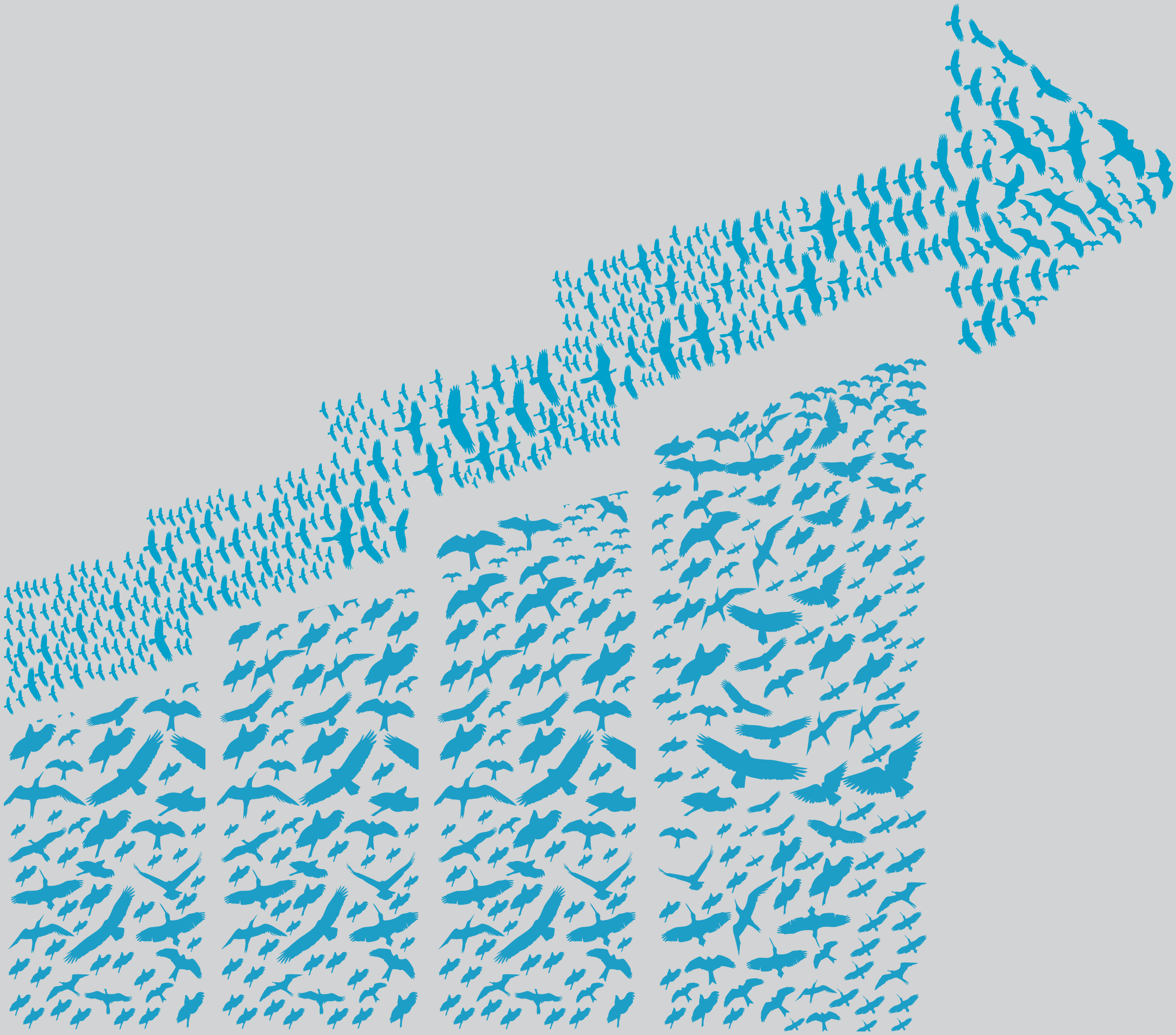
On behalf of the Board and the Management, we would like to express our sincere gratitude to the customers and all stakeholders of Pak Libya for their confidence that they continue to repose in the Company. We would also like to express our appreciation to the shareholders; LAFICO and SBP for their continued support and guidance and to the employees of the Company for their steadfast trust and loyalty.

On behalf of the Board of Directors

Khalid S.T. Benrjoba
Deputy Managing Director

Abid Aziz
Managing Director & CEO

Date: February 20, 2015
Karachi

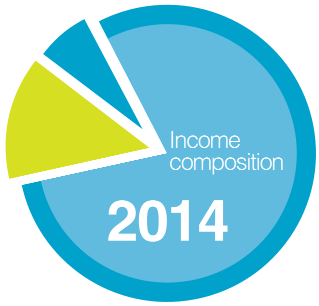


Summary of key operational and Financial data for last Six Years

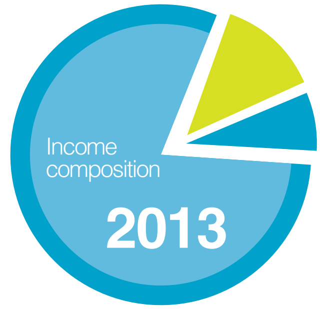
Summary of Key Operational and Financial Data for last six years

(Rs. In Million)						
	2014	2013	2012	2011	2010	2009
Gross Approvals*	**965**	2,255	1,405	2,011	2,001	6,266
Disbursements*	**967**	1,392	1,295	1,731	2,373	4,813
Recoveries*	**2,644**	2,587	2,755	2,865	3,046	2,976
Gross Income	**1,553**	1,331	1,349	1,799	1,860	1,127
Net interest income	**315**	254	245	628	550	466
Net Profit/(Loss) before Tax	**318**	196	(3,317)	116	105	(753)
Taxation-net	**85**	14	111	179	(26)	(25)
Net Profit/(Loss) after Tax	**233**	182	(3,429)	(64)	131	(728)
Dividends(year of approval)**	**-**	-	-	-	-	-
Shareholders' Equity (net)	**3,586**	3,320	3,144	6,354	6,460	6,311
Total assets	**12,436**	12,121	13,466	14,884	16,375	16,411
Staff Strength (number)***	**110**	111	104	109	104	103

* Includes rollover
** Stock Dividend
*** Including outsourced staff
Note: Figures of respective years include impacts of restatements (as applicable)

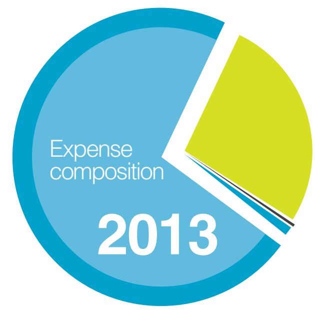


79%	Mark-up Income
14%	Non Mark-up Income
7%	Provision Income - net

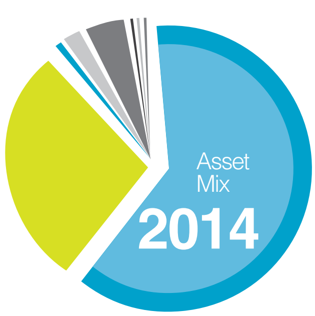


80%	Mark-up Income
13%	Non Mark-up Income
7%	Provision Income - net

70%	Mark-up Expenses
24%	Non Mark-up Expenses
6%	Taxation
0%	Provision Expenses - net



72%	Mark-up Expenses
27%	Non Mark-up Expenses
1%	Taxation
0%	Provision Expenses - net



62%	Investments
30%	Advances
5%	Other assets
2%	Deferred tax assets
1%	Operating fixed assets
0%	Cash and balance with Treasury banks
0%	Balance with other banks
0%	Lendings to financial institutions

52%	Investments
36%	Advances
4%	Other assets
3%	Lendings to financial institutions
2%	Deferred tax assets
2%	Balance with other banks
1%	Operating fixed assets
0%	Cash and balance with Treasury banks

Statement of Internal Controls

For The Year Ended December 31, 2014

Overview of Internal Control System

It is the responsibility of the Company's management to establish and maintain a sound system of internal controls that helps in effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. The internal control system broadly comprises of control procedures and control environment. Following is the brief on the internal control systems:

- Management identifies control objectives for key areas, makes necessary policies and procedures for effective controls and ensures implementation of the same.
- Policies for various key areas have been made which have been approved by the Board of Directors.
- Policies and procedures are reviewed and amendments are made to continuously bring required improvements in the same from time to time.
- The Company has internal audit function which reports to the Audit Committee and reviews the application of policies and procedures and ensures identification for rectification of control weaknesses (if any).
- On regular basis, observation of control environment, appropriate test of transactions, sharing of findings of internal control systems and implementation of relevant appropriate corrective actions are carried out.
- The observations and weaknesses identified and reported by the auditors (internal, external and the State Bank of Pakistan (SBP)) are duly taken into account by the management and necessary control measures are taken to avoid repetition of those observations and exceptions.
- Management endeavors to ensure timely and satisfactory response to the recommendations and suggestions made by the auditors and the same are periodically reviewed for implementation by the internal audit department.
- Budgets and plans are approved by the Board of Directors which are monitored for implementation on periodic basis.
- Due attention is given to enhance overall competence level and knowledge of the employees to achieve the desired level of internal control systems.

Internal Controls Over Financial Reporting

- Previous documentation for Internal Controls Over Financial Reporting (ICFR) has been updated in FY-2014 to incorporate the updated status of processes and controls. This is aimed to bring further improvement in the ICFR framework of the Company.
- SBP's instructions (specific or general) issued on the matter of ICFR from time to time are complied/being complied at earliest possible timelines.
- The Company had applied to SBP for the exemption from the requirement of Statutory Auditors' Long Form Report on ICFR as at December 31, 2014. However in line with the instructions of the SBP, the Company will submit a progress report on the Statutory Auditors' Long Form Report on ICFR as at December 31, 2013 issued on June 27, 2014.

Evaluation of Internal Control Systems including Internal Controls Over Financial Reporting

The Company's internal controls including internal controls over financial reporting are sound in design and are being effectively implemented and monitored. The Company has made efforts during the FY-2014 to bring further improvements in the internal control systems. Moreover, gaps identified in the internal control systems, including internal controls over financial reporting from time to time are targeted to be completed at the earliest possible timeline.

Khalid S.T. Benrjoba
Deputy Managing Director

Abid Aziz
Managing Director & CEO

Date: February 20, 2015
Karachi

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Review Report to the Members 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 Libya Holding Company (Private) Limited (the Company) for the year ended 31 December 2014 to comply with Regulation G-1 of the Prudential Regulation 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.

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

Note Reference	Description
9	The directors are in the process of completing the required training to obtain certification under director training program as required by the Code.
21	The absence of a mechanism for annual evaluation of the Board's performance as per the requirements of the Code, on which the Board is currently working.

Chartered Accountants
Date: 20 February 2015
Karachi

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 Code of Corporate Governance (the Code) as framed by the Securities and Exchange Commission of Pakistan, which are applicable to Pak Libya Holding Company (Private) Limited ("the Company" or "Pak Libya" or "PLHC") through regulation G-1 of the Prudential Regulations for Corporate/Commercial Banking issued by the State Bank of Pakistan (SBP).

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

1. As per the joint venture arrangement between Government of Pakistan (GoP) and Government of Libya (State of Libya), the Company's board of directors comprises of six directors with three directors nominated by each Government. The Company encourages representation of non-executive directors on its board of directors (the Board). At present the Board includes:

Category	Names
Executive Directors (Two)	Mr. Abid Aziz – Managing Director Mr. Khalid S.T. Benrjoba – Deputy Managing Director
Non-Executive Directors (Four)	Mr. Bashir B. Omer Mr. Fazal-ur-Rehman Mr. Ramadan A. Haggiagi Mr. Haque Nawaz (*)

(*) Replaced Mr. Jamil Ahmed Khan during the year.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including PLHC.

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. During the year, one vacancy existed on the Board for the GoP nominee director which was filled upon completion of necessary regulatory process for his appointment on August 12, 2014.

5. The Company has prepared employee code of conduct and statement of ethics and business practices and has ensured that appropriate steps have been taken to disseminate it throughout the Company.

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 have been taken by the Board. Further, as per the process, the appointment, remuneration and terms of employment of the CEO, other executive and non-executive directors are taken by the board / shareholders, as applicable.

8. The meetings of the Board were presided over by the Chairman. The Board met at least once in every calendar quarter. Written notices of the Board meeting, along with the agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated. Further, roles and responsibilities of the Chairman and Chief Executive Officer have been defined by the Board as per the requirements of the Code.

9. Training programmes are being arranged for the directors in compliance with the Code. Further, to comply with the requirement of the Code,

one of the executive directors, subsequent to year end, has obtained certification under DTP and another director has completed 3 days training program and now required to attend 2 days program for certification.

10. The appointments of the Chief Financial Officer, the Company Secretary and the Head of Internal Audit including their remuneration and terms of employment are approved by the Board.

11. The Directors' Report for the year has been prepared in compliance with the requirements of the Code and fully describes the applicable salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the Chief Executive Officer and the Chief Financial Officer before approval of the Board.

13. The Directors, Chief Executive Officer and Executives do not hold any interest in the shares of the Company.

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

15. The Board has formed an Audit Committee. As per its approved structure, this committee comprises of three members, all of whom are non-executive Directors including its Chairman.

16. The meetings of the Audit Committee are held at least once every quarter prior to the approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formulated and advised to the committee for compliance.

17. The Board has also constituted a Recruitment and Compensation Committee. As per the approved structure, it comprises of two non-executives and one executive director. The chairman of the committee is a non-executive Director.

18. The Board has set up an effective internal audit function. Personnel of the Internal Audit Department are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (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.

20. 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 confirmed that they have observed IFAC guidelines in this regard.

21. We confirm that all material principles enshrined in the Code, as applicable to the Company have been complied with the exception of the requirement to put in place a mechanism for undertaking annual evaluation of the performance of the Board, toward which progress is being made by Company to seek compliance by the end of next accounting year.

Khalid S.T. Benrjoba
Deputy Managing Director

Abid Aziz
Managing Director & CEO

Date: February 20, 2015
Karachi

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Auditors' Report to the Members

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

It is the responsibility of the Company's 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 statement of financial position and 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.

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(c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the 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, 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).

We draw attention to the following matters:

(i) as more fully explained in note 1.2 to the accompanying financial statements, State Bank of Pakistan (SBP), has granted exemption to the Company from the required minimum paid-up capital (free of losses) of Rs.6 billion till March 31, 2015 and has advised the Company to ensure equity injection by the sponsors within this timeline; and

(ii) note 11 to the accompanying financial statements relating to deferred tax asset amounting to Rs. 205.513 million. The management has recorded the said asset based upon their assessment of its recoverability, on the basis of financial projections for future years, as approved by the Board of Directors of the Company, which take into account various assumptions regarding the future business and economic conditions including the injection of capital by shareholders in the future. However, as disclosed in the said note, a significant change in the assumptions used may have an impact on the realisability of the deferred tax asset recorded in the financial statements.

Our opinion is not qualified in respect of the above matters.

Chartered Accountants
Audit Engagement Partner: Shabbir Yunus
Date: 20 February 2015
Karachi

Statement of Financial Position

As at December 31, 2014

	Note	2014	2013
		------- (Rupees in '000) -------	
ASSETS			
Cash and balances with treasury banks	5	68,845	51,848
Balances with other banks	6	64,144	193,258
Lendings to financial institutions	7	-	350,000
Investments	8	7,703,305	6,356,193
Advances	9	3,707,914	4,352,981
Operating fixed assets	10	87,907	86,956
Deferred tax asset - net	11	205,513	283,363
Other assets	12	598,557	446,138
		12,436,185	12,120,737
LIABILITIES			
Bills payable		-	-
Borrowings	14	6,097,465	5,615,747
Deposits and other accounts	15	2,470,607	2,809,423
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	16	281,426	375,649
		8,849,498	8,800,819
NET ASSETS		3,586,687	3,319,918
REPRESENTED BY			
Share capital	17	6,141,780	6,141,780
Reserves	18	82,855	36,319
Accumulated loss		(2,655,790)	(2,845,431)
		3,568,845	3,332,668
Surplus / (deficit) on revaluation of assets - net of tax	19	17,842	(12,750)
		3,586,687	3,319,918
CONTINGENCIES AND COMMITMENTS	20		

The annexed notes 1 to 43 and Annexures I & II form an integral part of these financial statements.

Muhammad Masood Ebrahim
Chief Financial Officer

Abid Aziz
Managing Director & CEO

Abid Aziz
Director

Khalid S.T. Benrjoba
Director

Profit and Loss Account

For the Year Ended December 31, 2014

	Note	2014	2013
		------- (Rupees in '000) -------	
Mark-up / return / interest earned	22	1,317,502	1,147,179
Mark-up / return / interest expensed	23	1,002,284	892,929
Net mark-up / interest income		315,218	254,250
Reversal of provision against non-performing advances - net	9.3.1	(114,150)	(76,223)
Reversal of provision against lendings to financial institutions	7.3	-	(3,756)
Reversal of provision for diminution in the value of investments - net	8.17	(1,130)	(14,858)
Bad debts written-off directly	9.3.5	-	-
		(115,280)	(94,837)
Net mark-up / interest income after provisions		430,498	349,087
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		23,094	19,695
Dividend income		30,470	44,891
Income from dealing in foreign currencies		-	-
Gain on sale of securities - net	24	177,383	116,312
Unrealised loss on revaluation of investments classified as 'held-for-trading'		-	(9,357)
Other income	25	4,397	12,627
Total non mark-up / interest income		235,344	184,168
		665,842	533,255
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	26	378,411	356,123
Other provisions / write offs	27	(52,568)	(44,666)
Other charges	28	22,420	25,803
Total non mark-up / interest expenses		348,263	337,260
		317,579	195,995
Extraordinary / unusual items		-	-
PROFIT BEFORE TAXATION		317,579	195,995
Taxation			
- current		58,632	24,331
- prior years		-	(25,000)
- deferred		26,266	15,069
	29	84,898	14,400
PROFIT AFTER TAXATION		232,681	181,595
		------------ (Rupees) ------------	
Earnings per share - basic and diluted	30	379	296

The annexed notes 1 to 43 and Annexures I & II form an integral part of these financial statements.

Muhammad Masood Ebrahim	**Abid Aziz**
Chief Financial Officer	Managing Director & CEO
Abid Aziz	**Khalid S.T. Benrjoba**
Director	Director

Statement of Comprehensive Income

For the Year Ended December 31, 2014

	2014	2013
	------- (Rupees in '000) -------	
Profit after taxation	**232,681**	181,595
Other comprehensive income - net		
Items not to be reclassified in profit and loss account in subsequent periods		
Actuarial gain / (losses) on defined benefit plan	**3,496**	(1,287)
Total comprehensive income for the year	**236,177**	180,308

The 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 1 to 43 and Annexures I & II form an integral part of these financial statements.

Muhammad Masood Ebrahim
Chief Financial Officer

Abid Aziz
Managing Director & CEO

Abid Aziz
Director

Khalid S.T. Benrjoba
Director

Cash Flow Statement

For the Year Ended December 31, 2014

	Note	2014	2013
		------- (Rupees in '000) -------	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		317,579	195,995
Less: Dividend income		(30,470)	(44,891)
		287,109	151,104
Adjustments:			
Depreciation	10.2	22,768	24,214
Amortisation	10.4	562	102
Reversal of provision against non-performing loans and advances - net	9.3.1	(114,150)	(76,223)
Unrealised loss on revaluation of investments classified as 'held-for trading'		-	9,357
Reversal of provision against lendings to financial institutions	7.3	-	(3,756)
Other reversal of provisions	27	(52,568)	(44,666)
Reversal of provision for diminution in the value of investments - net	8.17	(1,130)	(14,858)
Gain on sale of operating fixed assets	25	(75)	(11,850)
		(144,593)	(117,680)
		142,516	33,424
(Increase) / decrease in operating assets			
Lendings to financial institutions		-	3,756
Investments classified as 'held-for-trading'		496,626	(421,525)
Advances		759,217	529,563
Other assets (excluding advance taxation)		(107,701)	76,316
		1,148,142	188,110
Increase / (decrease) in operating liabilities			
Borrowings		481,718	(264,825)
Deposits and other accounts		(338,816)	(1,279,077)
Other liabilities		(90,727)	21,836
		52,175	(1,522,066)
		1,342,833	(1,300,532)
Income tax paid		(51,156)	(17,746)
Net cash generated from / (used in) operating activities		1,291,677	(1,318,278)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in 'available-for-sale' securities		(1,798,615)	1,804,546
Net investments in 'held to maturity' securities		38,183	(36,636)
Dividend received		30,845	44,928
Investments in operating fixed assets - net		(25,023)	(18,578)
Proceeds on sale of operating fixed assets		816	17,101
Net cash (used in) / generated from investing activities		(1,753,794)	1,811,361
(Decrease) / increase in cash and cash equivalents		(462,117)	493,083
Cash and cash equivalents at beginning of the year		595,106	102,023
Cash and cash equivalents at end of the year	31	132,989	595,106

The annexed notes 1 to 43 and Annexures I & II form an integral part of these financial statements.

Muhammad Masood Ebrahim
Chief Financial Officer

Abid Aziz
Managing Director & CEO

Abid Aziz
Director

Khalid S.T. Benrjoba
Director

Statement of Changes in Equity

For the Year Ended December 31, 2014

	Issued, subscribed and paid-up capital	Reserves: Capital reserve — Statutory reserve (refer note 18)	Reserves: Revenue reserve — Accumulated loss	Total reserves	Total
	----------------	----------------	(Rupees in '000)	----------------	----------------
Balance as at January 01, 2013	6,141,780	-	(2,989,420)	(2,989,420)	3,152,360
Total comprehensive income for the year					
Profit after taxation for the year ended December 31, 2013	-	-	181,595	181,595	181,595
Other comprehensive loss	-	-	(1,287)	(1,287)	(1,287)
	-	-	180,308	180,308	180,308
Transfer to statutory reserve	-	36,319	(36,319)	-	-
Balance as at December 31, 2013	6,141,780	36,319	(2,845,431)	(2,809,112)	3,332,668
Total comprehensive income for the year					
Profit after taxation for the year ended December 31, 2014	-	-	232,681	232,681	232,681
Other comprehensive income	-	-	3,496	3,496	3,496
	-	-	236,177	236,177	236,177
Transfer to statutory reserve	-	46,536	(46,536)	-	-
Balance as at December 31, 2014	**6,141,780**	**82,855**	**(2,655,790)**	**(2,572,935)**	**3,568,845**

The annexed notes 1 to 43 and Annexures I & II form an integral part of these financial statements.

Muhammad Masood Ebrahim
Chief Financial Officer

Abid Aziz
Managing Director & CEO

Abid Aziz
Director

Khalid S.T. Benrjoba
Director

1. STATUS AND NATURE OF BUSINESS

1.1 Pak Libya Holding Company (Private) Limited (the Company or PLHC) was incorporated in Pakistan as a private limited company on October 14, 1978. It is a joint venture between the Government of Pakistan and Government of Libya (State of Libya). The tenure of the Company was thirty years from the date of its establishment. The two contracting parties (i.e. both the governments) extended the tenure for further thirty years upto October 14, 2038. The objectives of the Company interalia include the promotion of economic growth of Pakistan through industrial development, to undertake other feasible business and to establish and acquire companies to conduct various businesses as may be decided from time to time. The Company is designated as a Development Financial Institution (DFI) under the BPD Circular No. 35 dated October 28, 2003 issued by the State Bank of Pakistan (SBP).

The registered office of the Company is located at 5th Floor, Block C, Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan. The Company has two sales and service centers located in Lahore and Islamabad. Effective August 05, 2012, activities of Islamabad sales and service centre have been suspended for the time being after review of the business strategy.

1.2 The State Bank of Pakistan (SBP) through its BSD Circular No. 19 dated September 05, 2008 has prescribed that the minimum paid-up capital (free of losses) for Development Financial Institutions (DFIs) is required to be maintained at Rs.6 billion. The paid-up capital of the Company (free of losses) as of December 31, 2014 amounted to Rs.3.486 billion (December 31, 2013: Rs.3.296 billion).

The Board of Directors (BOD) of the Company in its meetings held on December 09, 2012 and December 10, 2012, recommended the shareholders for increase in paid-up capital by Rs.4 billion in the year FY-2013. The increase in capital is aimed to comply with minimum capital requirement (MCR) for risk absorption and future growth and business prospects of the Company.

Further, the Chairman of the Company (Libyan Nominee) in the Board meeting held on April 26, 2014 informed that BOD of Libyan Foreign Investment Company (LAFICO) has given approval for the capital injection of Rs.2 billion with a condition of simultaneous injection of additional capital by Government of Pakistan (GOP). Moreover, the Ministry of Finance (MOF) in its letter dated June 24, 2014 has stated that the matter of capital injection is under consideration with the Finance Division of GOP.

In light of the above status, the Board in its meeting dated December 25, 2014, approved a fresh set of projections for a period of five years which includes the revised timeline for completion of the capital injection transaction. Further, the management has also been discussing the possibilities of receiving additional capital in tranches in FY 2015.

Subsequent to the year end, the SBP vide its letter no. BPRD / BA & CP-04 / 657 /3858 / 2015 dated February 16, 2015, granted further extension in the exemption for meeting the MCR till March 31, 2015 and has advised the Company to ensure equity injection by the sponsors within this timeline.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan, requirements of the Companies Ordinance, 1984 (the Ordinance), the Banking Companies Ordinance 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). The approved accounting standards comprise of International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board. Wherever the requirements of the Ordinance, the Banking Companies Ordinance, 1962 or the directives issued by SECP and SBP differ with the requirements of these standards, the requirements of the Ordinance or the said directives prevail.

The SBP through its BSD circular No. 11 dated September 11, 2002 has deferred the implementation of IAS 39 'Financial Instruments: Recognition and Measurement', and IAS 40 'Investment Property' for Non-Bank Financial Institutions (NBFIs) in Pakistan. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1)/2008 dated April 28, 2008. Accordingly, the requirements of these IASs have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

3. BASIS OF MEASUREMENT

These 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 SBP.

These financial statements are presented in Pakistani Rupees which is the Company's functional and presentation currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these financial statements are the same as those applied in the preparation of the annual audited financial statements for the year ended December 31, 2013 other than those disclosed in note 4.1 below:

4.1 Accounting standards, interpretations, and amendments applicable to the financial statements

The Company has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

New Standards, Interpretations and Amendments

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

IAS 39 – Financial Instruments: Recognition and Measurement – (Amendment)
– Novation of Derivatives and Continuation of Hedge Accounting

IFRIC 21 – Levies

The adoption of the above did not have any effect on the financial statements for the current year.

4.2 Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with treasury banks, balances with other banks and placements with financial institutions having maturities of three (3) months or less.

4.3 Revenue recognition

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

Gain on sale of shares and income from loans, term finance certificates, sukuks, debentures, bank deposits, government securities and reverse repo transactions are recognised on accrual basis, except where recovery is considered doubtful in which case the income is recognised on receipt basis.

Project evaluation, arrangement and front end fee are accounted for on receipt basis.

Income from loans, term finance certificates and sukuks is recognised on an accrual basis using the effective interest method.

Premium or discount on debt securities is amortised using the effective interest method and taken to profit and loss account.

The Company follows the finance method in recognising income on lease contracts. Under this method the unearned income i.e. the excess of aggregate lease rentals and the estimated residual value over the cost of the leased asset is deferred and then amortised over the term of the lease, so as to produce a constant rate of return on net investment in the lease.

4.4 Advances including net investment in finance leases

Advances are stated net of provisions for bad and doubtful debts, if any, which are charged to the profit and loss account currently. Advances are written off where there is no realistic prospect of recovery.

The Company determines the provisions against advances on a prudent basis keeping in view the stipulations of the prudential regulations issued by the SBP. The provision is charged to profit and loss account.

Leases

When substantially all risks and rewards related to ownership of the assets are transferred to the lessee, such leases are classified as finance lease.

A receivable is recognised at an amount equal to the present value of the lease payment. The difference between gross receivable and the present value of the receivable is recognised as unearned finance income.

General provision

The Company maintains a general reserve (provision) in accordance with the applicable requirement of the 'Prudential Regulations for Consumer Financing' issued by the SBP.

4.5 Investments

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

The Company has classified its investments, except for strategic investment in joint venture, into 'held-for-trading', 'held to maturity' and 'available-for-sale' portfolios as follows:

Held-for-trading

These are securities which are acquired with the intention to trade by taking advantage of short-term market / interest rate movements and are to be sold within 90 days. These are carried at market value, with the related gain / (loss) on revaluation being taken to profit and loss account.

Held to maturity

These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortised cost.

Available-for-sale

These are investments that do not fall under the held-for-trading or held to maturity categories. Investments are initially recognised at cost which includes transaction costs associated with the investment. These are carried at market value except for unquoted securities where market value is not available, which are carried at cost less provision for diminution in value, if any. Surplus / (deficit) on revaluation is taken to 'surplus / (deficit) on revaluation of assets' account shown below equity. Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to book value of the same. On derecognition of quoted available-for-sale investments, the cumulative gain or loss previously reported as 'surplus / (deficit) on revaluation of investments' below equity is included in the profit and loss account for the period.

Unlisted securities where active market does not exist are stated at the lower of cost and break-up value.

The cost of acquisition of 'dealing securities' (i.e. listed securities purchased and sold on the same day) is not considered for calculating the 'moving average cost' of other listed securities (i.e. listed securities sold after the date of purchase).

The Company amortises the premium on acquisition of government securities using the effective yield method.

Provision for diminution in value of investments for unquoted debt securities is calculated as per the SBP's Prudential Regulations.

The Company follows the 'Settlement date' accounting for investments.

Gains and losses arising on sale of investments are recognised in the profit and loss account.

Interest in Joint Venture

Interest in joint venture is accounted for using the equity method of accounting less provision for impairment, if any.

4.6 Operating fixed assets

4.6.1 Owned

Tangible fixed assets are stated at cost less accumulated depreciation and impairment loss, if any. Capital work in progress is stated at cost, and these are transferred to specific assets as and when assets are available for use.

Residual values and useful lives are reviewed at each balance sheet date, and adjusted if impact on depreciation is considered significant.

Depreciation is charged to the profit and loss account applying the straight-line method whereby the cost of an asset is written off over its estimated service life.

Depreciation on additions in the first half of the month and disposals in the second half of the month is charged for the whole month whereas no depreciation is charged on additions during the second half of the month and disposals in the first half of the month.

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

Assets are derecognised when no future economic benefit is expected from its use or disposal. Profit or loss on sale or retirement of fixed assets is included in the profit and loss account.

4.6.2 Leased

Assets held under finance leases are accounted for by recording the assets and related liabilities at the amounts determined on the basis of lower of fair value of assets and the present value of minimum lease payments. Finance charge is allocated to accounting periods in a manner as to provide a constant rate on the outstanding liability. Depreciation is charged on leased assets on a basis similar to that of owned assets.

4.6.3 Intangible assets

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

Intangible assets having a finite life are amortised using the straight line method over their estimated useful lives after taking into account the residual value, if any.

Amortisation on additions and deletions of intangible assets during the year is charged in proportion to the period of use.

Amortisation on additions in the first half of the month and disposals in the second half of the month is charged for the whole month whereas no amortisation is charged on additions during the second half of the month and disposals in the first half of the month.

4.7 Taxation

Current

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

Deferred

The Company accounts for deferred taxation using the balance sheet liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using the applicable tax rates. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available and the credits will be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4.8 Staff retirement benefits

Defined benefit plan

Gratuity Fund

The Company operates a funded gratuity scheme for all its permanent employees in accordance with the human resource policy of the Company and terms of employment for managing director and deputy managing director. Contributions towards defined benefit schemes are made on the basis of actuarial advice using the Projected Unit Credit Method.

Actuarial gains or losses are recognised in accordance with the requirements of IAS-19 (Revised).

The last actuarial valuation of the scheme was carried out as at December 31, 2014. The benefit under the gratuity scheme is payable on retirement at the age of 60 or earlier cessation of service, in lump sum.

Benevolent Fund

The Company operates a benevolent fund scheme for its employees where equal fixed contributions are being made by employees and the Company. Employees or their legal heirs are entitled to certain pre-defined benefits on happening of specified events including retirement, incapacitation, marriage and death etc. as per their entitlement. Contributions paid by Company to the fund are included in expenses for the period.

Defined contribution plan

The Company also operates a recognised provident fund scheme for its permanent employees. Equal monthly contributions are made, both by the Company and the employees, to the fund at a rate of 3.5 and 4 (2013: 3.5 and 4) percent and 10 percent of salary for the managing director and deputy managing director, as applicable. The Company has no further payment obligation once the contributions have been paid. The contributions are recognised as an expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction of the future payments is available.

Compensated absences

The liability in respect of compensated absences of employees is accounted for in the period in which it is earned in terms of salary earned upto the statement of financial position date.

The Company recognises provision for compensated absences on the basis of actuarial valuation under Projected Unit Credit Method. The last actuarial valuation was carried out as at December 31, 2014.

4.9 Securities under repurchase / resale agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position and are measured in accordance with accounting policies for 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 yield method.

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the statement of financial position, as the Company does not obtain control over the securities. Amounts paid under these agreements are included in lendings. 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 yield method.

4.10 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

4.11 Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the rates of exchange prevailing on the balance sheet date. Foreign currency transactions during the year are recorded at the rates prevailing on the date of transaction. Exchange gains and losses are included in the profit and loss account. Non-monetary items that are measured in terms of historical cost denominated in a foreign currency are translated using the exchange rate at the date of the transaction.

4.12 Provisions

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

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

Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimate.

4.13 Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is set off and the net amount reported in the statement of financial position if the Company has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

4.14 Dividend and reserves

Dividend declared and appropriations, except for transfer of statutory reserve, made subsequent to the balance sheet date are recognised as liability and recorded as changes in reserves respectively in the period in which these are approved by the directors / shareholders as appropriate.

4.15 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Provision for bad and doubtful advances including net investment in lease (note 4.4)

b) Classification and provisioning of investments (note 4.5)

c) Depreciation of property and equipment and amortisation of intangible assets (note 4.6)

d) Assumptions and estimation in recognition of deferred taxation (note 4.7)

e) Accounting for defined benefit plan and compensated absences (note 4.8)

f) Impairment (note 4.20)

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

4.16 Segment reporting

A segment is a distinguishable component of the Company that is engaged 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. The Company's primary format of reporting is based on business segments.

Business segments

- Retail banking

  Consists of retail lending services to private individuals and small businesses.

- Corporate / commercial banking

  Consists of investments, lending for project finance, trade finance, corporate customers and investment banking, includes advices and placements to corporate mergers and acquisitions, underwriting, privatisations and securitisation and rest of the business.

4.17 Borrowing cost

Borrowings are recorded at the proceeds received.

Borrowing costs are recognised as an expense in the period in which these are incurred except where such costs are directly attributable to the acquisition, construction or production of qualifying asset in which case such costs are capitalised as part of the cost of that asset.

4.18 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.

4.19 Deposits and their cost

Deposits are recorded at the fair value of proceeds received.

Deposit costs are recognised as an expense in the period in which these are incurred using effective mark-up / interest rate method.

4.20 Impairment

The carrying amounts of the Company's assets other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists the assets' recoverable amount is estimated. An impairment loss is recognised wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account.

4.21 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following standards, 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:

Standard or interpretation	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 – (Amendment) - Disclosure Initiative	January 01, 2016
IAS 16 & 38 – Property, Plant and Equipment & intangible assets - (Amendment) - Clarification of Acceptable Method of Depreciation and Amortization	January 01, 2016
IAS 16 & 41 – Property, Plant and Equipment & Agriculture - (Amendment) – Agriculture: Bearer Plants	January 01, 2016
IAS 19 – Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions	July 01, 2014

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application, except for "IFRS 12 - Disclosures of interest in other entities" under which few additional disclosures will be required in respect of the Company's investment in its joint venture.

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 and January 01, 2016. The Company expects that such improvements to the standards will not have any material 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

	Note	2014	2013
		------ (Rupees in '000) ------	

5. CASH AND BALANCES WITH TREASURY BANKS

	Note	2014	2013
Cash in hand			
Local currency		8	4
Foreign currency		-	55
Balances with State Bank of Pakistan (SBP)			
Local currency current account	5.1	68,315	50,889
Balances with National Bank of Pakistan			
Local currency current account		522	900
		68,845	51,848

5.1 This includes a balance required to be maintained with the SBP by the Company in accordance with the SBP's regulations for cash reserve requirements.

6. BALANCES WITH OTHER BANKS

	Note	2014	2013
In Pakistan			
Current accounts		2,411	2,178
Deposit accounts	6.1	61,733	191,080
		64,144	193,258

6.1 The return on these balances ranges from 6.50 to 7.50 (2013: 6 to 8.50) percent per annum.

7. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2014	2013
Placements		47,068	47,068
Term deposit receipts	7.1	-	350,000
Less: Provision against lendings	7.3	(47,068)	(47,068)
		-	350,000

7.1 The placements carry mark-up at rate of Nil (2013: 9.80 and 10.50) percent per annum.

7.2 Particulars of lendings

	2014	2013
In local currency	47,068	397,068
In foreign currencies	-	-
	47,068	397,068

7.3 Provision against lendings

	2014	2013
Opening balance	47,068	50,824
Charge for the year	-	-
Less: Reversal during the year	-	(3,756)
Net reversal for the year	-	(3,756)
Closing balance	47,068	47,068

8. INVESTMENTS

8.1 Investments by types

	Note	2014 Held by the Company	2014 Given as collateral	2014 Total	2013 Held by the Company	2013 Given as collateral	2013 Total
		----------------------------	(Rupees in '000)	----------------------------			
Held-for-trading securities							
Market treasury bills	8.3.1	-	-	-	496,745	-	496,745
Available-for-sale securities							
Market treasury bills	8.4	537,282	298,333	835,615	746,057	2,204,488	2,950,545
Pakistan investment bonds	8.5	185,322	4,661,940	4,847,262	201,429	252,432	453,861
Listed ordinary shares	8.6	854,310	-	854,310	899,462	-	899,462
Unlisted ordinary shares	8.7	93,341	-	93,341	93,341	-	93,341
Listed preference shares	8.8	40,000	-	40,000	50,000	-	50,000
Unlisted preference shares	8.9	300,000	-	300,000	300,000	-	300,000
Listed TFCs	8.10	323,552	-	323,552	323,454	-	323,454
Unlisted TFCs	8.11	1,196,552	-	1,196,552	748,575	843,187	1,591,762
Listed mutual fund units	8.12	16,895	-	16,895	19,230	-	19,230
Unlisted sukuks	8.13	218,768	-	218,768	267,390	-	267,390
Held to maturity securities							
Commercial paper	8.14	-	-	-	36,636	-	36,636
Participation Term Certificates (PTCs)	8.15	6,366	-	6,366	7,913	-	7,913
Strategic investment in joint venture - Kamoki Energy Limited							
Unlisted ordinary shares - net	8.16.2	404,867	-	404,867	404,867	-	404,867
Investment at cost		4,177,255	4,960,273	9,137,528	4,595,099	3,300,107	7,895,206
Less: Provision for diminution in the value of investments	8.17	1,497,055	-	1,497,055	1,519,550	-	1,519,550
Investments (net of provisions)		2,680,200	4,960,273	7,640,473	3,075,549	3,300,107	6,375,656
Unrealised loss on revaluation of 'held-for-trading' securities		-	-	-	(119)	-	(119)
Suplus / (deficit) on revaluation of 'available-for-sale' securities		(86,371)	149,203	62,832	(11,124)	(8,220)	(19,344)
Total investments		2,593,829	5,109,476	7,703,305	3,064,306	3,291,887	6,356,193

	Note	2014	2013
		---- (Rupees in '000) ----	
8.2 Investments by segments			
Federal government securities			
Market treasury bills	8.3.1 & 8.4	**835,615**	3,447,290
Pakistan investment bonds	8.5	**4,847,262**	453,861
Fully paid-up ordinary shares			
Listed	8.6	**854,310**	899,462
Unlisted	8.7	**93,341**	93,341
Fully paid-up preference shares			
Listed	8.8	**40,000**	50,000
Unlisted	8.9	**300,000**	300,000
Term finance certificates			
Listed	8.10	**323,552**	323,454
Unlisted	8.11	**1,196,552**	1,591,762
Other investments			
Mutual fund units - listed	8.12	**16,895**	19,230
Sukuks - unlisted	8.13	**218,768**	267,390
Commercial paper - unlisted	8.14	**-**	36,636
Participation term certificates	8.15	**6,366**	7,913
Strategic investment in joint venture - Kamoki Energy Limited			
Unlisted ordinary shares - net	8.16.2	**404,867**	404,867
Total investment at cost		**9,137,528**	7,895,206
Less: Provision for diminution in value of investments	8.17	**(1,497,055)**	(1,519,550)
Investments (net of provisions)		**7,640,473**	6,375,656
Unrealised loss on revaluation of 'held-for-trading' securities		**-**	(119)
Surplus / (deficit) on revaluation of 'available-for-sale' securities		**62,832**	(19,344)
Total investments		**7,703,305**	6,356,193

8.3 Held-for-trading securities

8.3.1 Particulars of investment in government securities

	Maturity value		Cost	
	2014	2013	2014	2013
	---- (Rupees in '000) ----			
Market treasury bills	-	500,000	-	496,745

The purchase yield on the treasury bill is Nil (2013: 10.40) percent per annum which will mature by Nil (2013: January 24, 2014).

8.4 The purchase yield on these treasury bills ranges from 9.75 to 10.00 (2013: 8.92 to 9.20) percent per annum which will mature latest by May 2015 (2013: May 2014). These are held by State Bank of Pakistan and are eligible for rediscounting.

8.5 These Pakistan investment bonds carry interest rate ranging from 11.25 to 12 (2013: 8 to 11.50) percent per annum and have maturity ranging between August 2016 and July 2024 (2013: April 2014 and July 2017). These are eligible for rediscounting with the SBP.

8.6 Particulars of investment held in ordinary shares of listed companies - available-for-sale

				Cost	
		2014	**2013**	**2014**	**2013**
Name of investee	**Note**	**Number of shares**		**--- (Rupees in '000) ---**	
Commercial banks					
Habib Bank Limited		-	175,000	-	28,232
Silk Bank Limited		-	9,229,500	-	40,563
United Bank Limited		**434,000**	100,000	**81,486**	13,355
Allied Bank Limited		**100,000**	-	**11,110**	-
Financial services					
Invest Capital Investment Bank Limited		**2,600,000**	2,600,000	**10,000**	10,000
Chemicals					
Agritech Limited	8.6.2	**14,381,996**	14,381,996	**453,370**	453,370
Fauji Fertilizer Company Limited		**46,700**	1,000,000	**5,480**	112,975
Fauji Fertilizer Bin Qasim Limited		-	200,000	-	9,165
Food producers					
Quice Food Industries Limited		**439,000**	1,209,000	**4,112**	11,323
Non life insurance					
EFU General Insurance Limited		-	93,000	-	8,807
Adamjee Insurance Company Limited		**601,500**	-	**30,219**	-
IGI Insurance Limited		**3,200**	-	**802**	-
Electricity					
Nishat Power Limited		-	500,000	-	15,505
Pakgen Power		-	1,400,000	-	30,604
Multiutilities (gas and water)					
Sui Northern Gas Pipeline Limited		-	1,650,000	-	39,712
Oil and gas					
Pakistan State Oil Company Limited		**30,000**	-	**12,179**	-
Oil & Gas Development Company Limited		**50,000**	-	**12,267**	-
Attock Refinery Limited		-	100,000	-	20,826
National Refinery Limited		**132,000**	184,300	**27,184**	43,601
Pakistan Oilfields Limited		**200,000**	60,000	**94,109**	29,368
Pakistan Petroleum Limited		**500,000**	150,000	**111,992**	32,056
				854,310	899,462

8.6.1 The nominal value of each share held in a listed company is Rs.10 per share as at December 31, 2014 and December 31, 2013.

8.6.2 The SBP vide letter No. BPRD/BRD-(Policy)/2014-11546 dated June 27, 2014, has permitted banks / DFIs to maintain provision at 75% (upto December 31, 2014) of the deficit on revaluation of ordinary shares of Agritech Limited. However, the Company had already made a provision on prudent basis, of Rs.305.379 million, resulting in an excess provision of Rs.48.947 million against ordinary shares of Agritech Limited at December 31, 2014. Accordingly, the Company has availed a benefit of exemption from provisioning under above mentioned SBP letter of Rs.36.530 million only.

8.7 Particulars of investment held in unlisted ordinary shares - available-for-sale

Name of investee	%	Break-up value per share (Rupees)	Based on audited financial statements as at	2014	2013	Cost 2014	Cost 2013
				Number of shares		--- (Rupees in '000) ---	
Shareholding upto 10%							
Agro Dairies Limited CEO - Mr. Mukhtar Hussain Rizvi	*	*	*	**300,000**	300,000	**2,301**	2,301
FTC Management Company Limited CEO - Engr. Fateh Sultan	9.1	10.00	June 30, 2014	**50,000**	50,000	**500**	500
New - VIS Credit Information Services (Private) Limited CEO - Mr. Fahim Ahmed	5.69	(0.84)	June 30, 2014	**39,000**	39,000	**390**	390
Pakistan Textile City Limited CEO - Mr. Muhammad Hanif	4.00	4.55	June 30, 2014	**5,000,000**	5,000,000	**50,000**	50,000
Karachi Stock Exchange Limited (note 8.7.2) CEO - Mr. Nadeem Naqvi	0.50	10.08	June 30, 2014	**4,007,383**	4,007,383	**40,150**	40,150
						93,341	93,341

* Under litigation

8.7.1 The nominal value of each share held in an unlisted company is Rs.10 per share as at December 31, 2014 and December 31, 2013.

8.7.2 During the year, the management made a provision of Rs. 15 million against the value of the TRECs and considering the business model of the Company, decided to sell these TRECs. Consequently the Company sold these TRECs for Rs.5 million and the remaining provision of Rs.10 million has been written off as disclosed in "other assets" (refer note 12).

8.8 Particulars of investment held in listed preference shares - available-for-sale

Name of investee	2014	2013	Cost 2014	Cost 2013
	Number of shares		--- (Rupees in '000) ---	
Personal goods				
Chenab Limited	**1,500,000**	2,500,000	**15,000**	25,000
Household goods				
Pak-Elektron Limited	**2,500,000**	2,500,000	**25,000**	25,000
			40,000	50,000

8.9 Particulars of investment held in unlisted preference shares - available-for-sale

Name of investee	Note	2014	2013	Cost 2014	Cost 2013
		Number of shares		--- (Rupees in '000) ---	
Electricity					
Kamoki Energy Limited (CEO Dr. Umer Masood) under liquidation	8.16	**30,000,000**	30,000,000	**300,000**	300,000

These are cumulative, convertible, redeemable and non-participatory preference shares carrying dividend at the rate of 17% per annum having the face value of Rs.10 each. These are redeemable within four years of the allotment date. If preference shares are not fully redeemed by the issuer in this time period, the remaining part along with the unpaid dividend thereon will be convertible at the option of preference shareholder at par value of Rs.10 into ordinary shares ranking pari passu in all respects with the ordinary shares except for participation in dividend / bonus distribution for the period for which preference share dividend has been paid.

The Company has made 100% provision against this investment based on the reasons as explained in note 8.16.

8.10 Particulars of investment in listed term finance certificates - available-for-sale

Name of investee	2014	2013	Cost 2014	Cost 2013
	Number of certificates		--- (Rupees in '000) ---	
Commercial banks				
Summit Bank Limited	**59,955**	59,955	**298,166**	298,068
Financial services				
Invest Capital Investment Bank Limited	**600**	600	**3,000**	3,000
Trust Investment Bank Limited	**5,000**	5,000	**9,371**	9,371
Personal goods (textile)				
Azgard Nine Limited	**8,000**	8,000	**13,015**	13,015
			323,552	323,454

8.10.1 The face value of each term finance certificate was Rs.5,000 as at December 31, 2014 and December 31, 2013.

8.11 Particulars of investment held in unlisted TFCs - available-for-sale

Name of investee	Name of the chief executive officer	2014	2013	Cost 2014	Cost 2013
		Number of certificates		--- (Rupees in '000) ---	
Azgard Nine Limited (4th issue)	Mr. Ahmed H. Sheikh	**56,000**	56,000	**179,652**	179,652
Azgard Nine Limited (5th issue)	Mr. Ahmed H. Sheikh	**16,080**	16,080	**80,400**	80,400
Dewan Farooque Spinning Mills Limited	Mr. Dewan Abdul Baqi Farooqui	**15,000**	15,000	**18,750**	18,750
Engro Fertilizers Limited	Mr. Ruhail Mohammed	**93,600**	113,600	**465,804**	561,187
Engro Fertilizers Limited (2nd issue)	Mr. Ruhail Mohammed	**-**	60,000	**-**	300,000
Gharibwal Cement Limited	Mr. Muhammad Tousif Peracha	**-**	1,216	**-**	4,848
Pakarab Fertilizers Limited	Mr. Fawad Ahmed Mukhtar	**-**	50,500	**-**	63,561
New Allied Electronics Industries (Private) Limited	Mr. Mian Pervaiz Akhtar	**10,000**	10,000	**18,357**	21,138
Pakistan International Airlines Corporation Limited	Mr. Mohammad Junaid Younus	**35,415**	35,415	**176,933**	176,933
Security Leasing Corporation Limited (3rd issue)	Mr. Mohammad Khalid Ali	**4,000**	4,000	**3,081**	3,284
Pakistan Mobile Communications Limited (PMTFC-7)	Mr. Rashid Naseer Khan	**500**	500	**27,671**	40,343
JDW Sugar Mills Limited	Mr. Jahangir Khan Tareen	**2**	2	**77,778**	100,000
Hascol Petroleum Limited	Mr. Mumtaz Hasan Khan	**20,000**	-	**100,000**	-
Pakistan Mobile Communications Limited (PPTFC)	Mr. Rashid Naseer Khan	**-**	-	**-**	41,667
Jahangir Siddiqui & Co. Limited	Mr. Suleman Lalani	**10,000**	-	**48,126**	-
				1,196,552	1,591,762

8.12 Particulars of investment held in listed mutual fund units - available-for-sale

Name of investee	Fund Type	Face value per unit (Rupees)	2014	2013	Cost 2014	Cost 2013
			Number of units		--- (Rupees in '000) ---	
Pak Oman Advantage Fund	Income	10	**1,689,500**	1,923,000	**16,895**	19,230

8.13 Particulars of investment held in unlisted sukuks - available-for-sale

	Name of the chief executive officer	2014	2013	Cost 2014	Cost 2013
		Number of certificates		--- (Rupees in '000) ---	
Security Leasing Corporation Limited (2nd issue)	Mr. Mohammad Khalid Ali	**8,000**	8,000	**12,323**	13,135
Kohat Cement Limited *	Mr. Aizaz Manzoor Sheikh	**30,000**	30,000	**-**	10,168
House Building Finance Company Limited	Mr. Syed Azhar Abbas Jafri	**-**	62,300	**-**	30,851
Pak Elektron Limited	Mr. Naseem Saigol	**44,600**	44,600	**88,611**	88,611
Pak Elektron Limited (2nd issue)	Mr. Naseem Saigol	**9,000**	9,000	**38,522**	38,522
Liberty Power Technology Limited	Mr. Ashraf S. Mukaty	**1,000,000**	1,000,000	**79,312**	86,103
				218,768	267,390

* Outstanding principal on these sukuk certificates amounts to Rs.Nil (December 31, 2013: Rs.10.168 million) and mark-up accrued amounts to Rs.31.986 million (December 31, 2013: Rs.40.884 million) which will be paid in eight quarterly installments commencing from September 20, 2016.

8.14 Particulars of investment held in unlisted commercial paper - held to maturity

	Name of the chief executive officer	Maturity value 2014	Maturity value 2013	Cost 2014	Cost 2013
		--------------- (Rupees in '000) ---------------			
Hascol Petroleum Limited	Mr. Mumtaz Hasan Khan	**-**	37,500	**-**	36,636

8.15 Particulars of investment held in unlisted Participation Term Certificates (PTCs) - held to maturity

	Name of the chief executive officer	2014	2013	Cost 2014	Cost 2013
		Number of certificates		--- (Rupees in '000) ---	
Agro Dairies Limited	Mr. Mukhtar Hussain Rizvi	**12**	12	**1,925**	1,925
Qureshi Vegetable Ghee Mills Limited	Mr. Tariq Mahmud Qureshi	**96**	96	**4,441**	5,988
				6,366	7,913

8.16 As at December 31, 2014, the Company has the following investment / exposure in KEL which is a joint venture project between the Company and Tapal Family. KEL was established in 2009 to own, construct, manage and operate a rental electric power generation plant. KEL could not commence its commercial operations to date.

On March 30, 2012, a decision was announced by the Honorable Supreme Court of Pakistan (Court) on the Human Rights Case with respect to Rental Power Plants (RPPs) which was initiated by the Court taking a suo moto action. In this decision, all contracts of RPPs were declared to be illegal and void ab initio and ordered to be rescinded. KEL filed a review petition against the decision of the Court which is pending adjudication.

Keeping in view the above, the Board of Directors in their meeting, held on December 09 and 10, 2012, deliberated upon different alternatives in detail in respect of the above exposure and thereafter decided to take exit from KEL. The Board advised the management to explore option to sell the project to a third party.

The Company also carried out impairment test in respect of equity investments (including preference shares) held by the Company in accordance with the requirement of International Accounting Standard (IAS) 36 - "Impairment of Assets" and full provision was made for equity investments in FY-2012 which continues to be held as of December 31, 2014. Further, the provisioning against the term loans and mark-up accrued thereon had also been determined in accordance with the requirements of Prudential Regulations issued by the SBP. Accordingly, as at December 31, 2014, the Company holds provisions against diminution in the value of equity investments (ordinary and preference shares), non-performing term loans and against other receivables as detailed below.

Consequent to filing of winding up petition, for KEL, by Ameejee Valejee & Sons (Private) Limited along with certain shareholders on KEL from Tapal Family, Honorable Sindh High Court has ordered liquidation of KEL and appointed an Official Assignee. In this regard an advertisement was published in newspapers on July 18, 2014 requesting all the concerned parties to submit their claims against KEL by August 18, 2014. Subsequently, PLHC has filed a claim for recovery.

As per the order of Honorable Sindh High Court, M/s. Joseph Lobo (Private) Limited was appointed to carry out fresh valuation of the KEL. Subsequently, the first auction was held on November 29, 2014 under the jurisdiction of official assignee, which, however, remained uneventful. The Company is now in the process of getting a reference filed in the Sindh High Court, through its legal counsel, for the transfer of KEL assets in its name against its total claims.

Nature of assets / exposures	Note	2014 Book value before provision	2014 Provision held	2014 Book value after provision	2013 Book value before provision	2013 Provision held	2013 Book value after provision
		----------- (Rupees in '000) -----------			----------- (Rupees in '000) -----------		
Preference shares	8.16.1	**300,000**	**(300,000)**	**-**	300,000	(300,000)	-
Ordinary shares	8.16.2	**404,867**	**(404,867)**	**-**	404,867	(404,867)	-
Long-term loan	8.16.3	**1,250,000**	**(983,812)**	**266,188**	1,250,000	(983,812)	266,188
Short-term loan	8.16.4	**34,690**	**(34,690)**	**-**	34,690	(34,690)	-
Other assets - accrued income	8.16.5	**205,690**	**(205,690)**	**-**	205,690	(205,690)	-
Other assets - other receivables	8.16.6	**16,507**	**(16,507)**	**-**	5,234	(5,234)	-
		2,211,754	**(1,945,566)**	**266,188**	2,200,481	(1,934,293)	266,188

8.16.1 These are unlisted preference shares issued by KEL, the entire issue (100%) of these preference shares was subscribed by the Company during the FY-2011. These have been fully provided due to the reasons stated above.

8.16.2 This represents 50% shareholding in the ordinary shares (Rs.10 each) of KEL, which has been fully provided due to the reasons stated above. The book value represents cost of investment amounting to Rs.500 million less share of loss on interest in joint venture amounting to Rs.95.133 million upto June 30, 2012. This investment is designated as strategic investment under the Prudential Regulations for Corporate / Commercial Banking.

8.16.3 This represents term loan extended to KEL against which 100% provision has been held after taking the Forced Sale Value (FSV) benefit of Rs.266.188 million as of December 31, 2014 (December 31, 2013: Rs.266.188 million). SBP has granted an exemption to the Company from Prudential Regulations R-8 (2) and allowed the existing FSV benefit of Rs. 266.188 million till December 30, 2015.

8.16.4 This represents amount of other receivables in KEL which has been converted to a short term loan to KEL. 100% provisioning is held as of December 31, 2014 against this loan as earlier held against the other receivables of KEL. Further, suspended mark-up up to December 31, 2014 amounting to Rs.4.586 million has not been recognised by the Company.

8.16.5 An amount of Rs.205.69 million represents mark-up receivable upto December 31, 2011 on long-term loan extended to KEL. 100% provision has been made against the same. Further, remaining suspended mark-up up to December 31, 2014 amounting to Rs.499.800 million has not been recognised by the Company.

8.16.6 This represents the balance amount of other receivables from KEL on account of certain payments made by the Company on behalf of KEL. 100% provision has been made against this receivable.

8.17 Particulars of provision	Note	2014	2013
		---- (Rupees in '000) ----	
Opening balance		**1,519,550**	1,590,503
Charge for the year		**18,552**	6,138
Less: Reversal during the year		**(19,682)**	(20,996)
Net reversal for the year		**(1,130)**	(14,858)
Less: Reversal on disposal		**(21,365)**	(56,095)
Net reversal		**(21,365)**	(56,095)
Closing balance	8.17.1	**1,497,055**	1,519,550

8.17.1 Particulars of provision in respect of type and segment

	Note	2014	2013
Available-for-sale securities			
Listed shares (ordinary and preference)	8.17.2	**339,317**	352,130
Unlisted shares (ordinary and preference)	8.17.3	**352,691**	352,691
Listed / unlisted TFCs	8.17.4	**324,086**	331,815
Unlisted sukuks	8.17.5	**69,728**	70,134
Held to maturity securities			
Unlisted PTCs	8.17.6	**6,366**	7,913
Strategic investment in joint venture - Kamoki Energy Limited			
Unlisted ordinary shares - net	8.17.7	**404,867**	404,867
		1,497,055	1,519,550

	Note	2014	2013
		---- (Rupees in '000) ----	

8.17.2 Particulars of provision against listed shares (ordinary and preference shares)

Opening balance		352,130	386,688
Charge for the year		18,552	6,138
Less: Reversal for the year		(10,000)	-
Net charge for the year		8,552	6,138
Less: Reversal of provision on sale of available-for-sale ordinary shares		(21,365)	(40,696)
Closing balance		339,317	352,130

8.17.3 Particulars of provision against unlisted shares (ordinary and preference shares)

Opening balance		352,691	368,091
Charge for the year		-	-
Less: Reversal during the year		-	-
Net charge for the year		-	-
Less: Reversal of provision on sale of available-for-sale ordinary shares		-	(15,400)
Closing balance		352,691	352,691

8.17.4 Particulars of provision against listed / un-listed TFCs

Opening balance		331,815	332,017
Charge for the year		-	-
Less: Reversal during the year		(7,729)	(202)
Net reversal for the year		(7,729)	(202)
Transfer in		-	-
Closing balance		324,086	331,815

8.17.5 Particulars of provision against unlisted sukuks

Opening balance		70,134	90,927
Charge for the year		-	-
Less: Reversal during the year		(406)	(20,793)
Net reversal for the year		(406)	(20,793)
Closing balance		69,728	70,134

8.17.6 Particulars of provision against unlisted PTCs

Opening balance		7,913	7,913
Charge for the year		-	-
Less: Reversal during the year		(1,547)	-
Net reversal for the year		(1,547)	-
Closing balance		6,366	7,913

8.17.7 Particulars of provision against strategic investment in joint venture - Kamoki Energy Limited - unlisted ordinary shares - net

Opening balance		404,867	404,867
Charge for the year		-	-
Less: Reversal during the year		-	-
Net charge for the year		-	-
Closing balance		404,867	404,867

	2014		2013	
	Market value (Rupees in '000)	Ratings	Market value (Rupees in '000)	Ratings
8.18 Quality of securities / entities				
Held-for-trading securities				
Government securities				
Market treasury bills	-	-	496,626	Unrated
Available-for-sale securities				
Government securities				
Pakistan investment bonds (PIBs)	5,004,210	Unrated	447,573	Unrated
Market treasury bills	835,352	Unrated	2,942,201	Unrated
	5,839,562		3,389,774	
Listed ordinary shares				
Commercial banks				
Habib Bank Limited	-	-	29,160	AAA / A-1+
Silk Bank Limited	-	-	19,382	A- / A-2
Allied Bank Limited	11,358	AA+	-	-
United Bank Limited	76,692	AA+	13,255	AA+ / A-1+
Financial services				
Invest Capital Investment Bank Limited	4,368	Unrated	3,561	Unrated
Chemicals				
Agritech Limited	111,460	Unrated	182,220	D
Fauji Fertilizer Company Limited	5,469	Unrated	111,960	Unrated
Fauji Fertilizer Bin Qasim Limited	-	-	8,762	Unrated
Food producers				
Quice Food Industries Limited	3,323	Unrated	8,874	Unrated
Insurance				
EFU General Insurance Limited	-	-	8,549	AA+
Adamjee Insurance Company Limited	29,750	AA	-	-
IGI Insurance Company Limited	866	AA	-	-
Electricity				
Nishat Power Limited	-	-	15,030	A+/A1
Pakgen Power Limited	-	-	30,394	AA/A1+
Multiutilities (gas and water)				
Sui Northern Gas Pipeline Limited	-	-	35,145	AA/A1+
Oil and gas				
Oil & Gas Development Company Limited	10,295	AAA	-	-
Pakistan State Oil Company Limited	10,738	AA+	-	-
Attock Refinery Limited	-	-	20,767	AA/A1+
National Refinery Limited	24,400	AA+	39,720	AA+/A1+
Pakistan Oilfields Limited	75,873	Unrated	29,863	Unrated
Pakistan Petroleum Limited	88,260	Unrated	32,094	Unrated
	452,852		588,736	
Unlisted ordinary shares				
Agro Dairies Limited *	-	Unrated	-	Unrated
FTC Management Company Limited	500	-	500	Unrated
New - VIS Credit Information Services (Private) Limited *	-	Unrated	-	Unrated
Pakistan Textile City Limited *	-	Unrated	-	-
Karachi Stock Exchange Limited	40,150	Unrated	40,150	Unrated
	40,650		40,650	

	2014		2013	
	Market value (Rupees in '000)	Ratings	Market value (Rupees in '000)	Ratings
Listed preference shares				
Personal goods				
Chenab Limited *	-	-	-	-
Household goods				
Pak-Elektron Limited	12,500	A-	12,500	Unrated
	12,500		12,500	
Unlisted preference shares				
Electricity				
Kamoki Energy Limited *	-	Unrated	-	Unrated
Listed TFCs				
Commercial banks				
Summit Bank Limited	294,123	A	294,258	A-(SO)
Financial services				
Invest Capital Investment Bank Limited *	-	-	-	-
Trust Investment Bank Limited *	-	-	-	-
Personal goods (textile)				
Azgard Nine Limited - 3rd issue *	-	Unrated	-	D
	294,123		294,258	
Unlisted TFCs				
Azgard Nine Limited (4th issue) *	-	Unrated	-	D
Azgard Nine Limited (5th issue) *	-	Unrated	-	D
Dewan Farooque Spinning Mills Limited *	-	Unrated	-	Unrated
Engro Fertilizers Limited	465,803	AA-	561,187	A
Engro Fertilizers Limited (2nd issue)	-	-	300,000	A
JDW Sugar Mills Limited	77,778	Unrated	100,000	A/A-1
Jahangir Siddiqui & Co. Limited	48,125	AA+	-	-
Hascol Petroleum Limited	100,000	AA-	-	-
Pakistan Mobile Communications Limited (PPTFC)	-	-	41,667	AA-/A1
Pakistan Mobile Communications Limited (PMTFC-5th issue)	27,670	AA	40,343	AA-/A1
Gharibwal Cement Limited *	-	-	-	Unrated
Pakarab Fertilizers Limited	-	-	63,562	AA-/A1
New Allied Electronics Industries (Private) Limited *	-	-	-	Unrated
Pakistan International Airlines Corporation Limited	176,933	Unrated	176,933	Unrated
Security Leasing Corporation Limited (3rd issue)	1,543	Unrated	1,642	Unrated
	897,852		1,285,334	

	2014 Market value (Rupees in '000)	2014 Ratings	2013 Market value (Rupees in '000)	2013 Ratings
Listed mutual fund units / certificates				
Pak Oman Advantage Fund	16,726	A+(f)	14,423	A+(f)
Unlisted sukuks				
Security Leasing Corporation Limited (2nd issue)	6,161	Unrated	6,568	Unrated
Kohat Cement Limited	-	Unrated	10,168	Unrated
House Building Finance Company Limited	-	-	30,851	A/A-2
Pak Elektron Limited	44,306	Unrated	44,306	Unrated
Pak Elektron Limited (2nd issue)	19,261	Unrated	19,261	Unrated
Liberty Power Technology Limited	79,312	A+	86,102	A+/A1
	149,040		197,256	
Held to maturity securities				
Unlisted PTCs				
Agro Dairies Limited *	-	Unrated	-	Unrated
Qureshi Vegetable Ghee Mills Limited *	-	Unrated	-	Unrated
	-		-	
Commercial paper				
Hascol Petroleum Limited	-	-	36,636	A-/A-2
Investment in joint venture				
Kamoki Energy Limited				
Unlisted ordinary shares - strategic investment - net *	-	Unrated	-	Unrated
Total	7,703,305		6,356,193	

* 100% provision has been made against these investments.

Note: In case of investments, where instrument is unrated, entity rating has been stated, if applicable.

8.19 Information relating to TFCs and sukuks required to be disclosed as part of the financial statements under the SBP's BSD circular no. 4 dated February 17, 2006, is given in Annexure "I" to these financial statements.

9. ADVANCES

	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
In Pakistan			
Loans		5,636,409	6,349,083
Net investment in finance lease	9.2	225,907	234,777
Staff loans	9.5	118,814	97,789
Consumer loans and advances		162,604	203,473
Long-term financing of export oriented projects - (LTF-EOP)		60,179	60,179
Long-term financing facility (LTFF)		65,391	83,220
Advances - gross		6,269,304	7,028,521
Less: Provision against			
Non-performing advances - specific provision	9.3	2,560,241	2,674,018
Consumer loans and advances - general provision	9.3.1	1,149	1,522
		2,561,390	2,675,540
Advances-net of provision		3,707,914	4,352,981

	2014	2013
	---- (Rupees in '000) ----	

9.1 Particulars of advances (gross)

	2014	2013
9.1.1 In local currency	6,269,304	7,028,521
In foreign currencies	-	-
	6,269,304	7,028,521
9.1.2 Short-term (for upto one year)	536,606	1,246,776
Long-term (for over one year)	5,732,698	5,781,745
	6,269,304	7,028,521

9.2 Net investment in finance lease

The periodic break-up of minimum lease payments due is as follows:

	2014			
	Not later than one year	Later than one and less than five years	Over five years	Total
	---------------------- (Rupees in '000) ----------------------			
Lease rentals receivable	184,471	44,252	-	228,723
Residual value	51,960	23,354	-	75,314
Minimum lease payments	236,431	67,606	-	304,037
Financial charges for future periods	74,758	3,372	-	78,130
Present value of minimum lease payments	161,673	64,234	-	225,907

	2013			
	Not later than one year	Later than one and less than five years	Over five years	Total
	---------------------- (Rupees in '000) ----------------------			
Lease rentals receivable	164,453	78,513	-	242,966
Residual value	51,960	22,403	-	74,363
Minimum lease payments	216,413	100,916	-	317,329
Financial charges for future periods	73,364	9,188	-	82,552
Present value of minimum lease payments	143,049	91,728	-	234,777

9.2.1 The Company has entered into lease agreements with various companies for lease of vehicles and plant and machinery. The amounts recoverable under these arrangements are receivable by the year 2017 and carry mark-up at rates ranging between 13.14 to 13.68 (2013: 12.10 to 12.99) percent per annum. In respect of the aforementioned finance leases the Company holds an aggregate sum of Rs.75.314 million (2013: Rs.74.363 million) as security deposits on behalf of the lessees which are included under 'other liabilities' (refer note 16).

9.3 Advances include Rs.3,244.836 million (2013: Rs.3,246.848 million) which have been placed under non-performing status as detailed below:

Category of classification	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Substandard	454,896	-	454,896	112,674	-	112,674	112,674	-	112,674
Doubtful	854	-	854	-	-	-	-	-	-
Loss	2,789,086	-	2,789,086	2,447,567	-	2,447,567	2,447,567	-	2,447,567
2014	3,244,836	-	3,244,836	2,560,241	-	2,560,241	2,560,241	-	2,560,241
Substandard	2,710	-	2,710	12	-	12	12	-	12
Doubtful	460,238	-	460,238	225,425	-	225,425	225,425	-	225,425
Loss	2,783,900	-	2,783,900	2,448,581	-	2,448,581	2,448,581	-	2,448,581
2013	3,246,848	-	3,246,848	2,674,018	-	2,674,018	2,674,018	-	2,674,018

9.3.1 Particulars of provision against non-performing advances

	2014			2013		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	2,674,018	1,522	2,675,540	2,714,680	2,393	2,717,073
Charge for the year	300	-	300	14,697	-	14,697
Less: Reversal during the year	(114,077)	(373)	(114,450)	(90,049)	(871)	(90,920)
Net charge / (reversal) for the year	(113,777)	(373)	(114,150)	(75,352)	(871)	(76,223)
Add: Transfer of provision from other receivable to short term loan - KEL	-	-	-	34,690	-	34,690
Less: Amounts written off	-	-	-	-	-	-
Closing balance	2,560,241	1,149	2,561,390	2,674,018	1,522	2,675,540

9.3.2 Particulars of provision against non-performing advances

	2014			2013		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	2,560,241	1,149	2,561,390	2,674,018	1,522	2,675,540
In foreign currencies	-	-	-	-	-	-
	2,560,241	1,149	2,561,390	2,674,018	1,522	2,675,540

9.3.3 The provision against non-performing advances includes an impact of Forced Sale Value (FSV) benefit amounting to Rs. 21.854 million (December 31, 2013: Rs. 22.650 million) in respect of consumer financing, and Rs. 324.720 million (December 31, 2013: Rs. 324.720 million) in respect of corporate financing which includes Rs. 266.188 million (December 31,2013: Rs.266.188million) being the FSV benefit availed by the Company against the term loan of Kamoki Energy Limited (classified as loss) and security deposit amounting to Rs. 58.532 million (2013: Rs.58.532 million) in respect of lease financing. The FSV benefit recognised under the Prudential Regulations is not available for the distribution of cash or stock dividend to the shareholders. Further, SBP through its letter no. OSED/SEU-05/041(01)-12/2218/2012 dated December 26, 2012 had stipulated that no dividend, cash or kind, shall be paid out of the benefits realised through the relaxations allowed therein.

9.3.4 General provision against consumer finance loans represents provision made equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by the Prudential Regulations issued by the SBP for Consumer Financing.

	Note	2014	2013
		---- (Rupees in '000) ----	
9.3.5 Particulars of write offs			
Against provisions		-	-
Directly charged to the profit and loss account		-	-
		-	-
9.3.6 Write offs of Rs.500,000 and above		-	-
Write offs of below Rs.500,000		-	-
		-	-

9.4 Details of loans written off of Rs.500,000 and above (refer Annexure II)

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees and above allowed to a person(s) during the year ended December 31, 2014 is given in Annexure II.

9.5 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

	Note	2014	2013
		---- (Rupees in '000) ----	
Balance at beginning of year		97,789	80,049
Loans granted during the year		42,933	34,704
Repayments during the year		(21,908)	(16,964)
Amount written off		-	-
Balance at end of the year		118,814	97,789

Debts due by companies or firms in which the directors of the Company are interested as directors, partners or in the case of private companies as members

Balance at beginning of the year	-	-
Loans granted during the year	-	-
Repayments during the year	-	-
Balance at end of the year	-	-

Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties

Balance at beginning of the year	266,188	1,250,000
Loans granted during the year	-	-
Other receivable	11,273	-
Transfer from other receivable to short term loan	-	34,690
Repayments during the year	-	-
Less: Provision during the year	(11,273)	(983,812)
Less: Transfer of provision from other receivable to short-term loan	-	(34,690)
Balance at end of the year	266,188	266,188

9.5.1 Particulars of loans to key management personnel

	Note	2014	2013
Amount due at beginning of year		41,066	39,147
Disbursements during the year		19,748	8,674
Repayments / adjustments during the year		(19,895)	(6,755)
		(147)	1,919
Amount due at end of the year	38	40,919	41,066

		2014	2013
		---- (Rupees in '000) ----	

10. OPERATING FIXED ASSETS

	Note	2014	2013
Capital work-in-progress	10.1	**19,685**	603
Property and equipment	10.2	**66,092**	83,661
Intangible assets	10.4	**2,130**	2,692
		87,907	86,956

10.1 Capital work-in progress

	2014	2013
Advances to suppliers	**19,685**	603

10.2 Property and equipment

December 31, 2014	Cost			Accumulated depreciation			Net book value as at December 31, 2014	Rate (%)
	As at January 01, 2014	Additions / (deletions) / adjustments	As at December 31, 2014	As at January 01, 2014	For the year / (on disposal)	As at December 31, 2014		
	---- (Rupees in '000) ----							
Leasehold land (note 10.2.1)	**1,951**	**-**	**1,951**	**517**	**22**	**539**	**1,412**	**1.11**
		-			**-**			
Buildings on leasehold land (note 10.2.1)	**80,954**	**-**	**80,954**	**51,954**	**1,840**	**53,794**	**27,160**	**5**
		-			**-**			
Furniture and fixtures	**45,393**	**3,077**	**47,040**	**30,121**	**4,017**	**33,449**	**13,591**	**10,15 & 25**
		(1,430)			**(689)**			
Electrical appliances	**11,024**	**972**	**11,765**	**7,165**	**990**	**7,923**	**3,842**	**10 & 15**
		(231)			**(231)**			
Office equipment	**668**	**40**	**584**	**399**	**48**	**323**	**261**	**10**
		(124)			**(124)**			
Computer equipment	**25,034**	**1,852**	**25,392**	**23,046**	**1,230**	**22,782**	**2,610**	**30**
		(1,494)			**(1,494)**			
Motor vehicles	**51,528**	**-**	**51,520**	**19,689**	**14,621**	**34,302**	**17,218**	**25 & 33.3**
		(8)			**(8)**			
	216,552	**5,941**	**219,206**	**132,891**	**22,768**	**153,112**	**66,092**	
		(3,287)			**(2,546)**			

December 31, 2013	Cost			Accumulated depreciation			Net book value as at December 31, 2013	Rate (%)
	As at January 01, 2013	Additions / (deletions) / adjustments	As at December 31, 2013	As at January 01, 2013	For the year / (on disposal)	As at December 31, 2013		
	---- (Rupees in '000) ----							
Leasehold land (note 10.2.1)	1,951	-	1,951	497	20	517	1,434	1.11
		-			-			
Buildings on leasehold land (note 10.2.1)	80,954	-	80,954	50,114	1,840	51,954	29,000	5
		-			-			
Furniture and fixtures	48,633	2,044	45,393	29,412	4,204	30,121	15,272	10,15 & 25
		(5,284)			(3,495)			
Electrical appliances	9,840	1,560	11,024	6,517	1,024	7,165	3,859	10 & 15
		(376)			(376)			
Office equipment	526	156	668	382	31	399	269	10
		(14)			(14)			
Computer equipment	25,612	1,161	25,034	23,478	1,307	23,046	1,988	30
		(1,739)			(1,739)			
Motor vehicles	50,300	27,717	51,528	26,928	15,788	19,689	31,839	25 & 33.3
		(26,489)			(23,027)			
	217,816	32,638	216,552	137,328	24,214	132,891	83,661	
		(33,902)			(28,651)			

10.2.1 The transfer of title to leasehold land and building thereon in respect of the Company's premises at the Finance and Trade Centre, Karachi in favor of the Company is pending.

10.2.2 Assets having cost of Rs.97.933 million (2013: Rs.93.064 million) are fully depreciated.

10.3 The following are operating fixed assets having cost of Rs.1 million or above / net book value of Rs.250,000 or above, or those sold to employees and key management personnel during the year:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchaser
	---------------------- (Rupees in '000) ----------------------						
Key Management Personnel							
Furniture and fixtures							
House hold furnishing items *	368	260	108	109	1	Company policy	Mr. Irfan Saleem Awan (Ex) Chief Financial Officer
House hold furnishing items *	311	45	266	266	-	Company policy	Mr. Ziauddin Zafar, (Ex) Head of T & FM (EVP)
House hold furnishing items *	368	15	353	355	2	Company policy	Mr. Iqbal Ghori Head of HR & Admin (EVP)
House hold furnishing items *	214	214	-	-	-	Company policy	Mr. Sabihuddin Head of Compliance (EVP)
House hold furnishing items *	129	129	-	-	-	Company policy	Mr. Suneel Kumar Senior Vice President (F&A)
Others							
Electric equipment	825	825	-	45	45	Trade-in and disposal	Best Power Services

* The house furnishing facility is given to these employees (SVP and above) under human resource policy of the Company.

10.4 Intangible assets

		Cost			Accumulated Amortisation				
		As at January 01	Additions / (deletions)	As at December 31	As at January 01	For the year / (on disposal)	As at December 31	Net book value as at December 31	Rate (%)
		---------------- (Rupees in '000) ----------------							
Computer software	**2014**	**2,807**	**-**	**2,807**	**115**	**562**	**677**	**2,130**	20%
Computer software	2013	61	2,746	2,807	13	102	115	2,692	20%

11. DEFERRED TAX ASSET - net

	Note	2014	2013
		------- (Rupees in '000) -------	
Deferred credit arising in respect of:			
Net investment in finance leases		**(36,851)**	(38,372)
Accelerated tax depreciation		**(925)**	(1,935)
Deferred debits arising in respect of:			
Provision for compensated absences		**3,618**	3,191
Provision for advances, investments and other assets		**97,796**	104,300
Unused tax losses		**155,470**	173,013
Share of loss in joint venture		**31,394**	33,297
Unrealised loss on investments - held-for-trading		**-**	3,275
		250,502	276,769
Deferred tax asset on revaluation of available-for-sale investments - net	19	**(44,989)**	6,594
	11.1 & 11.2	**205,513**	283,363

11.1 As at December 31, 2014, the Company has available deferred tax asset on provision for advances, investments and other assets (including provision against investment in KEL) amounting to Rs.1,822.826 million (2013: Rs.1,935.384 million) and on unused tax losses for FY-2014 amounting to Rs.1,932.226 million (2013: Rs.2,058.881 million). However, the management has prudently recognised the tax benefit only to the extent given above based on the absorption / admissibility of the same as forecasted in the projections mentioned below.

11.2 The management of the Company has prepared five years' financial projections which have been approved by the Board of Directors of the Company. The said projections involve certain key assumptions underlying the estimation of future taxable profits. The determination of future profits is most sensitive to certain key assumptions such as the timing for injection of further capital, of Rs.4 billion, growth of business, revenue and expenses, return on assets, projected reversals / recovery from non-performing assets and outcome of pending tax matters etc. Any significant change in the key assumptions may have an impact on the realisability of the deferred tax asset. The management believes that it is probable that the Company will be able to achieve the profits projected in the financial projections and, consequently, the recorded deferred tax asset will be realised in the future.

12. OTHER ASSETS

	Note	2014	2013
		------- (Rupees in '000) -------	
Income / mark-up / return receivable in local currency		542,107	360,442
Security deposits		4,694	4,694
Short-term advances	12.1	3,924	4,475
Prepayments		4,633	5,400
Other receivables	12.2	17,754	5,666
Advance taxation		136,635	144,112
Intangible - Trading Rights Entitlement Certificate - held for sale	8.7.2	-	15,000
Dividend receivable		2,500	2,875
Non banking assets acquired in satisfaction of claims	12.3	137,256	216,988
		849,503	759,652
Less: Provision held against other assets	12.4	250,946	313,514
		598,557	446,138

12.1 This also includes amounts relating to executives (including key management personnel) amounting to Rs.2.884 million (2013: Rs.3.891 million).

12.2 This includes balance of other receivable from Kamoki Energy Limited amounting to Rs.16.507 million (2013: Rs.5.233 million). 100% provision has been made against this receivable due to the reasons stated in note 8.16. The movement for the year is as follows:

	2014	2013
Opening balance	5,233	26,000
Additions during the year	11,274	13,923
Less: Transfer to short-term loan	-	(34,690)
Net increase / (decrease)	11,274	(20,767)
Closing balance	16,507	5,233

12.3 Prevailing realisable market value of non-banking assets acquired in satisfaction of claims is Rs.120.300 million (2013: Rs.146.400 million).

12.4 Provision against other assets

	Note	2014	2013
Opening balance		313,514	392,870
Charge for the year		21,273	13,923
Less: Reversal during the year		(73,841)	(58,589)
Net reversal for the year	27	(52,568)	(44,666)
Less: Provision transferred to short term loan - KEL		-	(34,690)
Less: Amount written off		(10,000)	-
Closing balance		250,946	313,514

13. CONTINGENT ASSETS

There were no contingent assets as at the statement of financial position date.

14. BORROWINGS

	Note	2014	2013
In Pakistan	14.1	6,097,465	5,615,747
Outside Pakistan		-	-
		6,097,465	5,615,747

	Note	2014	2013
		------- (Rupees in '000) -------	
14.1 Particulars of borrowings with respect to currencies			
In local currency		**6,097,465**	5,615,747
In foreign currencies		**-**	-
		6,097,465	5,615,747

	Note	2014	2013
14.2 Details of borrowings			
Secured			
Borrowings from State Bank of Pakistan under:			
Long-term financing of export oriented projects (LTF-EOP)	14.2.1	**15,071**	22,611
Long-term financing facility (LTFF)	14.2.1	**59,448**	83,220
Repurchase agreement borrowings	14.2.2	**2,963,251**	2,975,416
Privately placed TFCs	14.2.3	**374,695**	624,500
Borrowings from financial institutions	14.2.4	**2,685,000**	350,000
		6,097,465	4,055,747
Unsecured			
Clean borrowings		**-**	1,560,000
		6,097,465	5,615,747

14.2.1 The Company has entered into agreements for financing with State Bank of Pakistan (SBP) for long-term finance for export oriented projects (LTF-EOP) and long term financing facility (LTFF) to customers. According to terms of respective agreements, the SBP has the right to receive outstanding amount from the Company at the date of maturity of finances by directly debiting current account maintained by the Company with the SBP. Such financing shall carry interest at the rate of 5 (2013: 5) and 8.40 and 10.10 (2013: 8.40 and 10.10) percent per annum for LTF-EOP and LTFF respectively.

14.2.2 The Company has arranged borrowings from various financial institutions against sale and repurchase of government securities and TFCs. The outstanding facilities as at statement of financial position date are due for maturity on various dates latest by April 2015 (2013: December 2014). The rates of mark-up on these facilities ranged from 9.50 to 10.50 (2013: 9.85 to 11.14) percent per annum.

14.2.3 This is the balance amount of Privately Placed Term Finance Certificates (PPTFC) of Rs.750 million raised by the Company in February 2011. The issue is secured by first fixed charge by way of hypothecation on all the present and future loans and lease receivables of the Company ranking pari passu with prior charges. This issue is rated AA and carries a mark-up rate of six months KIBOR plus 1.6% percent p.a. payable on semi-annual basis. The PPTFC issue is repayable in installments by February 2016.

14.2.4 This includes borrowings from financial institutions as under:

(a) Rs. 690 million (2013: Rs. 350 million) representing long term borrowings from certain financial institutions which are secured by way of first hypothecation charge over assets of the Company with thirty percent margin on the facility amount. They carry a mark-up rate of six months KIBOR plus 1.00 percent to 1.25 percent per annum payable on semi-annual basis (2013: six months KIBOR plus 1.25 percent per annum payable on semi-annual basis). As at December 31, 2014, the applicable interest rates were 10.89 and 11.43 (2013: 10.42 and 11.15) percent per annum. These borrowings are due for maturity latest by October 2016 (2013: May 2016).

(b) Rs.1,995 million (2013: Nil) representing short term borrowings (running finance) from certain financial institutions for a period of one year. They carry mark-up rate of three months KIBOR plus 0.20 percent per annum to 1.25 percent per annum and are secured by first charge by way of hypothecation on all the present and future loans and and lease receivables and pledge of Government Securities (PIBs).

15. DEPOSITS AND OTHER ACCOUNTS

	Note	2014	2013
		………..(Rupees in '000)……….	
Customers			
Certificates of investment - (in local currency)		2,470,607	2,809,423
Financial institutions			
Certificates of investment - (in local currency)		–	–
		2,470,607	2,809,423

15.1 Particulars of deposits

	2014	2013
In local currency	2,470,607	2,809,423
In foreign currency		
	2,470,607	2,809,423

15.2 The profit rates on these Certificates of Investment (COIs) range from 9.20 to 10.95 (2013: 8.75 to 10.50) percent per annum. These COIs are due for maturity on various dates latest by December 2015 (2013: December 2014).

16. OTHER LIABILITIES

	Note	2014	2013
Mark-up / return / interest payable in local currency		100,784	256,972
Accrued liabilities		27,416	22,342
Advance payment		58,068	500
Employees' compensated absences	16.1	10,963	9,116
Security deposits against investment in finance lease	9.2.1	75,314	74,363
Staff retirement gratuity	33.3	8,881	12,356
		281,426	375,649

16.1 This is based on actuarial valuation carried out as of December 31, 2014 for regular employees.

17. SHARE CAPITAL

17.1 Authorised share capital

Number of shares 2014	Number of shares 2013		2014	2013
			.........(Rupees in '000)	
800,000	800,000	Ordinary shares of Rs.10,000 each	8,000,000	8,000,000

17.2 Issued, subscribed and paid-up capital

Number of shares 2014	Number of shares 2013		2014	2013
		Ordinary shares of Rs.10,000 each		
471,836	471,836	Fully paid in cash	4,718,360	4,718,360
142,342	142,342	Issued as bonus shares	1,423,420	1,423,420
614,178	614,178		6,141,780	6,141,780

17.3 The State Bank of Pakistan (SBP) on behalf of the Government of Pakistan and the Libyan Foreign Investment Company (LAFICO) on behalf of the Government of Libya (State of Libya) each held 307,089 (2013: 307,089) ordinary shares of the Company as at December 31, 2014.

	Note	2014	2013
		------- (Rupees in '000) -------	

18. RESERVES

Capital reserve - statutory reserve

	Note	2014	2013
As at January 01		36,319	-
Add: Appropriation of profit	18.1	46,536	36,319
		82,855	36,319

18.1 The statutory reserve during the year is created equal to 20% of profit after taxation in compliance with the applicable legal requirements.

19. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - net of tax

	2014	2013
Surplus / (deficit) on revaluation of 'available-for-sale' securities		
Pakistan investment bonds	156,948	(6,289)
Market treasury bills	(263)	(8,343)
	156,685	(14,632)
Less: Deferred tax on government securities	(51,706)	5,121
	104,979	(9,511)
Listed companies - fully paid-up ordinary and preference shares	(89,641)	3,904
Listed TFCs	(4,043)	(3,809)
Mutual fund units	(169)	(4,807)
	(93,853)	(4,712)
Add: Deferred tax on mutual funds units and listed shares	6,716	1,473
	(87,137)	(3,239)
	17,842	(12,750)

20. CONTINGENCIES AND COMMITMENTS

Contingencies

For the tax year 2011, Deputy Commissioner Inland Revenue (DCIR) vide order dated August 30, 2013 passed under section 122 (1) read with section 177 of Income Tax Ordinance (ITO) issued the amended assessment order and raised a demand of Rs. 84.392 million. The demand mainly pertains to additions made for apportionment of expenses to dividend income/capital gains/(losses), disallowance of interest payable on accrual basis, provision for loans and advances and loss on termination of leased assets etc. The Company filed a refund claim of Rs. 70.53 million for the tax year 2011 through a revised tax return, however, it did not recognise the said additional refund on a prudent basis. The Company has filed an appeal with Commissioner Inland Revenue Appeals (CIRA) on October 14, 2013 against the order of DCIR which is still pending. Further, no provision has been made for the demand for tax year 2011 as favourable outcome is expected considering the judgement of the Appellate Tribunal Inland Revenue (ATIR) in the preceding years on the addition/disallowances for the year under reference.

During the current year, the Company has received the appeal effect orders with respect to the ATIR orders dated February 20, 2013 in relation to tax years 2004, 2005, 2006 and 2008 where the outcome was in favour of the Company in relation to issues of loans and advances written-off, apportionment of expenditure and loans to executives/officers and the resulting refunds were adjusted against the tax liability for the tax years 2009 and 2010. Based on the decision of ATIR and overall resulting relief and brought forward losses, there was ‘Nil’ additional tax liability remaining for tax years 2009 and 2010. However, the Tax department has filed the references before Honourable High Court of Sindh against the order of ATIR.

For the tax year 2013, the Company received a tax demand of Rs. 24.3 million on November 11, 2014 vide order under section 122 (5A) of the ITO. Against this order, rectification application was filed vide letter T-2798/2012 dated December 12, 2014 wherein it has been highlighted that the issue of apportionment of expenditure against dividend income and capital gain has been decided in favour of the Company by ATIR. Also, the Tax department did not consider the payment of tax of Rs. 13.47 million. In addition to this, the Company has filed an appeal before the (CIRA) against the order, which is pending.

Hence, no provision has been made in these financial statements in respect of above mentioned matters as the management is hopeful of a favourable outcome on these matters considering the appellate history and tax advisor's opinion.

	Note	2014	2013
		------- (Rupees in '000) -------	
Commitments			
20.1 Direct credit substitutes			
Contingent liabilities in respect of guarantees given favouring:			
Government		-	-
Others	20.1.1	859,711	860,561
		859,711	860,561

20.1.1 This represents the guarantees issued on behalf of Kamoki Energy Limited (KEL), a joint venture. During the year 2012, a decision was announced by the Honorable Supreme Court of Pakistan (Court), in which all contracts of RPPs were declared to be illegal and void ab initio and as a result of which the guarantee remained inoperative. Consequently, as per the opinion of the legal advisor, there cannot be any exposure of the Company under the same (refer note 8.16).

	2014	2013
20.2 Trade - related contingent liabilities		
Contingent liabilities in respect of letters of credit favouring:		
Government	-	-
Others	13,698	270,341
	13,698	270,341
20.3 Commitments to extend credit	258,265	771,983
20.4 Unsettled investment transactions for:		
Sale of market treasury bills	-	496,945
Sale / purchase of listed ordinary shares	129,488	84,255
	129,488	581,200
20.5 Commitments for acquisition of fixed assets	-	561

21. DERIVATIVE INSTRUMENTS

The Company did not enter into any interest rate swaps, forward rate agreements and foreign exchange options during the year.

	2014	2013
	------- (Rupees in '000) -------	

22. MARK-UP / RETURN / INTEREST EARNED

	2014	2013
On loans and advances to		
customers	403,674	534,510
financial institutions	-	-
On investments in		
'held-for-trading' securities	395	24,204
'available-for-sale' securities	894,497	566,503
'held to maturity' securities	864	1,238
On deposits with financial institutions	11,953	11,080
On repurchase agreement lendings (reverse repo)	4,104	7,442
Income on bank deposits	2,015	2,202
	1,317,502	1,147,179

23. MARK-UP / RETURN / INTEREST EXPENSED

	2014	2013
Deposits and other accounts	215,400	434,157
On securities sold under repurchase agreement (repo)	513,648	245,558
On other borrowings		
Long-term (includes PPTFC)	101,682	153,595
Short-term	171,554	59,619
	1,002,284	892,929

24. GAIN ON SALE OF SECURITIES - NET

	2014	2013
Government securities		
Market treasury bills	(240)	2,417
Pakistan investment bonds	87,692	(9,722)
	87,452	(7,305)
Listed shares	91,740	109,577
Unlisted shares	-	(14,600)
TFCs, sukuks and mutual fund units	(1,809)	28,640
	177,383	116,312

25. OTHER INCOME

	2014	2013
Gain on sale of operating fixed assets	75	11,850
Exchange (loss) / gain	(50)	10
Recovery against written-off cases	-	4
Recovery of charges	945	667
Penalty SBP (refund)	3,377	-
Special corporate discounts	-	96
Miscellaneous	50	-
	4,397	12,627

26. ADMINISTRATIVE EXPENSES

	Note	2014	2013
		------- (Rupees in '000) -------	
Salaries, allowances and benefits		168,756	148,379
Charge for defined benefit plan	33.6	9,753	9,572
Contribution to defined contribution plan	34	5,006	5,114
Executive directors' remuneration (including remuneration of the Managing Director and Deputy Managing Director)		90,959	82,576
Non-executive directors' fee and remuneration	35	4,975	4,996
Board meeting expenses		22,547	27,737
Traveling and lodging		1,691	1,380
Rent and utilities		5,901	6,810
Legal, consultancy and professional services		13,787	14,405
Communications		5,168	5,338
Repairs and maintenance		9,092	8,533
Motor vehicle expenses		2,660	2,796
Entertainment and business development		3,149	2,725
Insurance		3,187	3,188
Software maintenance expenses		1,718	1,237
Bank charges		405	415
Printing and stationery		2,632	2,532
Advertisement, periodicals, membership dues and publicity		1,501	1,865
Auditors' remuneration	26.1	1,829	1,929
Depreciation	10.2	22,768	24,214
Amortisation	10.4	562	102
Others		365	280
		378,411	356,123

26.1 Auditors' remuneration

	2014	2013
Audit fee	660	660
Half yearly review fee	265	265
Code of corporate governance fee	125	125
Special certifications and sundry advisory services	425	770
Out of pocket expenses	261	98
	1,736	1,918
Add: Sales tax on services	93	11
	1,829	1,929

27. OTHER PROVISIONS / WRITE OFFS

	Note	2014	2013
Reversal of provision against mark-up accrued - net		(20,209)	(40,909)
Write off against KSE-TREC		10,000	-
Reversal of provision against non-banking assets acquired in satisfaction of claims		(53,632)	(17,680)
Provision against other receivables - Kamoki Energy Limited		11,273	13,923
	12.4	(52,568)	(44,666)

28. OTHER CHARGES

	2014	2013
Arrangement fee and documentation charges	1,698	14,268
Brokerage commission	3,124	2,325
Expenses for privately placed term finance certificates	2,071	1,810
Loss on sale of non-banking assets acquired in satisfaction of claims	15,336	-
Penalty imposed by SBP	191	7,400
	22,420	25,803

29. TAXATION

	Note	2014	2013
		------- (Rupees in '000) -------	
Current	29.1	58,632	24,331
Prior		-	(25,000)
Deferred		26,266	15,069
		84,898	14,400

29.1 Due to current year tax loss, the Company has made provision for applicable minimum tax and income tax at fixed rates. Therefore, relationship between tax expense and accounting profit for the year has not been presented.

30. EARNINGS PER SHARE - BASIC AND DILUTED

	Note	2014	2013
Earnings for the year after taxation (Rupees in thousand)		232,681	181,595
Weighted average number of ordinary shares in issue		614,178	614,178
Earnings per share (Rupees)	30.1	379	296

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

31. CASH AND CASH EQUIVALENTS

	Note	2014	2013
Cash and balances with treasury banks	5	68,845	51,848
Balances with other banks	6	64,144	193,258
Lendings to financial institutions	7	-	350,000
		132,989	595,106

32. STAFF STRENGTH

	2014	2013
	---------- (Numbers) ----------	
Permanent	64	66
Temporary / on contractual basis	23	21
Daily wagers	8	8
Company's own staff strength at the end of the year	95	95
Outsourced	15	16
Total staff strength	110	111

33. DEFINED BENEFIT PLAN

	2014	2013
	--- Percent per annum ---	
Staff retirement gratuity		
Discount rate	10.5	12.5
Expected rate of increase in salary levels	8.5	10.5
Expected rate of return on plan assets	10.5	12.5

The disclosures made in notes 33.1 to 33.9 are based on the information included in the actuarial valuation as at December 31, 2014.

33.1 Mortality rate

The rates assumed were based on the SLIC 2001-2005 with one year age set back.

33.2 Expected return on plan assets

The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the Company, at the beginning of the period, for returns over the entire life of related obligation.

	Note	2014	2013
		------ (Rupees in '000) ------	
33.3 Reconciliation of amount payable to defined benefit plan			
Present value of defined benefit obligation	33.4	**99,830**	104,724
Fair value of plan assets	33.5	**(90,949)**	(92,368)
		8,881	12,356
33.4 The movement in the defined benefit obligation over the year is as follows:			
Present value of obligation at the beginning of the year		**104,724**	85,014
Current service cost	33.6	**8,817**	7,964
Interest cost	33.6	**11,900**	9,777
Benefit paid		**(19,050)**	-
Actuarial (gain) / loss on obligation (balancing figure)		**(6,561)**	1,969
Present value of obligation at the end of the year		**99,830**	104,724
33.5 The movement in the fair value of plan assets of the year is as follows:			
Fair value of plan assets at the beginning of the year		**92,368**	58,539
Expected return on plan assets	33.2	**10,964**	8,168
Contributions		**9,732**	24,978
Benefits paid		**(19,050)**	-
Actuarial (loss) / gain on assets (balancing figure)	33.9	**(3,065)**	683
Fair value of plan assets at the end of the year		**90,949**	92,368
33.6 The amount recognised in the profit and loss account is as follows:			
Current service cost	33.4	**8,817**	7,964
Interest cost	33.4 & 33.5	**936**	1,608
		9,753	9,572

33.7 Actual return on plan assets during the year was Rs.7.899 million (2013: Rs.8.851 million).

33.8 Plan assets comprise the following:

The following information is based on the latest un-audited financial statements of the Fund:

	Unaudited		Audited	
	2014		2013	
Particulars	Rupees in '000	Percent	Rupees in '000	Percent
Term Deposit Receipts (TDRs) / Certificates of Investments (COIs)	**-**	-	52,176	56.9%
Cash and bank balances	**1,085**	1.2%	1,737	1.9%
Market treasury bills	**50,142**	55.1%	37,567	40.9%
Pakistan investment bonds	**39,424**	43.3%	-	-
Units of mutual funds	**298**	0.3%	298	0.3%
	90,949	**100%**	91,778	100%

33.9 Amounts for the current year and previous four annual periods of the present value of the defined benefit obligation, the fair value of plan assets, surplus / deficit and experience adjustments arising thereon are as follows:

	Note	2014	2013	2012	2011	2010
		(Rupees in '000)				
Present value of defined benefit obligation		**99,830**	104,724	85,014	66,732	52,268
Fair value of plan assets		**(90,949)**	(92,368)	(58,539)	(52,207)	(47,237)
Deficit		**8,881**	12,356	26,475	14,525	5,031
Defined benefit obligation		**8,881**	12,356	26,475	11,286	1,260
Experience adjustments on plan assets	33.5	**3,065**	(683)	(1,418)	2,386	2,784

33.10 Staff benevolent fund

Contribution from the Company	**128**	122
Contribution from the employees	**128**	122

34. DEFINED CONTRIBUTION PLAN

Contribution from the Company	**5,006**	5,114
Contribution from the employees	**5,006**	5,114
	10,012	10,228

34.1 Provident Fund Disclosures

The following information is based on the latest un-audited financial statements of the Fund:

	Unaudited 2014	Audited 2013
	(Rupees in '000)	
Size of the Fund - total assets	**66,687**	56,685
Cost of investment made	**65,010**	52,425
Fair value of investments	**65,911**	56,061
Percentage of investment made	**99%**	99%

34.2 The break-up of fair value of investments is:

	Unaudited 2014		Audited 2013	
	Rupees in '000	Percent	Rupees in '000	Percent
Bank balances	**741**	**1.0%**	2,238	4.0%
Term Deposit Receipts (TDRs) / Certificates of Investments (COIs)	**-**	**-**	33,446	60.0%
Market treasury bills	**20,229**	**31.0%**	14,113	25.0%
Pakistan investment bonds	**40,082**	**61.0%**	-	-
Units of mutual funds	**4,859**	**7.0%**	6,264	11.0%
	65,911	**100%**	56,061	100%

34.3 The 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.

35. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Managing Director		Deputy Managing Director		Directors		Executives *	
	2014	2013	2014	2013	2014	2013	2014	2013
	(Rupees in '000)							
Fees and remuneration	-	-	-	-	4,975	4,996	-	-
Managerial remuneration	33,385	29,517	39,092	32,553	-	-	127,080	110,070
Charged for defined benefit plan	1,886	1,586	987	830	-	-	- 6,713	6,730
Contribution to defined contribution plan	1,243	1,253	1,427	1,438	-	-	2,750	2,560
Rent and house maintenance	562	537	343	335	-	-	-	-
Utilities	937	720	1,159	1,144	-	-	-	-
Medical	107	452	285	137	-	-	2,432	1,925
Conveyance	4,875	4,513	2,901	2,816	-	-	12,134	11,440
Others	3,504	3,577	3,809	6,274	-	-	1,929	350
	46,499	42,155	50,003	45,527	4,975	4,996	153,038	133,075
Number of persons	1	1	1	1	4	4	61	53

The Managing Director and Deputy Managing Director (Executive Committee) are also entitled to usage of certain company maintained assets as per their terms of employment.

Executive Committee members and executives are entitled to certain employment benefits referred to in note 4.8 as may be applicable under the terms of the employment and Human Resource policy.

* Executive means employees other than the Managing Director, Deputy Managing Director and Directors, whose basic salary exceeds five hundred thousand rupees in a financial year.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The fair value of traded investments and Federal Government securities are based on quoted market prices and PKRV rates respectively. Fair value of unquoted equity investments is determined on the basis of lower of cost and breakup value of these investments as per the latest available financial statements less impairment, if any.

Fair value of fixed term advances, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for non-performing advances has been calculated in accordance with the Company's accounting policy as stated in note 4.4.

The repricing profile and effective rates and maturity are stated in notes 40.2.4 and 40.3.1 respectively.

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

37. SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITY

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

	2014			2013		
	Corporate finance	Retail banking	Total	Corporate finance	Retail banking	Total
	(Rupees in '000)					
Total income	1,650,058	18,068	1,668,126	1,407,862	18,322	1,426,184
Total expenses	1,332,771	17,776	1,350,547	1,210,034	20,155	1,230,189
Net income / (loss)	317,287	292	317,579	197,828	(1,833)	195,995
Segment assets (gross)	16,561,184	168,628	16,729,812	16,485,764	210,108	16,695,872
Segment non-performing loans	3,174,191	70,645	3,244,836	3,174,191	72,657	3,246,848
Segment provision required	4,244,209	49,418	4,293,627	4,524,067	51,068	4,575,135
Segment liabilities	8,730,580	118,918	8,849,498	8,645,770	155,049	8,800,819
Net assets	3,586,395	292	3,586,687	3,315,927	3,991	3,319,918
Segment return on net assets	8.85%	0.01%	8.85%	5.97%	-0.06%	5.90%
Segment cost of funds (%)	9.33%	1.10%	10.43%	8.46%	1.42%	9.88%

38. RELATED PARTY TRANSACTIONS

The Company has related party relationship with its joint venture, state controlled entities (by virtue of government shareholding), companies with common directorships, employees benefit plans, keymanagement personnel and its directors.

The Company enters into transactions with related parties in the normal course of business. The transactions were carried out at contracted rates. Transactions with keymanagement personnels are governed by the applicable policies and / or terms of employment / office. Key management personnel herein include Managing Director, Deputy Managing Director, Company Secretary and Head of Departments.

Contribution to approved defined benefit plan and defined contribution plan, post employment benefit, are disclosed in note 33 and note 34 respectively to these financial statements. Employees' compensated absences, other long – term benefit, are disclosed in note 16 to the financial statements.

Transactions with Owners have been disclosed in 'Statement of Changes in Equity'.

Remuneration, short term employee benefit, to the Executives is disclosed in note 35 to the financial statements.

Details of transactions during the year, other than those which have been disclosed elsewhere in these financial statements, and balances with related parties are as follows;

	December 31, 2014					December 31, 2013				
	Directors	Key management personnel *	Joint venture **	State controlled entities	Other related parties	Directors	Key management personnel *	Joint venture **	State controlled entities	Other related parties
	------------------------------ (Rupees in '000) ------------------------------					------------------------------ (Rupees in '000) ------------------------------				
38.1 Balances outstanding										
Bank balance	-	-	-	68,837	-	-	-	-	51,789	-
Lendings to financial institutions										
Opening balance	-	-	-	350,000	-	-	-	-	-	-
Placements / reverse repo made during the year	-	-	-	3,674,487	-	-	-	-	3,700,858	-
Placements / reverse repo matured during the year	-	-	-	(4,024,487)	-	-	-	-	(3,350,858)	-
Closing balance	-	-	-	-	-	-	-	-	350,000	-
Investments										
Opening balance	-	-	704,867	4,249,933	500	-	-	704,867	5,417,738	54,500
Investment made during the year	-	-	-	13,589,062	-	-	-	-	13,223,124	-
Investment redeemed / disposed off / adjusted during the year	-	-	-	(11,775,852)	-	-	-	-	(14,390,929)	(54,000)
Closing balance	-	-	704,867	6,063,143	500	-	-	704,867	4,249,933	500
Provision for diminution in value of investments	-	-	704,867	50,000	-	-	-	704,867	50,000	-
Deficit on revaluation of investments	-	-	-	129,369	-	-	-	-	(23,968)	-

	December 31, 2014					December 31, 2013				
	Directors	Key management personnel *	Joint venture **	State controlled entities	Other related parties	Directors	Key management personnel *	Joint venture **	State controlled entities	Other related parties
	(Rupees in '000)					(Rupees in '000)				
Advances										
Opening balance	-	41,066	1,284,690	945,170	-	-	39,147	1,250,000	945,170	-
Addition / rollover during the year	-	19,748	-	-	-	-	8,674	34,690	945,170	-
Repaid during the year	-	(19,895)	-	(945,170)	-	-	(6,755)	-	(945,170)	-
Closing balance	-	40,919	1,284,690	-	-	-	41,066	1,284,690	945,170	-
Provision held against advances	-	-	1,018,502	-	-	-	-	1,018,502	-	-
Other assets										
Mark-up receivable on term loan										
- Gross	-	133	710,076	286,529	-	-	122	541,321	81,513	-
- Suspended / provided	-	-	(710,076)	(36,491)	-	-	-	(541,321)	(36,932)	-
Closing balance	-	133	-	250,038	-	-	122	-	44,581	-
Amount receivable from defined contribution plan	-	-	-	-	-	-	-	-	-	50
Other receivables	-	-	16,507	-	-	-	-	5,234	-	-
Advance taxation	-	-	-	136,635	-	-	-	-	144,112	-
Other advances										
Opening	-	1,275	-	-	860	-	3,752	-	-	-
Additions during the year	-	1,250	-	-	757	-	8,494	-	-	1,290
Repaid during the year	-	(1,755)	-	-	(1,085)	-	(10,971)	-	-	(430)
Closing balance	-	770	-	-	532	-	1,275	-	-	860
Provision against other assets	-	-	16,507	-	-	-	-	5,234	-	-
Borrowings from financial institutions										
Opening	-	-	-	2,431,215	-	-	-	-	1,827,344	-
Borrowings during the year	-	-	-	93,858,244	-	-	-	-	84,534,228	-
Settled during the year	-	-	-	(93,283,930)	-	-	-	-	(83,930,357)	-
Closing balance	-	-	-	3,005,529	-	-	-	-	2,431,215	-
Deposits and other accounts										
Opening balance	-	2,500	-	2,724,000	50,000	-	-	-	3,978,501	110,000
Additions during the year	-	11,283	-	4,525,200	370,000	-	2,500	-	4,074,000	420,000
Repayments during the year	-	(11,695)	-	(4,889,000)	(340,000)	-	-	-	(5,328,500)	(480,000)
Closing balance	-	2,088	-	2,360,200	80,000	-	2,500	-	2,724,002	50,000
Other liabilities										
Mark-up payable	-	21	-	72,081	1,573	-	30	-	222,461	260
Amount payable to retirement benefit funds	-	-	-	-	8,881	-	-	-	-	12,356
Others	-	-	1,018	206	-	-	-	1,008	440	-
	-	21	1,018	72,287	10,454	-	30	1,008	222,901	12,616
Contingencies and commitments										
Letter of guarantee	-	-	859,711	-	-	-	-	860,561	-	-
Commitment to extend credit	-	4,250	-	-	-	-	-	-	-	-
Unsettled sale / purchase of investment transactions	-	-	-	30,070	-	-	-	-	551,523	-
	-	4 250	859,711	30,070	-	-	-	860,561	551,523	-

38.2 Transactions, income and expenses

	Directors	Key management personnel *	Joint venture **	State controlled entities	Other related parties	Directors	Key management personnel *	Joint venture **	State controlled entities	Other related parties
Mark-up / return / interest earned - net	-	861	-	733,297	-	-	649	-	531,055	-
Mark-up / return / interest expensed	-	269	-	593,965	9,828	-	30	-	694,264	10,765
Gain on sale of securities - net	-	-	-	20,679	-	-	-	-	27,133	(14,600)
Unrealised loss on revaluation of investments classified as 'held-for-trading'	-	-	-	-	-	-	-	-	(9,357)	-
Dividend income	-	-	-	9,968	-	-	-	-	13,258	-
Contribution paid to defined contribution plan	-	-	-	-	5,006	-	-	-	-	5,114
Contribution paid to defined benefit plan	-	-	-	-	9,881	-	-	-	-	25,100
Non-executive directors' fee and remuneration	4,975	-	-	-	-	4,996	-	-	-	-
Remunerations	-	158,653	-	-	8,738	-	41,449	-	-	1,986
Share of loss	-	-	-	-	-	-	-	-	-	-
Consideration for disposal of fixed assets	-	-	-	-	-	-	74	-	-	-

* Key management personnel are also entitled to the usage of certain Company assets as per their terms of employment.

** Fee based income to be recorded on cash receipt basis.

39. CAPITAL ASSESSMENT AND ADEQUACY

39.1 Capital adequacy

SBP's regulatory capital guidelines under Basel III allow for three tiers of capital. Tier I capital includes common shares and retained earnings. Pak Libya currently does not hold any instruments in Tier II or Tier III capital. The authorized share capital of the Company is Rs.8,000 million and the paid-up capital is Rs.6,141.780 million consisting of 641,178 shares with a par value of Rs.10,000 per share.

Company's regulatory capital is divided into three tiers.

* Common Equity Tier 1 capital (CET1), which includes fully paid up capital and statutory reserves as per the financial statements and unappropriated loss after all regulatory adjustments applicable on CET1.
* There is no amount for Additional Tier 1 Capital (AT1) of the Company.
* Tier 2 capital includes revaluation reserves on account of unrealised gain on available-for-sale investments and general provisions for loan losses (up to a maximum of 1.25 % of credit risk weighted assets).

The table below illustrates the following approaches that are adopted at Pak Libya for capital requirements calculation under Basel III in relation to the various risk types under Pillar 1:

Credit Risk	Standardized Approach
Market Risk	Standardized Approach
Operational Risk	Basic Indicator Approach

Minimum capital requirement

SBP has prescribed that the minimum paid-up capital (free of losses) for DFI is required to be maintained at Rs. 6 billion and ratio of total regulatory capital to risk weighted asset is to be maintained at or above 10%. The paid-up Capital (free of losses) of the Company as of December 31, 2014 amounted to Rs.3.486 billion, which is below the minumum capital requirement of Rs.6 billion. However, the SBP has granted further exemption to the Company in meeting the MCR till March 31, 2015.The Board of Directors of the Company has approved the financial projections for the next 5 years, envisaging a capital injection of Rs.4 billion. The fresh injection is aimed to comply with MCR, enhance the risk absorption capacity and future growth and expansion in business prospects of the Company.

Capital management

A strong capital position is essential to the Company's business strategy and competitive position. The Company's capital strategy focuses on long-term stability, which aims to build and invest in core business activities. The Company seeks to maintain adequate levels of capital in order to:

* comply with the capital requirement set by the regulators of the Company
* safeguard Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
* acquire, develop and maintain a strong capital base to support the development of its business activities;
* support the underlying risks inherited in the core business activities; and
* be able to withstand capital demands under market shocks and stress conditions.

The Company carries out Capital Planning annually to ensure the sufficiency of capital keeping in view the business strategy, expected growth, regulatory requirements, Basel III/Basel II guidelines and risks associated with the business operations. The capital planning is normally undertaken for the horizon of next three to five years. The plan takes the following into account:

* current capital requirement
* growth of core financing and investment business based on activities plans of the various business units (Corporate & Investment Banking, Treasury and Capital Market)
* the funding structure and sources of funding, liabilities and equity to support the asset growth taking into consideration the need to maintain strong liquidity position based on Basel III and Basel II guidelines
* maintenance of regulatory capital requirements and capital adequacy ratios

The Company has a comprehensive Internal Capital Adequacy Assessment Process (ICAAP). The Company’s ICAAP covers the capital management, sets the process for assessment of the adequacy of capital to support current and future activities / risks and a report on the capital projections for a period of three to five years. The ICAAP report is produced on an annual basis and is approved by the Board of Directors.

Under the ICAAP methodology, the following risk types are identified and measured:

* risks covered under Pillar 1 (credit risk, market risk and operational risk)
* risks not fully covered under Pillar 1 (Residual Risk)
* risks covered under Pillar 2 (concentration risk, interest rate risk, liquidity risk, reputational risk, strategic/business risk)

The Company has also implemented Stress Testing framework as per the SBP guidelines. This involves the use of various techniques to assess the Company’s susceptibility to plausible yet extreme stress scenarios. The stress tests cover shocks related to credit risk, interest rate risk, exchange rate risk, equity price risk and liquidity risk. The stress tests are performed quarterly and results are reported to Management and Board of Directors through respective Risk Management Committees.

Scope of applications

The Basel III Capital Regulations (Basel III) are applicable to Pak Libya Holding Company (Pvt.) Limited (Pak Libya) in line with the guidelines issued by State Bank of Pakistan (SBP).

SBP has issued the framework and guidance regarding implementation of the capital reforms under Basel III - which are effective from December 31, 2013. Accordingly, the Company's Risk Weighted Assets (RWA), total capital and related ratios are calculated under the Basel III framework.

Basel-III framework enables a more risk-sensitive regulatory capital calculation along with tightening of capital requirements, raising the quality, consistency and transparency of capital base to promote long term viability of the Company. As the Company carry on the business, it is critical that the Company is able to continuously monitor the exposure across entire organization and aggregate the risks so as to take an integrated approach/view. Maximization of the return on risk-adjusted capital is the principal basis to be used in determining how capital is allocated within the Company to a particular segment of business.

Significant subsidiaries

Pak Libya has no subsidiaries or entities for consolidation under both the accounting scope of consolidation and regulatory scope of consolidation. Furthermore, the company does not have significant investment in any insurance entity.

		Source based on reference number from Step 2 Table 39.3.2	December 31, 2014	December 31, 2013
			------- (Rupees in '000) -------	
39.2	**CAPITAL ADEQUACY RETURN AS OF December 31, 2014**			
Rows No.	**Common Equity Tier 1 capital (CET1): Instruments and reserves**			
1	Fully paid-up capital / capital deposited with SBP	(t)	6,141,780	6,141,780
2	Balance in Share Premium Account		-	-
3	Reserve for issue of Bonus Shares		-	-
4	Discount on Issue of shares		-	-
5	General / statutory reserves	(w)	82,855	36,319
6	Gain / (losses) on derivatives held as cash flow hedge		-	-
7	Unappropriated / unremitted profits / (losses)	(y)	(2,655,790)	(2,845,431)
8	Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		-	-
		(z)	-	-
9	**CET 1 before Regulatory Adjustments**		3,568,845	3,332,669
10	Total regulatory adjustments applied to CET1 (Note 39.2.1)		(37,709)	(30,442)
11	**Common Equity Tier 1**		3,531,136	3,302,227
	Additional Tier 1 (AT 1) Capital			
12	Qualifying Additional Tier-1 capital instruments plus any related share premium		-	-
13	of which: Classified as equity	(u)	-	-
14	of which: Classified as liabilities	(n)	-	-
15	Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	(aa)	-	-
16	of which: instrument issued by subsidiaries subject to phase out		-	-
17	**AT1 before regulatory adjustments**		-	-
18	Total regulatory adjustment applied to AT1 capital (Note 39.2.2)		-	-
19	Additional Tier 1 capital after regulatory adjustments		-	-
20	**Additional Tier 1 capital recognized for capital adequacy**		-	-
21	**Tier 1 Capital (CET1 + admissible AT1) (11+20)**		3,531,136	3,302,227
	Tier 2 Capital			
22	Qualifying Tier 2 capital instruments under Basel III plus any related share premium		-	-
23	Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules	(o)	-	-
24	Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	(ab)	-	-
25	of which: instruments issued by subsidiaries subject to phase out		-	-
26	General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)	1,149	1,522
27	Revaluation Reserves (net of taxes)		-	-
28	of which: Revaluation reserves on fixed assets		-	-
29	of which: Unrealized gains/losses on AFS	portion of (ac)	17,842	-
30	Foreign exchange translation reserves	(v)	-	-
31	Undisclosed / other reserves (if any)		-	-
32	**T2 before regulatory adjustments**		18,991	1,522
33	Total regulatory adjustment applied to T2 capital **(Note 39.2.3)**		(10,721)	-
34	Tier 2 capital (T2) after regulatory adjustments		8,270	1,522
35	Tier 2 capital recognized for capital adequacy		8,270	1,522
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital		-	-
37	**Total Tier 2 capital admissible for capital adequacy**		8,270	1,522
38	**TOTAL CAPITAL (T1 + admissible T2) (21+37)**		3,539,406	3,303,749
39	**Total Risk Weighted Assets (RWA) {for details refer Note 39.5}**		8,863,657	10,150,459

		December 31, 2014	December 31, 2013
		------------- (%) -------------	
	Capital Ratios and buffers (in percentage of risk weighted assets)		
40	**CET1 to total RWA**	39.84%	32.53%
41	**Tier-1 capital to total RWA**	39.84%	32.53%
42	**Total capital to total RWA**	39.93%	32.55%
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	-	-
		-	-
44	of which: capital conservation buffer requirement	-	-
45	of which: countercyclical buffer requirement	-	-
46	of which: D-SIB or G-SIB buffer requirement		
47	CET1 available to meet buffers (as a percentage of risk weighted assets)	34.34%	27.53%
	National minimum capital requirements prescribed by SBP		
48	CET1 minimum ratio	5.50%	5.00%
49	Tier 1 minimum ratio	7.00%	6.50%
50	Total capital minimum ratio	10.00%	10.00%

		Source based on reference number from Step 2 Table 39.3.2	December 31, 2014	Subject to Pre- Basel III treatment*	December 31, 2013
			--------------- (Rupees in '000) ---------------		
	Regulatory Adjustments and Additional Information				
39.2.1	**Common Equity Tier 1 capital: Regulatory adjustments**				
1	Goodwill (net of related deferred tax liability)	(k) - (p)	-	-	-
2	All other intangibles (net of any associated deferred tax liability)	(h)+(l)-(q)	(2,130)	-	(17,692)
3	Shortfall in provisions against classified assets	(f)	-	-	-
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	{(i) - (s} * x%	(31,094)	(124,376)	-
5	Defined-benefit pension fund net assets	{(m) - (r)} * x%	-	-	-
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	(d)	-	-	-
7	Cash flow hedge reserve		-	-	-
8	Investment in own shares / CET1 instruments		-	-	-
9	Securitization gain on sale		-	-	-
10	Capital shortfall of regulated subsidiaries		-	-	-
11	Deficit on account of revaluation from bank's holdings of fixed assets / AFS	ad	-	-	(12,750)
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(a)-(ae)-(ag)	(4,485)	(17,940)	-
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	(b)-(af)-(ah)	-	-	-
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(j)	-	-	-
15	Amount exceeding 15% threshold		-	-	-
16	of which: significant investments in the common stocks of financial entities		-	-	-
17	of which: deferred tax assets arising from temporary differences		-	-	-
18	National specific regulatory adjustments applied to CET1 capital		-	-	-
19	Investments in TFCs of other banks exceeding the prescribed limit		-	-	-
20	Any other deduction specified by SBP (mention details)		-	-	-
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions		-	(34,617)	-
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)		(37,709)	(176,933)	(30,442)

39.2.2	Additional Tier-1 & Tier-1 Capital: regulatory adjustments	Source based on reference number from Step 2 Table 39.3.2	December 31, 2014	Subject to Pre- Basel III treatment*	December 31, 2013
			--------------- (Rupees in '000) ---------------		
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	(c)	-	-	-
24	Investment in own AT1 capital instruments		-	-	-
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities		-	-	-
26	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ae)	-	-	-
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	-	-	-
28	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital		-	-	-
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions		-	(34,617)	-
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)		-	(34,617)	-
39.2.3	**Tier 2 Capital: regulatory adjustments**				
31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital		-	-	-
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities		-	-	-
33	Investment in own Tier 2 capital instrument		-	-	-
34	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ag)	(10,721)	(42,886)	-
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ah)	-	-	-
36	Total regulatory adjustment applied to T2 capital (sum of 31 to 35)		(10,721)	(42,886)	-

39.2.4	Additional Information	December 31, 2014	December 31, 2013
		------- (Rupees in '000) -------	
	Risk Weighted Assets subject to pre-Basel III treatment		
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)		
(i)	of which: deferred tax assets	124,376	173,013
(ii)	of which: Defined-benefit pension fund net assets	-	-
(iii)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	17,940	9,971
(iv)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	42,886	40,189
	Amounts below the thresholds for deduction (before risk weighting)		
38	Non-significant investments in the capital of other financial entities	341,124	312,921
39	Significant investments in the common stock of financial entities	-	-
40	Deferred tax assets arising from temporary differences (net of related tax liability)	50,043	110,350
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	1,149	1,522
42	Cap on inclusion of provisions in Tier 2 under standardized approach	78,704	99,137
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of	-	-
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

39.3 Capital Structure Reconciliation

39.3.1 Step 1: Under Step 1, the Company is required to use balance sheet of the published financial statements based on the accounting scope of consolidation as a starting point and report the numbers for each item in the published financial statements based on regulatory scope of consolidation. Since in case of PLHC, the accounting consolidation is identical to the scope of regulatory consolidation there is no need to undertake Step-1.

39.3.2 Step 2: Under Step 2 the company is required to expand the balance sheet under the regulatory scope of consolidation to identify all the elements that are used in the capital adequacy disclosure template set out in Note 39.2. Each element must be given a reference number/letter in the 2nd column that will be used as a cross reference for note 39.2.

		December 31, 2014	
Step 2	**Reference**	**Balance sheet as in published financial statements**	**Under regulatory scope of consolidation**
		------- (Rupees in '000) -------	
Assets			
Cash and balances with treasury banks		68,845	68,845
Balances with other banks		64,144	64,144
Lendings to financial institutions		-	-
Investments		7,703,305	7,703,305
of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	a	417,156	417,156
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	b		
of which: Mutual Funds exceeding regulatory threshold	c		
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	d		
of which: others (mention details)	e		
Advances	f	3,707,914	3,707,914
shortfall in provisions / excess of total EL amount over eligible provisions under IRB general provisions reflected in Tier 2 capital	g	1,149	1,149
Fixed assets		87,907	87,907
of which: intangible	h	2,130	2,130
Deferred tax assets		205,513	205,513
of which: DTAs that rely on future profitability excluding those arising from temporary differences	i	155,470	155,470
of which: DTAs arising from temporary differences exceeding regulatory threshold	j	50,043	50,043
Other assets		598,557	598,557
of which: Goodwill	k		
of which: Intangibles	l	-	-
of which: Defined-benefit pension fund net assets	m		
Total assets		12,436,185	12,436,185
Liabilities and equity			
Bills payable		-	-
Borrowings		6,097,465	6,097,465
Deposits and other accounts		2,470,607	2,470,607
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			
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		281,426	281,426
Total liabilities		8,849,498	8,849,498
Share capital		6,141,780	6,141,780
of which: amount eligible for CET1	t	6,171,780	6,171,780
of which: amount eligible for AT1	u		
Reserves		82,855	82,855
of which: portion eligible for inclusion in CET1: Share premium	v		
of which: portion eligible for inclusion in CET1: General / statutory reserves	w	82,855	82,855
of which: portion eligible for inclusion in Tier 2	x		
Unappropriated profit / (losses)	y	(2,655,790)	(2,655,790)
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	ab		
Surplus on revaluation of assets			
of which: Revaluation reserves on fixed assets	ac		
of which: Unrealized gains / (losses) on AFS		17,842	17,842
In case of Deficit on revaluation (deduction from CET1)	ad		
Total liabilities and equity		12,436,185	12,436,185

39.4 Main features template of regulatory capital instruments

Disclosure template for main features of regulatory capital instruments

	Main features	Common shares
1	Issuer	Pak Libya
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	NA
3	Governing law(s) of the instrument	Govt. of Pakistan
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/ group/ group&solo	Solo
7	Instrument type	Ordinary Shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	6,141,780
9	Par value of instrument	10,000 per share
10	Accounting classification	Share Holders' equity
11	Original date of issuance	28-11-1981
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	NA
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	NA
18	Coupon rate and any related index/ benchmark	NA
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non cumulative
23	Convertible or non-convertible	Nonconvertible
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	NA
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

39.5 Risk weighted exposures

The risk-weighted assets are measured by means of hierarchy different risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

	Capital requirements		Risk weighted assets	
	2014	2013	2014	2013
	------------------------- (Rupees in '000)	-------------------------		
Credit risk				
PSE	-	47,259	-	472,585
Banks	1,283	12,408	12,831	124,080
Corporates	289,487	292,399	2,894,869	2,923,990
Retail portfolio	8,911	7,335	89,111	73,350
Secured by residential mortgage	2,680	3,551	26,801	35,507
Past due loans	80,752	69,551	807,523	695,506
Significant investment and DTAs	12,511	70,841	125,108	708,408
Listed equity investment	28,340	29,426	283,401	294,258
Unlisted equity investment	6,098	6,098	60,975	60,975
Investment in fixed assets	8,578	8,426	85,777	84,264
Other assets	72,293	43,114	722,933	431,138
	510,933	590,406	5,109,329	5,904,060
Credit risk on off-balance sheet				
Non-market related	114,473	189,621	1,144,731	1,896,210
Market related	4,225	13,070	42,250	130,698
Market risk				
Interest rate risk	101,533	16,585	1,015,329	165,850
Equity position risk	95,520	123,131	955,186	1,231,313
Foreign exchange risk	7	8	72	76
Operational risk				
Capital requirement for operational risks	59,676	82,225	596,760	822,252
Total	886,366	1,015,046	8,863,657	10,150,459

	2014		2013	
Capital adequacy ratios	Required	Actual	Required	Actual
CET1 to total RWA	5.50%	39.84%	5.00%	32.53%
Tier-1 capital to total RWA	7.00%	39.84%	6.50%	32.53%
Total capital to total RWA	10.00%	39.93%	10.00%	32.55%

40. RISK MANAGEMENT

The Company has an independent risk management division and developed risk management framework to continuously manage and mitigate risks emanating from the regular course of its operational and financial activities. The risk management framework and policies of the Company are guided by specific objectives to ensure that comprehensive and adequate risk management policies are established to mitigate salient risk elements in the operational facets of the Company. It involves identification, measurement, monitoring and controlling risks with a view to ensure that:

- Adequate capital is available as a buffer;
- Exposures remain within the limits prescribed by the Board of Directors; and
- Risk taking decisions are in line with the policy guidelines, business strategy and objectives set by the Board.

The Company is exposed to a number of risks, which it manages at different levels.

The main categories of risk associated to / with the Company are as follows:

Credit risk

The risk of losses because counterparties fail to meet all or part of their obligations towards the Company.

The Company has established an appropriate credit risk structure and culture whereby policies are reviewed and revamped to maintain sound credit granting procedures, maintaining appropriate credit administration, measurement, monitoring processes and adequate controls.

Risk management structure facilitates the Credit approval function by its Internal Credit Risk Rating model through which an appropriate risk level of the borrower / counterparty is ascertained for credit sanctioning and disbursement.

The Company manages credit risk through:

- Establishment of acceptable risk appetite and tolerance levels;
- Sound procedures and controls for the management of risk assets and credit documentation;
- Target market planning and overall market intelligence; and
- Accurate and detailed information about the borrower, its financial position and operations.

Market risk

The risk of losses because the market value of the Company's assets and liabilities will vary with changes in market conditions.

Market risk measures and controls are applied at the portfolio level and limits and other controls are applied to particular books and to specific portfolios. Controls and established parameters are applied to prevent any undue risk concentrations in the trading book and include controls on exposure to individual market risk factors and on positions in securities of individual issuers.

The principal market risk in respect to the Company's assets and liability management is primarily associated with the capital market exposure and the maturity and repricing mismatches of its assets and liabilities. The Board is responsible for reviewing and recommending all market risk policies and ensuring that sound market risk and effective risk management systems are established and complied with.

Operational risk

The risk of losses resulting from deficient or erroneous internal procedures, human or system errors, or external events.

The Company has in place a duly approved operational risk policy, manual disaster recovery system (DRS) and a business continuity plan (BCP). These are continuously reviewed to strengthen operational controls prevailing in the Company.

Operational risk policy and manual set minimum standards and require all business units to identify and assess risks through loss data collection, Risk Control Self Assessment (RCSA) and key risk indicators (KRIs). The business units are responsible for day-to-day monitoring of operational risks and for limiting losses as a result thereof. The business unit must report any potential deviation giving rise to operational risk events in the management reporting system.

The Company is in the process of continuously improving its internal controls which aids in strengthening the Operational Risk Management of the company. In this regards, the Company maintains a detailed internal control over financial reporting (ICFR) documentation.

Liquidity risk

The risk arising due to failure to access funds at reasonable cost to finance the Company's operations and meet its liabilities when these become due is categorised as liquidity risk.

The Company's approach to liquidity risk management is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due. The Liquidity Management Policy is formulated keeping in view SBP's guidelines on risk management and Basel II principles on sound liquidity management. The company has also formulated Liquidity Risk Management policy as per SBP's guidelines. The risk management division uses different tools for identifying, assessing, measuring and controling liquidity risk and periodically reports to senior management and risk management committees.

The management is responsible for managing liquidity profile of the Company although strategic management of liquidity has been delegated to Asset & Liability Committee (ALCO). The ALCO of the Company deliberate and recommend liquidity strategy ensuring that appropriate policies and procedures are in place to control and constrain liquidity risk. It is also responsible for ensuring that company has adequate information systems for measuring, monitoring, controlling and reporting liquidity risk.

40.1 Credit risk

Credit risk management objectives and policies

Credit risk refers to the risk of financial loss arising from defaults by counterparties in meeting their obligations. Exposure to credit risks for the Company arises primarily from the lending and investment activities.

Credit exposures include both individual borrowers, corporate and groups of connected counterparties and portfolios in the Company's banking/trading books.

The management of credit risk is governed by credit management policies and procedures approved by the Board and management respectively. The procedures and policy guidelines spell out relevant process flow, approval authorities, limits, risks, credit ratings and other matters involved in order to ensure sound credit granting and approving standards in compliance with the Prudential Regulations and Risk Management Guidelines of the State Bank of Pakistan.

Appropriate levels of facilities are approved by the Board of Directors. The Executive Committee (EC) approves facilities of upto Rs.100 million while facilities exceeding this limit require approval from the Board of Directors on recommendation of the EC. ALCO / Credit Committee (CC) considers and recommends the said facilities to EC upon identifying key opportunities and risks prevalent in taking requisite exposure towards the borrower / counterparty.

The Company currently uses Standardised Approach for computing capital charge on credit risk weighted assets. Currently, the Company does not employ Credit Risk Mitigation (CRM) approach as there is no hedging (in whole or in part) by a collateral posted by the third party on the behalf of the counterparty.

Credit risk rating

Credit risk rating is an important tool in monitoring and controlling credit risk. In order to identify changes in risk profiles at early stages, credits with deteriorating ratings are subject to additional oversight and monitoring.

The Internal Credit Risk Rating System (ICRRS) is intended to reflect the overall risk profile of the borrower / guarantor / counterparty. Risk ratings are assigned according to the perception of risk on a numerical scale, determined within the qualitative and quantitative set of parameters and variables encompassing the risk levels of the borrower / guarantor / counterparty. The Credit scoring in the ICRRS is being conducted by Corporate and Investment Banking Division which is reviewed by the Risk Management Division on periodic basis and from time to time upon receiving the required information and documents of the credit proposal/obligor for its credit approval.

Objective of Internal Credit Risk Rating (ICRR)

Credit ratings are aimed at achieving one or more of the following:

- Internal risk reporting;
- Portfolio management; and
- Setting of credit risk concentration limits.

The Company constantly updates and improves upon its rating system to facilitate prudent lending decisions along with proactive and effective identification and monitoring of potential credit risks emanating from the lending activities of the Company.

The Company also uses and give due weightage to external rating while evaluating the risk. The Company considers external ratings assigned by external credit rating agencies including PARCA and / or JCR-VIS.

Exposures	JCR-VIS	PARCA	Other
Corporate	Yes	Yes	x
Banks	Yes	Yes	x
Sovereigns	x	x	x
SME's	x	x	x
Securitisations	x	x	x
Others (specify)	x	x	x

Credit exposures subject to standardised approach

		2014			2013		
Exposures	Rating Category	Amount outstanding	Deduction CRM*	Net amount	Amount outstanding	Deduction CRM*	Net amount
		(Rupees in '000)			(Rupees in '000)		
Corporate	0	-	-	-	-	-	-
	1	614,833	-	614,833	295,571	-	295,571
	2	1,031,360	-	1,031,360	1,595,313	-	1,595,313
	3-4	146,160	-	146,160	209,520	-	209,520
	5-6	-	-	-	-	-	-
	Unrated	1,915,803	-	1,915,803	2,802,869	-	2,802,869
		3,708,156	-	3,708,156	4,903,273	-	4,903,273
Banks	0	-	-	-	-	-	-
	1	64,142	-	64,142	543,256	-	543,256
	2-3	-	-	-	30,851	-	30,851
	4-5	-	-	-	-	-	-
	6	2	-	2	2	-	2
	Unrated	-	-	-	-	-	-
		64,144	-	64,144	574,109	-	574,109
Sovereigns		-	-	-	-	-	-
Total Credit Exposure		3,772,300	-	3,772,300	5,477,382	-	5,477,382

*CRM= Credit Risk Mitigation

The accounting policies and methods used by the Company are in accordance with the requirements of the prudential regulations of the SBP. These policies are disclosed in note 4 to these financial statements. Reconciliation in the provision against non-performing advances has been disclosed in note 9.3 of these financial statements.

40.1.1 Segment information

40.1.1.1 Segment by class of business

	2014					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%
Agriculture, forestry, hunting and fishing	87,354	1.39%	-	-	-	-
Textile	502,737	8.02%	5,000	0.20%	-	-
Chemicals and pharmaceuticals	1,112,502	17.75%	-	-	-	-
Cement	346,160	5.52%	-	-	108,453	7.92%
Sugar	338,053	5.39%	-	-	13,698	1.00%
Automobile and transportation equipment	189,697	3.03%	-	-	-	-
Electronics and electrical appliances	450,000	7.18%	-	-	-	-
Construction	82,891	1.32%	-	-	-	-
Power (electricity), gas, water, sanitary	2,117,346	33.77%	-	-	1,009,711	73.71%
Transport, storage and communication	750,093	11.96%	-	-	-	-
Financial institutions	-	-	500,000	20.24%	70,143	5.12%
Insurance	-	-	-	-	42,108	3.07%
Services	-	-	80,000	3.24%	-	-
Industrial transportation	-	-	450,000	18.21%	-	-
Individuals	242,390	3.87%	18,414	0.75%	8,265	0.60%
Others	50,081	0.80%	1,417,193	57.36%	117,476	8.58%
	6,269,304	100%	2,470,607	100%	1,369,854	100%

	2013					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%
Agriculture, forestry, hunting and fishing	1,052,524	14.98%	-	-	-	-
Textile	332,333	4.73%	3,000	0.11%	300,000	11.68%
Chemicals and pharmaceuticals	1,011,388	14.39%	10,238	0.36%	313,994	12.22%
Cement	409,520	5.83%	-	-	100,000	3.89%
Sugar	231,153	3.29%	-	-	258,828	10.07%
Automobile and transportation equipment	204,435	2.91%	-	-	-	-
Electronics and electrical appliances	450,000	6.40%	-	-	-	-
Construction	122,891	1.75%	-	-	-	-
Power (electricity), gas, water, sanitary	2,056,722	29.26%	-	-	877,298	34.15%
Transport, storage and communication	850,000	12.09%	-	-	58,333	2.27%
Financial institutions	-	-	-	-	63,174	2.46%
Services	-	-	524,000	18.65%	-	-
Industrial transportation	-	-	2,000,000	71.19%	-	-
Individuals	247,304	3.52%	22,185	0.79%	4,250	0.17%
Others	60,251	0.86%	250,000	8.90%	593,162	23.09%
	7,028,521	100%	2,809,423	100%	2,569,039	100%

40.1.1.2 Segment by sector

	2014					
	Advances (gross)		Deposits		Contingencies and Commitments	
	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%
Public / Government	-	-	1,860,200	75.29%	138,764	10.13%
Private	6,269,304	100.00%	610,407	24.71%	1,231,090	89.87%
	6,269,304	100%	2,470,607	100%	1,369,854	100%

	2013					
	Advances (gross)		Deposits		Contingencies and Commitments	
	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%
Public / Government	945,170	13.45%	2,699,423	96.08%	595,916	23.20%
Private	6,083,351	86.55%	110,000	3.92%	1,973,123	76.80%
	7,028,521	100%	2,809,423	100%	2,569,039	100%

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

	2014		2013	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	----------------------- (Rupees in '000) -----------------------			
Agriculture, forestry, hunting and fishing	7,354	7,354	7,354	7,354
Textile	229,340	220,809	229,340	220,809
Chemicals and pharmaceuticals	500,000	500,000	500,000	500,000
Cement	200,000	200,000	200,000	200,000
Sugar	-	-	-	-
Automobile and transportation equipment	138,781	138,781	138,781	138,781
Electronics and electrical appliances	450,000	112,500	450,000	225,000
Construction	62,891	12,891	62,891	12,891
Power (electricity), gas, water, sanitary	1,585,825	1,319,637	1,585,825	1,319,637
Individuals	70,645	48,269	72,657	49,546
	3,244,836	2,560,241	3,246,848	2,674,018

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

Public / Government	-	-	-	-
Private	3,244,836	2,560,241	3,246,848	2,674,018
	3,244,836	2,560,241	3,246,848	2,674,018

40.1.1.5 Geographical segment analysis

	2014			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----------------------- (Rupees in '000) -----------------------			
Pakistan	317,579	12,436,185	3,586,687	1,369,854

	2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----------------------- (Rupees in '000) -----------------------			
Pakistan	195,995	12,120,737	3,319,918	2,569,039

40.2 Market risk

Market risk refers to the impact on the Company's financial condition resulting from future adverse price or volatility movements of the assets contained in its trading book and / or investment portfolio. The principal market risk in respect of the Company's assets and liabilities is primarily associated with the maturity and repricing mismatches of its assets and liabilities and equity price risk. The risk emanating from any potential changes in market prices, due to changes in the interest rates, foreign exchange rates and equity prices are duly identified and accounted for.

A trading book consists of positions in financial instruments held either with trading intent or in order to hedge other elements of the trading book. To be eligible for trading book, financial instruments must either be free of any restrictive covenants on their tradability or able to be hedged completely.

Transaction undertaken by the financial institution for the banking book means any position or financial instrument held by bank in the normal course of business, not for trading purpose, or financial instrument that the financial institution intended to hold until maturity. All investment excluding trading book are considered as part of bank book which includes Available-for-Sale, Held to Maturity and Strategic Investments. Due to diversified nature of investments in banking book, it shall be subject to interest rate and equity price risk.

The Company has a well established framework for Market Risk management with the Treasury Investment Policy and Market Risk Management policies duly approved by the Board.

The market risk management framework of the Company comprises of exposure limits, a series of cut-loss and potential loss limits recommended by Asset and Liability Committee (ALCO) of the Company to ensure that front line risk-takers do not exceed the defined boundaries set by the management. Limit management is a control mechanism to ensure that all business activities are conducted in compliance with the risk management guidelines and policies. Gap analysis is conducted on regular basis in order to assess the quantum of market risk and liquidity position of the Company. The limits are set and reviewed regularly taking into account number of factors, including market trading, liquidity of the instruments, returns and Company's business strategy.

Management of interest rate risk of the banking and / or trading book is primarily focused on interest cum fair value through Re-pricing Gap Analysis and Fair Value Sensitivity. The management of interest rate risk of the trading book is achieved through mark-to-market practice. On quarterly basis, the Stress Test reports are being prepared for senior management, risk management committees and regulator to have an accurate understanding of Company's risk tolerance levels.

40.2.1 Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency rates. The Company's exposure to this risk is negligible as its assets and liabilities are primarily denominated in Pakistan rupees.

	Assets	Liabilities	Off-balance sheet items	Net foreign currency
	------------------------ (Rupees in '000) ------------------------			
Pakistan rupee	**12,436,112**	**8,849,498**	**1,351,261**	**4,937,875**
United States dollar	**73**	**-**	**18,591**	**18,664**
December 31, 2014	**12,436,185**	**8,849,498**	**1,369,852**	**4,956,539**
Pakistan rupee	12,120,606	8,800,819	2,549,598	5,869,385
United States dollar	131	-	19,441	19,572
December 31, 2013	12,120,737	8,800,819	2,569,039	5,888,957

40.2.2 Equity position risk

Equity position risk refers to the risk arising from taking long or short positions, in the trading book, in the equities and all instruments that exhibit market behavior similar to equities. Equity price risk is managed within the statutory limits and as defined in the policy framework by applying trading limit, scrip-wise and portfolio wise limits. Value at Risk (VaR) and stress testing of the equity portfolio are also performed and reported to ALCO, senior management and risk management committees.

40.2.3 Mismatch of interest rate sensitive assets and liabilities

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

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. The Board approves limits on the recommendation of the Executive Committee on the level of mismatch of interest rate repricing that may be undertaken, which is complied by the Company's treasury division.

40.2.4 Mismatch of interest rate sensitive assets and liabilities

			2014									
			Exposed to yield / interest rate risk									
	Effective yield / interest rate	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	Non-interest bearing financial instruments
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	68,845	-	-	-	-	-	-	-	-	-	68,845
Balances with other banks	6.50-7.50%	64,144	61,733	-	-	-	-	-	-	-	-	2,411
Investments	9.75-13.68%	7,703,305	701,691	786,462	680,513	-	3,125,970	1,034,742	736,716	106,782	-	530,430
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-
Advances	3.00-14.94%	3,707,914	1,084,224	2,244,159	233,127	29,883	5,423	5,423	5,400	-	-	100,275
Other assets	-	598,557	-	-	-	-	-	-	-	-	-	598,557
		12,142,765	1,847,648	3,030,621	913,640	29,883	3,131,393	1,040,165	742,116	106,782	-	1,300,518
Liabilities												
Borrowings	5.00-11.77%	6,097,465	4,145,136	695,638	1,197,828	15,656	31,303	11,904	-	-	-	-
Deposits and other accounts	9.20-10.95%	2,470,607	87,768	1,109,074	535,564	738,201	-	-	-	-	-	-
Other liabilities	-	281,426	-	-	-	-	-	-	-	-	-	281,426
		8,849,498	4,232,904	1,804,712	1,733,392	753,857	31,303	11,904	-	-	-	281,426
On-balance sheet gap		3,293,267	(2,385,256)	1,225,909	(819,752)	(723,974)	3,100,090	1,028,261	742,116	106,782	-	1,019,092
Off-balance sheet financial instruments												
Forward lending		-	-	-	-	-	-	-	-	-	-	-
Forward borrowing		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield / interest rate risk sensitivity gap			(2,385,256)	1,225,909	(819,752)	(723,974)	3,100,090	1,028,261	742,116	106,782	-	
Cumulative yield / interest rate risk sensitivity gap			(2,385,256)	(1,159,347)	(1,979,099)	(2,703,073)	397,017	1,425,278	2,167,394	2,274,176	2,274,176	

Reconciliation of assets exposed to yield / interest rate risk with total assets

Total financial assets	12,142,765
Non financial instruments	
Operating fixed assets	87,907
Deferred taxation	205,513
	12,436,185

			2013									
			Exposed to yield / interest rate risk									
	Effective yield / interest rate	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	Non-interest bearing financial instruments
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	51,848	-	-	-	-	-	-	-	-	-	51,848
Balances with other banks	6.00-8.50%	193,258	191,080	-	-	-	-	-	-	-	-	2,178
Lendings to financial institutions	9.80-10.50%	350,000	250,000	100,000	-	-	-	-	-	-	-	-
Investments	8.00-12.78%	6,356,193	2,033,187	1,376,260	1,933,950	-	-	149,953	198,324	-	-	664,519
Advances	2.50-14.62%	4,352,981	1,129,827	2,520,662	584,531	17,798	-	-	-	-	-	100,163
Other assets	-	446,138	-	-	-	-	-	-	-	-	-	446,138
		11,750,418	3,604,094	3,996,922	2,518,481	17,798	-	149,953	198,324	-	-	1,264,846
Liabilities												
Borrowings	5.00-11.15%	5,615,747	3,280,719	1,550,668	694,187	15,658	31,317	31,308	11,891	-	-	-
Deposits and other accounts	8.75-10.50%	2,809,423	34,038	2,318,885	175,000	281,500	-	-	-	-	-	-
Other liabilities	-	375,649	-	-	-	-	-	-	-	-	-	375,649
		8,800,819	3,314,757	3,869,553	869,187	297,158	31,317	31,308	11,891	-	-	375,649
On-balance sheet gap		2,949,599	289,337	127,369	1,649,294	(279,360)	(31,317)	118,645	186,433	-	-	889,197
Off-balance sheet financial instruments												
Forward lending		-	-	-	-	-	-	-	-	-	-	-
Forward borrowing		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield / interest rate risk sensitivity gap			289,337	127,369	1,649,294	(279,360)	(31,317)	118,645	186,433	-	-	
Cumulative yield / interest rate risk sensitivity gap			289,337	416,706	2,066,000	1,786,640	1,755,323	1,873,968	2,060,401	2,060,401	2,060,401	

Reconciliation of assets exposed to yield / interest rate risk with total assets

Total financial assets	11,750,418
Non financial instruments	
Operating fixed assets	86,956
Deferred taxation	283,363
	12,120,737

40.3 Liquidity risk

The risk arising due to failure to access funds at reasonable cost to finance the Company's operations and meet its liabilities when these become due.

Pak Libya's approach to liquidity risk management is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due. The Liquidity Management Policy is formulated keeping in view SBP's guidelines on risk management and Basel II principles on sound liquidity managemnt. The company has also formulated liquidity risk management policy as per SBP's guidelines. The risk management division uses different tools for measuring liquidity risk and periodically reports to senior management and risk management committees.

The management is responsible for managing liquidity profile of the Company although strategic management of liquidity has been delegated to ALCO. The ALCO of the Company executes liquidity strategy ensuring that appropriate policies and procedures are in place to control and constrain liquidity risk. It is also responsible for ensuring that Company has adequate information systems for measuring, monitoring, controlling and reporting liquidity risk. ALCO has approved basis for computing maturities of assets and liabilities which take into account the contractual maturity for assets and liabilities and / or expectation and estimation for realisation of underlying assets and liabilities by the respective business or operational units to arrive at the appropriate maturity buckets.

The Company seeks to ensure that it has access to funds at reasonable cost even under adverse conditions, by managing its liquidity risk across all class of assets and liabilities in accordance with regulatory guidelines and by taking advantage of any potential lending and investment opportunities as they arise.

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

	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
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	68,845	43,728	-	-	-	-	-	-	-	25,117
Balances with other banks	64,144	64,144	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	7,703,305	542,771	154,158	427,191	114,394	3,338,226	1,243,567	1,574,393	308,605	-
Advances	3,707,914	112,305	81,031	245,033	485,153	757,653	919,642	1,035,523	40,532	31,042
Operating fixed assets	87,907	1,926	3,852	5,778	11,556	23,112	41,683	-	-	-
Deferred tax asset - net	205,513	919	1,750	2,668	5,250	75,098	70,283	47,623	1,922	-
Other assets	598,557	328,655	36,165	30,176	75,896	61,486	61,486	-	4,694	-
	12,436,185	1,094,448	276,956	710,846	692,249	4,255,575	2,336,661	2,657,539	355,753	56,159
Liabilities										
Borrowings	6,097,465	4,145,136	395,843	637,828	190,556	341,198	136,904	250,000	-	-
Deposits and other accounts	2,470,607	87,768	1,109,074	535,564	738,201	-	-	-	-	-
Other liabilities	281,426	124,808	47,310	57,365	17,627	7,391	15,963	-	-	10,963
	8,849,498	4,357,712	1,552,227	1,230,757	946,384	348,589	152,867	250,000	-	10,963
	3,586,687	(3,263,264)	(1,275,271)	(519,911)	(254,135)	3,906,986	2,183,794	2,407,539	355,753	45,196
Share capital	6,141,780									
Reserves	82,855									
Accumulated loss	(2,655,790)									
Surplus on revaluation of assets - net of tax	17,842									
	3,586,687									

	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
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	51,848	15,622	-	-	-	-	-	-	-	36,226
Balances with other banks	193,258	193,258	-	-	-	-	-	-	-	-
Lendings to financial institutions	350,000	250,000	100,000	-	-	-	-	-	-	-
Investments	6,356,193	2,071,077	158,049	1,740,386	127,078	246,367	334,608	1,450,874	227,754	-
Advances	4,352,981	85,670	55,543	1,042,264	320,180	467,085	835,502	1,142,879	362,476	41,382
Operating fixed assets	86,956	2,337	4,674	7,011	14,022	28,044	30,868	-	-	-
Deferred tax asset - net	283,363	1,777	2,313	5,612	5,250	118,465	77,946	68,809	-	3,191
Other assets	446,138	62,540	55,802	17,590	175,811	64,850	64,850	-	4,695	-
	12,120,737	2,682,281	376,381	2,812,863	642,341	924,811	1,343,774	2,662,562	594,925	80,799
Liabilities										
Borrowings	5,615,748	3,280,719	901,068	37,829	756,916	441,117	186,208	11,891	-	-
Deposits and other accounts	2,809,423	34,038	2,318,885	175,000	281,500	-	-	-	-	-
Other liabilities	375,649	19,317	30,687	61,167	180,999	-	59,351	15,012	-	9,116
	8,800,820	3,334,074	3,250,640	273,996	1,219,415	441,117	245,559	26,903	-	9,116
	3,319,918	(651,793)	(2,874,259)	2,538,867	(577,074)	483,694	1,098,215	2,635,659	594,925	71,683
Share capital	6,141,780									
Reserves	36,319									
Accumulated loss	(2,845,431)									
Deficit on revaluation of assets - net of tax	(12,750)									
	3,319,918									

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

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
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	68,845	43,728	-	-	-	-	-	-	-	25,117
Balances with other banks	64,144	64,144	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	7,703,305	542,771	154,158	427,191	114,394	3,338,226	1,243,567	1,574,393	308,605	-
Advances	3,707,914	112,305	81,031	245,033	485,153	757,653	919,642	1,035,523	40,532	31,042
Operating fixed assets	87,907	1,926	3,852	5,778	11,556	23,112	41,683	-	-	-
Deferred tax asset - net	205,513	919	1,750	2,668	5,250	75,098	70,283	47,623	1,922	-
Other assets	598,557	328,655	36,165	30,176	75,896	61,486	61,486	-	4,694	-
	12,436,185	1,094,448	276,956	710,846	692,249	4,255,575	2,336,661	2,657,539	355,753	56,159
Liabilities										
Borrowings	6,097,465	4,145,136	395,843	637,828	190,556	341,198	136,904	250,000	-	-
Deposits and other accounts	2,470,607	87,768	1,109,074	535,564	738,201	-	-	-	-	-
Other liabilities	281,426	124,808	47,310	57,365	17,627	7,391	15,963	-	-	10,962
	8,849,498	4,357,712	1,552,227	1,230,757	946,384	348,589	152,867	250,000	-	10,962
	3,586,687	(3,263,264)	(1,275,271)	(519,911)	(254,135)	3,906,986	2,183,794	2,407,539	355,753	45,197

Share capital	6,141,780
Reserves	82,855
Accumulated loss	(2,655,790)
Surplus on revaluation of assets - net of tax	17,842
	3,586,687

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
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	51,848	15,622	-	-	-	-	-	-	-	36,226
Balances with other banks	193,258	193,258	-	-	-	-	-	-	-	-
Lendings to financial institutions	350,000	250,000	100,000	-	-	-	-	-	-	-
Investments	6,356,193	2,071,077	158,049	1,740,386	127,078	246,367	334,608	1,450,874	227,754	-
Advances	4,352,981	135,670	55,543	1,042,264	322,140	467,085	783,542	1,142,879	362,476	41,382
Operating fixed assets	86,956	2,337	4,674	7,011	14,022	28,044	30,868	-	-	-
Deferred tax asset - net	283,363	1,777	2,313	5,612	5,250	118,465	77,946	68,809	-	3,191
Other assets	446,138	62,540	55,802	17,590	175,811	64,850	64,850	-	4,695	-
	12,120,737	2,732,281	376,381	2,812,863	644,301	924,811	1,291,814	2,662,562	594,925	80,799
Liabilities										
Borrowings	5,615,747	3,280,719	901,068	37,829	756,916	441,117	186,208	11,890	-	-
Deposits and other accounts	2,809,423	34,038	2,318,885	175,000	281,500	-	-	-	-	-
Other liabilities	375,649	69,317	30,687	61,167	182,959	-	7,391	15,012	-	9,116
	8,800,819	3,384,074	3,250,640	273,996	1,221,375	441,117	193,599	26,902	-	9,116
	3,319,918	(651,793)	(2,874,259)	2,538,867	(577,074)	483,694	1,098,215	2,635,660	594,925	71,683

Share capital	6,141,780
Reserves	36,319
Accumulated loss	(2,845,431)
Deficit on revaluation of assets - net of tax	(12,750)
	3,319,918

41. NON-ADJUSTING EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There is no event subsequent to the statement of financial position date that requires disclosure in these financial statements except for the disclosures updated in respective notes to the financial statements.

42. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 20, 2015 by the Board of Directors of the Company.

43. GENERAL

43.1 In its latest rating announcement (June 2014), the Pakistan Credit Rating Agency Limited (PACRA) has maintained the Company's rating of AA-(Double A Minus) in the long term and A1+ (A One Plus) in the short term (with negative outlook assigned to ratings). Further, PACRA has maintained the rating of AA (Double A) assigned to the secured Privately Placed Term Finance Certificates issued by the Company (with negative outlook assigned to rating).

43.2 Amounts in these financial statements have been rounded off to the nearest thousand rupee, unless otherwise stated.

Muhammad Masood Ebrahim	**Abid Aziz**
Chief Financial Officer	Managing Director & CEO
Abid Aziz	**Khalid S.T. Benrjoba**
Director	Director

Annexure I

As referred in note 8.19 of the financial statements.

PARTICULARS OF INVESTMENT IN TERM FINANCE CERTIFICATES (TFCs)

S.No.	Name of TFCs	Cost 2014	Cost 2013
		------- (Rupees in '000) -------	
	Particulars of investments held in listed Term Finance Certificates (TFCs)		
1	Summit Bank Limited - TFC (27-10-2011) Certificate of Rs.5,000 each Mark-up: 13.44% (6 - Months Kibor + 3.25%) Redemption: Half yearly from April 2012 Maturity: October 2018	**298,167**	298,068
2	Invest Capital Investment Bank Limited - TFC - II (05-09-2002) Certificate of Rs.5,000 each Mark-up: 13.68% (5y PIB + 2.75%) Redemption: Bullet payment falling due on September 2013 Maturity: September 2013 Installment status: Overdue	**3,000**	3,000
3	Trust Investment Bank Limited - TFC - IV (04-07-2008) Certificate of Rs.5,000 each Mark-up: 11.22% (6 - Months Kibor + 1.85%) Redemption: Half yearly from July 2008 Maturity: July 2013 Installment status: Overdue	**9,371**	9,371
4	Azgard Nine Limited - TFC - II (20-09-2005) Certificate of Rs.5,000 each Mark-up: 11.43% (6 - Months Kibor + 1.25%) Redemption: Half yearly from Mar 2006 Maturity: September 2017 Installment status: Overdue	**13,015**	13,015
		323,553	323,454

S.No.	Name of TFCs	Cost 2014	Cost 2013
		------- (Rupees in '000) -------	
	Particulars of investments held in unlisted Term Finance Certificates (TFCs)		
1	Azgard Nine Limited - TFC - V (19-12-2010) Certificate of Rs.5,000 each Mark-up: 10.83% (3 - Months Kibor + 1.25%) Redemption : Quarterly from May 2011 Maturity: November 2015 Installment status: Overdue	**179,652**	179,652
2	Azgard Nine Limited - TFC - VI (31-08-2012) Certificate of Rs.5,000 each Mark-up: 0% Redemption: Half yearly from March 2014 Maturity: March 2017	**80,400**	80,400
3	Dewan Farooq Spinning Mills Limited - TFC (04-12-2004) Certificate of Rs.5,000 each Mark-up: 11.15% (6 - Months Kibor + 3.75%) Redemption: Half yearly from June 2006 Maturity: June 2010 Installment status: Overdue	**18,750**	18,750
4	Jahangir Siddiqui & Co. Limited - TFC - (31-03-2014) Certificate of Rs.5,000 each Mark-up: 11.94% (3 - Months Kibor + 1.75%) Redemption: Half yearly from October 2014 Maturity: April 2019	**48,126**	-
5	Engro Fertilizer Limited - TFC - IV (18-03-2008) Certificate of Rs.5,000 each Mark-up: 12.12% (6 - Months Kibor + 1.90%) Redemption: Put and call option Maturity: Perpetual	**465,804**	561,187
6	Engro Fertilizer Limited - TFC - V (18-03-2008) Certificate of Rs.5,000 each Mark-up: 11.67% (6 - Months Kibor + 1.45%) Redemption: Put and call option Maturity: Perpetual	**-**	300,000
7	Gharibwal Cement Limited - TFC (18-01-2008) Certificate of Rs. 5,000 each Mark-up: 10.08% (3 - Months Kibor) Redemption: Quarterly from December 2010 Maturity: September 2016 Installment status: Overdue	**-**	4,848
8	Pak-Arab Fertilizer Limited - TFC - III (16-12-2009) Certificate of Rs.5,000 each Mark-up: 12.68% (6 - Months Kibor + 2.50%) Redemption: Half yearly from December 2009 Maturity: August 2014	**-**	63,561
	Balance c/f.	**792,732**	1,208,398

S.No.	Name of TFCs	Cost 2014	Cost 2013
		------- (Rupees in '000) -------	
	Balance b/f.	**792,732**	1,208,398
	Particulars of investments held in unlisted Term Finance Certificates (TFCs)		
9	New Allied Electronics Industries (Pvt.) Limited - TFC (05-09-2007) Certificate of Rs.5,000 each Mark-up: 12.36% (3 - Months Kibor + 2.75%) Redemption: Quarterly from August 2008 Maturity: May 2011 Installment status: Overdue	**18,357**	21,138
10	Pakistan International Airlines Corporation Limited - TFC - II (20-02-2009) Certificate of Rs.5,000 each Mark-up: 11.02% (6 - Months Kibor + 0.85%) Redemption: Half yearly from February 2009 Maturity: February 2014 Installment status: Overdue	**176,933**	176,933
11	Security Leasing Corporation Limited - TFC - III (28-03-2006) Certificate of Rs.5,000 each Mark-up: 0% (as per the terms of restructuring) Redemption: Monthly from February 2012 Maturity: January 2022 Installment status: Overdue	**3,081**	3,284
12	Pakistan Mobile Communication Limited - TFC - VII (18-04-2012) Certificate of Rs.100,000 each Mark-up: 12.18% (3 - Months Kibor + 2.00%) Redemption: Quarterly from July 2012 Maturity: April 2016	**27,671**	40,343
13	Pakistan Mobile Communication Limited - TFC - III (17-09-2013) Certificate of Rs.5,000 each Mark-up: 11.43% (6 - Months Kibor + 2.00%) Redemption: Half yearly from March 2015 Maturity: Setember 2018	**-**	41,667
14	JDW Sugar Mills Limited-TFC- (06.08.2013) Certificate of Rs.50 million each Mark-up: 12.01% (3 - Months Kibor + 2.50%) Redemption: Quarterly from December 2013 Maturity: March 2018	**77,778**	100,000
15	Hascol Petroleum Limited-TFC- (28.14.2014) Certificate of Rs.20 million each Mark-up: 12.64% (6 - Months Kibor + 3.00%) Redemption: Bullet payment Maturity: February 2015	**100,000**	-
		1,196,552	1,591,763

S.No.	Name of Sukuks	Cost 2014	2013
		------- (Rupees in '000) -------	
	Particulars of investments held in unlisted sukuks		
1	Security Leasing Corporation Limited (21-09-2008) Certificate of Rs.5,000 each Mark-up: 0% (as per the terms of restructuring) Redemption: Monthly from February 2012 Maturity: January 2022 Installment status: Overdue	**12,323**	13,135
2	Kohat Cement Limited (15-12-2007) Certificate of Rs.5,000 each Mark-up: 11.59% (3 - Months Kibor + 1.5%) and a deferred mark-up portion Redemption: Quarterly from September 2011 Maturity: September 2016	**-**	10,168
3	House Building Finance Company Limited (08-05-2008) Certificate of Rs.5,000 each Mark-up: 10.59% (6 - Months Kibor + 1.00%) Redemption: Half yearly from May 2008 Maturity: May 2014	**-**	30,851
4	Pak-Elektron Limited (28-09-2007) Certificate of Rs.5,000 each Mark-up: 11.38% (3 - Months Kibor + 1.75%) Redemption: Quarterly from June 2015 Maturity: September 2016	**88,611**	88,611
5	Pak-Elektron Limited - II (31-03-2008) Certificate of Rs.5,000 each Mark-up: 10.63% (3 - Months Kibor + 1.00%) Redemption: Quarterly from June 2015 Maturity: March 2019	**38,522**	38,522
6	Liberty Power Technology Limited (18-03-2009) Certificate of Rs.5,000 each Mark-up: 13.18% (3 - Months Kibor + 3.00%) Redemption: Quarterly from March 2011 Maturity: December 2020	**79,312**	86,103
		218,768	267,390

Annexure II

As referred in note 9.4 of the financial statements

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDERED THOUSAND RUPEES OR ABOVE, PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2014

S. No.	NAME & ADDRESS OF THE BORROWERS	NAME OF INDIVIDUALS / PARTNERS / DIRECTORS	NIC NUMBER

(Rupees in '000)

	FATHER'S NAME	OUTSTANDING LIABILITIES AT THE BEGINNING OF THE YEAR				AMOUNT WRITTEN-OFF			
		Principal	Mark-up	Others	Total	Principal	Mark-up	Others	Total
	Nil								

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