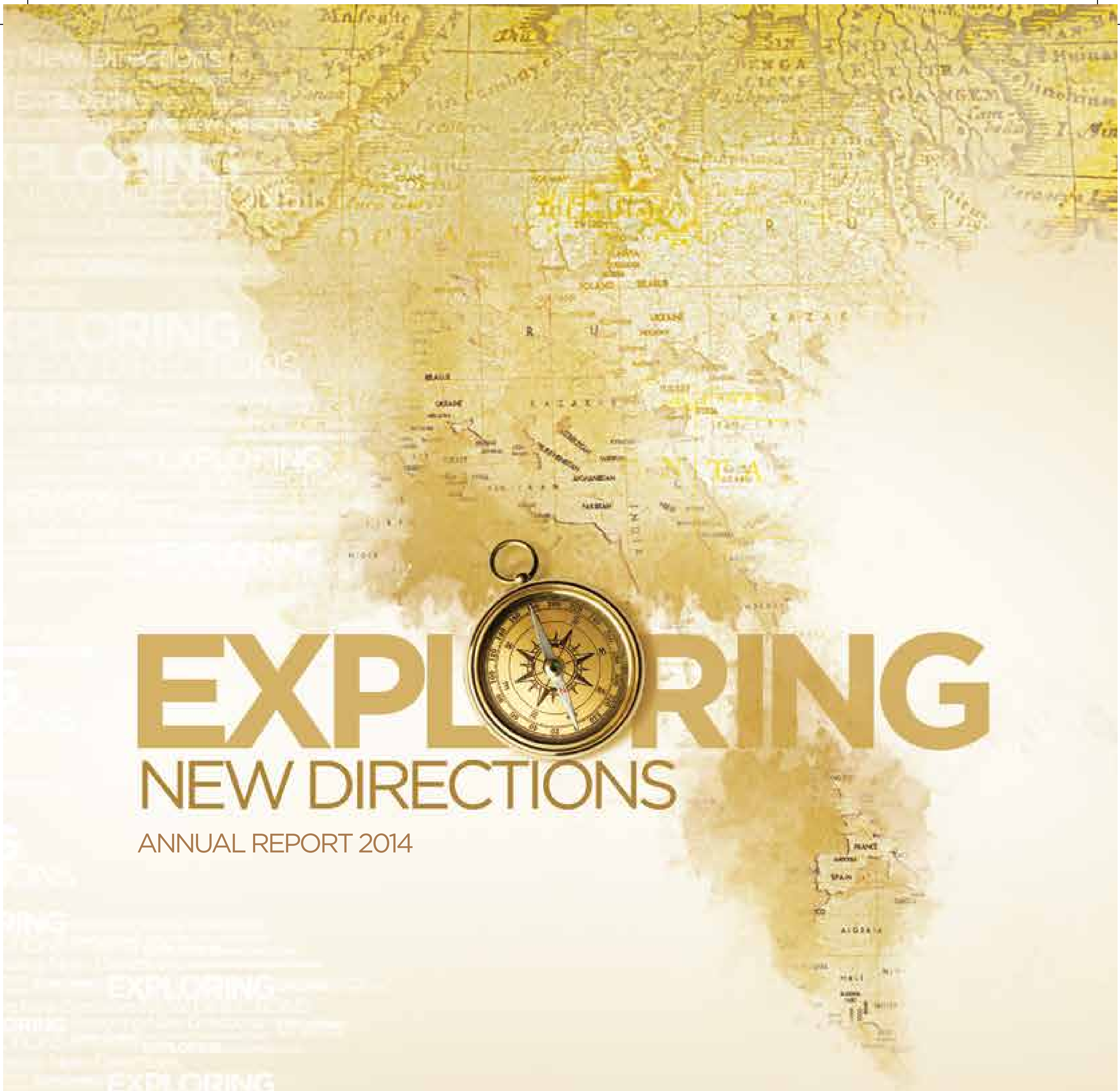


EXPLORING NEW DIRECTIONS

ANNUAL REPORT 2014

PAÏR

Size: 8 x 11 Inch

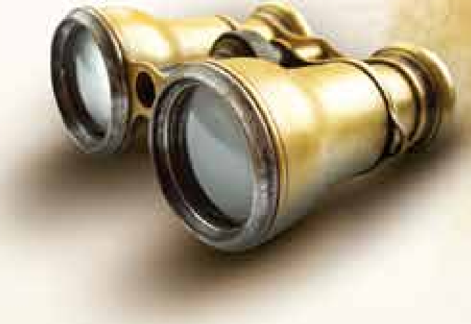
EXPLORING
NEW DIRECTIONS

At PAÏR, our forward-thinking guides us to explore new pathways and possibilities that lead us towards greater success in the industry. Our commitment to assist our customers in realizing the full potential of their venture and steering them in the right direction through the best advisory services allows them to achieve greater progress. From placement of funds to employment of funds, our customized services are tailored to best meet specific needs of clients. It is our continuing commitment that has earned and strengthened the trust of our stakeholders, year after year.

Size: 8 x 11 Inch

CONTENTS

ENVISIONING
GREATER PROSPECTS



ABOUT PAÏR

VISION

To be the Premier Development Finance Institution of Pakistan and contribute to the economic development of both the brotherly countries through investment and Pakistan-Iran trade flows.

MISSION

Our company is committed to developing the economic relationship between Pakistan and Iran through investment into projects in Pakistan and enhancing the two-way trade by providing the most professional and innovative services to our customers. We focus on providing a range of products and services to our customers (both Pakistani and Irani) in a manner which creates value for them and promotes investment flows and trade between the two countries.

ENTITY **RATING**

Assigned by PACRA

Medium to Long Term

AA (Double A)

This denotes a very low expectation of credit risk indicating a very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

Short Term

A1+ (A One Plus)

This denotes that obligations are supported by the highest capacity for timely repayments.

CORE **VALUES**

Our Clients Come First

Each and every client is different and so are their needs. Hence, we at PAÏR tend to our clients by tailoring our service in such a manner that our clients' needs are satisfied and ultimately our success is guaranteed.

Our People and Culture

Our people are our greatest asset. We continuously strive on improving our working standards and ambiance in order to provide the best environment for our employees' personal and professional growth.

Professional Quality of Work

We strive very hard to maintain our work quality and standards with those of internationally accepted professional levels by constantly improving our quality, timelines and results.

Teamwork

We focus on being team players and working as a team in order to achieve individual, departmental and company growth, hence maximizing output and results.

Constant Upgrade and Development

We are constantly adapting the latest trends and technologies in all fields, from international standards of accounting and compliance to the latest technology in IT to professional development of our employees by conducting presentations and providing them with trainings on the latest implemented software usage or organizing staff training sessions, workshops and activities related to their respective fields.

Integrity, Confidentiality and Honesty

We maintain high ethical standards of integrity, confidentiality and honesty in everything we do, as that is what sets us apart from the crowd and gives us our own unique identity.

CORPORATE **INFORMATION**

Board of Directors

Bijan Rahimi	Chairman
Nadeem Karamat	Managing Director / CEO
Aamer Mahmood Hussain	Director
Hamid Eftekhari Kondelaji	Director
Sohail Zarar Ali Khan	Director
Alireza Pourbagherian	Director
Zulfiqar Alam	Chief Financial Officer
Amir Aizaz	Company Secretary

Audit Committee

Aamer Mahmood Hussain	Chairman
Sohail Zarar Ali Khan	Member
Bijan Rahimi	Member
Syed Adnan Raza	Secretary - Audit Committee

Risk Management Committee

Alireza Pourbagherian	Chairman
Aamer Mahmood Hussain	Member
Nadeem Karamat	Managing Director / CEO
Syed Salman Raza Kazmi	Secretary - Risk Management Committee

Human Resource Committee

Bijan Rahimi	Chairman
Sohail Zarar Ali Khan	Member
Nadeem Karamat	Managing Director / CEO
Amir Aizaz	Secretary - Human Resource Committee

Strategic Investment Committee

Sohail Zarar Ali Khan	Chairman
Hamid Eftekhari Kondelaji	Member
Nadeem Karamat	Managing Director / CEO
Ahmad Bilal Darr	Secretary - Investment Strategic Committee

Auditors

Anjum Asim Shahid Rahman
Chartered Accountants

Legal Advisors

Mohsin Tayebaly & Co.
Corporate Legal Consultants

Bankers

Allied Bank Limited
Askari Commercial Bank Limited
Burj Bank Limited
Habib Bank Limited
KASB Bank Limited
MCB Bank Limited
National Bank of Pakistan
United Bank Limited

BOARD COMMITTEES **TERMS OF REFERENCE**

The Board Risk Management Committee

The Board Risk Management Committee (BRMC) is responsible to ensure a continuous Board level formal oversight of the credit, market, liquidity and operational risks embedded in PAÏR's operations. It assists the Board of Directors in determining PAÏR's strategic direction by providing an overall risk perspective to the relevant business units and Risk Management Unit. It ensures implementation of risk-related policies, including the review and monitoring of the Company's overall portfolio, and a review of the risk limits under the Company's overall risk appetite, determined through risk assessment rating methodologies by keeping in view the nature, size and complexity of the transactions.

Audit Committee of the Board

The primary responsibilities of the Audit Committee of the Board (ACOB) are to determine the appropriateness of the measures taken by the Management to safeguard the DFI's assets, ensure integrity of the financial statements and recommend the appointment of the external auditors and ensure close coordination with them to fulfill statutory and Code of Corporate Governance requirements.

ACOB is inter alia responsible to ascertain the effectiveness of the Internal Control System, including financial and operational controls, ensuring adequate and effective accounting and reporting structures, and monitoring compliance with the best practices of the Corporate Governance. The other function of ACOB includes the assurance that an independent and effective internal audit function is in place.

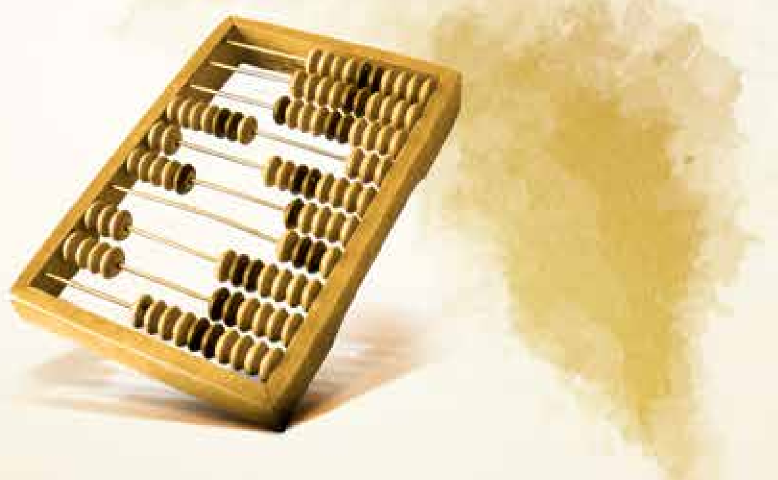
Human Resource & Compensation Committee

The main tasks of the Human Resource & Compensation Committee are to ensure the review of existing policies and revision in these policies as deemed necessary, development of in-house expertise, approval and revision of organizational setup, setup of the latest criterion for recruitment, training, disciplinary matters and performance appraisals.

Strategic Investment Committee

The main task of the Strategic Investment Committee is to review long-term strategic plans, operational plans and material strategic initiatives, including acquisitions, mergers, disposals, strategic projects / investments, joint ventures and any new business / expansion, recommending such to the Board for approval.

CAPITALIZING
ON SUCCESS



SIX YEARS' ANALYSIS

SIX YEARS' VERTICAL ANALYSIS -

Statement Of Financial Position / Profit & Loss Account

For the Year Ended December 31, 2014

	2014	%	2013	%	2012 (Restated)	%
Assets						
Cash and balances with treasury banks	33,303	0.18	27,829	0.16	43,999	0.28
Balances with other banks	261,059	1.39	158,417	0.92	106,586	0.68
Lendings to financial institutions	-	-	-	-	-	-
Investments	14,114,870	75.30	12,745,355	73.75	10,841,572	68.88
Advances	3,592,178	19.16	3,678,206	21.28	4,325,337	27.49
Operating fixed assets	210,352	1.12	196,201	1.14	56,047	0.36
Deferred tax assets - net	272,920	1.46	204,896	1.19	110,582	0.70
Other assets	259,534	1.38	270,782	1.57	253,291	1.61
Total Assets	**18,744,216**	**100.00**	**17,281,686**	**100.00**	**15,737,414**	**100.00**
Liabilities						
Borrowings from financial institutions	9,221,225	49.20	8,489,171	49.12	6,721,178	42.71
Deposits and other accounts	386,060	2.06	25,080	0.15	545,080	3.46
Other liabilities	344,186	1.84	326,705	1.89	273,446	1.74
	9,951,471	53.09	8,840,956	51.16	7,539,704	47.91
Net Assets	**8,792,745**	**46.91**	**8,440,730**	**48.84**	**8,197,710**	**52.09**
Represented By:						
Share Capital	6,000,000	32.01	6,000,000	34.72	6,000,000	38.13
Advance against Share Capital	-	-	-	-	-	-
Reserves	553,966	2.96	483,592	2.80	415,746	2.64
Unappropriated Profit	2,062,742	11.00	1,781,247	10.31	1,611,197	10.24
Surplus / (deficit) on revaluation of assets - net of tax	176,037	0.94	175,891	1.02	170,767	1.09
Total Equity and Liabilities	**8,792,745**	**46.91**	**8,440,730**	**48.84**	**8,197,710**	**52.09**
Profit and Loss Account						
Mark-up / return / interest earned	1,233,407	76.81	1,153,996	80.12	1,487,341	89.63
Fee, commission and brokerage income	14,985	0.93	18,210	1.26	23,359	1.41
Dividend income	27,125	1.69	22,765	1.58	18,093	1.09
Gain on sale of securities - net	327,977	20.43	246,533	17.12	128,809	7.76
Other income / charges	2,258	0.14	(1,089)	(0.08)	1,830	0.11
Total Income	1,605,752	100.00	1,440,415	100.00	1,659,432	100.00
Mark-up / return / interest expensed	508,046	31.64	488,889	33.94	678,102	40.86
Provision and Impairment	350,559	21.83	274,562	19.06	106,953	6.45
Total non mark-up / return / interest expenses	283,150	17.63	220,483	15.31	238,798	14.39
Taxation - net	112,128	6.98	117,251	8.14	195,417	11.78
Profit after taxation	**351,869**	**21.91**	**339,230**	**23.55**	**440,162**	**26.52**

(Rupees in '000)

2011 (Restated)	%	2010	%	2009	%	2008	%
9,143	0.08	10,552	0.10	2,633	0.03	506,887	8.72
20,675	0.17	352,808	3.37	1,309,451	15.80	1,816,376	31.23
-	-	600,000	5.73	446,250	5.39	611,000	10.51
8,974,337	75.76	7,160,982	68.39	5,326,675	64.29	2,477,998	42.60
2,475,156	20.89	2,103,430	20.09	945,387	11.41	327,318	5.63
48,060	0.41	44,762	0.43	26,071	0.31	21,478	0.37
80,756	0.68	21,661	0.21	109,799	1.33	7,283	0.13
237,980	2.01	176,414	1.68	119,188	1.44	47,126	0.81
11,846,107	**100.00**	**10,470,609**	**100.00**	**8,285,454**	**100.00**	**5,815,466**	**100.00**
3,695,484	31.20	2,863,481	27.35	1,857,327	22.42	459,957	7.91
260,000	2.19	-	-	-	-	-	-
161,760	1.37	172,683	1.65	134,609	1.62	32,523	0.56
4,117,244	34.73	3,036,164	29.00	1,991,936	24.04	492,480	8.47
7,728,863	**65.27**	**7,434,445**	**71.00**	**6,293,518**	**75.96**	**5,322,986**	**91.53**
6,000,000	50.65	6,000,000	57.30	5,000,000	60.35	5,000,000	85.98
-	-	-	-	490,825	5.92	-	-
327,714	2.77	279,204	2.67	163,533	1.97	89,250	1.53
1,309,028	11.05	1,116,823	10.66	654,137	7.90	357,003	6.14
92,121	0.78	38,418	0.37	(14,977)	(0.18)	(123,267)	(2.12)
7,728,863	**65.27**	**7,434,445**	**71.00**	**6,293,518**	**75.96**	**5,322,986**	**91.53**
1,323,067	95.78	1,030,191	85.75	809,863	83.19	527,054	84.76
12,797	0.93	7,185	0.60	17,906	1.84	3,621	0.58
20,492	1.48	22,564	1.88	17,924	1.84	60,266	9.69
31,468	2.28	134,480	11.19	126,684	13.01	-	-
(6,417)	(0.47)	6,942	0.58	1,185	0.12	30,875	4.97
1,381,407	100.00	1,201,362	100.00	973,562	100.00	621,816	100.00
402,712	29.15	193,494	16.11	124,744	12.81	31,898	5.13
324,136	23.46	(79,955)	(6.66)	255,745	26.27	37,500	6.03
167,757	12.14	209,239	17.42	110,083	11.31	82,513	13.27
244,253	17.68	300,227	24.99	111,573	11.46	151,759	24.41
242,549	**17.56**	**578,357**	**48.14**	**371,417**	**38.15**	**318,146**	**51.16**

SIX YEARS' HORIZONTAL ANALYSIS -

Statement Of Financial Position / Profit & Loss Account

For the Year Ended December 31, 2014

	2014	%	2013	%	2012 (Restated)	%
Assets						
Cash and balances with treasury banks	33,303	19.67	27,829	(36.75)	43,999	381.23
Balances with other banks	261,059	64.79	158,417	48.63	106,586	415.53
Lendings to financial institutions	-	-	-	-	-	-
Investments	14,114,870	10.75	12,745,355	17.56	10,841,572	20.81
Advances	3,592,178	(2.34)	3,678,206	(14.96)	4,325,337	74.75
Operating fixed assets	210,352	7.21	196,201	250.07	56,047	16.62
Deferred tax assets - net	272,920	33.20	204,896	85.29	110,582	36.93
Other assets	259,534	(4.15)	270,782	6.91	253,291	6.43
Total Assets	**18,744,216**	**8.46**	**17,281,686**	**9.81**	**15,737,414**	**32.85**
Total Equity	8,792,745	4.17	8,440,730	2.96	8,197,710	6.07
Borrowings from financial institutions	9,221,225	8.62	8,489,171	26.30	6,721,178	81.88
Deposits and other accounts	386,060	1,439.31	25,080	(95.40)	545,080	109.65
Other liabilities	344,186	5.35	326,705	19.48	273,446	69.04
Total Equity and Liabilities	**18,744,216**	**8.46**	**17,281,686**	**9.81**	**15,737,414**	**32.85**
Profit and Loss Account						
Mark-up / return / interest earned	1,233,407	6.88	1,153,996	(22.41)	1,487,341	12.42
Mark-up / return / interest expensed	508,046	3.92	488,889	(27.90)	678,102	68.38
Net mark-up / interest income	725,361	9.06	665,107	(17.81)	809,239	(12.07)
Net mark-up / interest income after provision	374,802	(4.03)	390,545	(44.39)	702,286	17.79
Non Mark-up / Interest Income						
Fee, commission and brokerage income	14,985	(17.71)	18,210	(22.04)	23,359	82.54
Dividend income	27,125	19.15	22,765	25.83	18,093	(11.71)
Income from dealing in foreign currencies	(669)	(200.75)	664	(10.90)	745	2,158.15
Gain on sale of securities - net	327,977	33.04	246,533	91.39	128,809	309.33
Unrealised (loss) / Gain on revaluation of investments classified as held for trading	958	(122.10)	(4,334)	(812.57)	608	(107.53)
Other income / charges	1,969	(23.71)	2,581	441.09	477	(70.74)
Total non mark-up / return / interest income	372,345	30.00	286,419	66.43	172,091	194.98
Total non mark-up / interest expenses	283,150	28.42	220,483	(7.67)	238,798	42.35
Profit before tax	463,997	1.65	456,481	(28.18)	635,579	30.56
Taxation - net	112,128	(4.37)	117,251	(40.00)	195,417	(19.99)
Profit after taxation	**351,869**	**3.73**	**339,230**	**(22.93)**	**440,162**	**81.47**
Basic and diluted earnings per share	0.59	3.51	0.57	(21.92)	0.73	82.50

(Rupees in '000)

2011	%	2010	%	2009	%	2008	%
9,143	(13.35)	10,552	300.76	2,633	(99.48)	506,887	2,526.09
20,675	(94.14)	352,808	(73.06)	1,309,451	(27.91)	1,816,376	(35.33)
-	(100.00)	600,000	34.45	446,250	(26.96)	611,000	1.83
8,974,337	25.32	7,160,982	34.44	5,326,675	114.96	2,477,998	246.70
2,475,156	17.67	2,103,430	122.49	945,387	188.83	327,318	100.00
48,060	7.37	44,762	71.69	26,071	21.38	21,478	50.09
80,756	272.82	21,661	(80.27)	109,799	1,407.61	7,283	100.00
237,980	34.90	176,414	48.01	119,188	152.91	47,126	30.35
11,846,107	**13.14**	**10,470,609**	**26.37**	**8,285,454**	**42.47**	**5,815,466**	**38.69**
7,728,863	3.96	7,434,445	18.13	6,293,518	18.23	5,322,986	28.97
3,695,484	29.06	2,863,481	54.17	1,857,327	303.80	459,957	100.00
260,000	100.00	-	-	-	-	-	(100.00)
161,760	(6.33)	172,683	28.28	134,609	313.89	32,523	(49.36)
11,846,107	**13.14**	**10,470,609**	**26.37**	**8,285,454**	**42.47**	**5,815,466**	**38.69**
1,323,067	28.43	1,030,191	27.21	809,863	53.66	527,054	123.84
402,712	108.13	193,494	55.11	124,744	291.07	31,898	100.00
920,355	10.00	836,697	22.12	685,119	38.36	495,156	110.29
596,219	(34.96)	916,652	113.49	429,374	(6.18)	457,656	100.00
12,797	78.11	7,185	(59.87)	17,906	394.50	3,621	100.00
20,492	(9.18)	22,564	25.89	17,924	(70.26)	60,266	100.00
33	100.00	-	-	-	-	-	-
31,468	(76.60)	134,480	6.15	126,684	310.31	30,875	6,626.58
(8,080)	(212.21)	7,201	(1,248.48)	(627)	(100.00)	-	-
1,630		(259)	-	1,812	-	-	-
58,340	(65.92)	171,171	4.56	163,699	72.75	94,762	20,545.32
167,757	(19.83)	209,239	90.07	110,083	33.41	82,513	111.15
486,802	(44.59)	**878,584**	**81.91**	**482,990**	**2.78**	**469,905**	**138.72**
244,253	(18.64)	300,227	169.09	111,573	(26.48)	151,759	120.79
242,549	**(58.06)**	**578,357**	**55.72**	**371,417**	**16.74**	**318,146**	**148.34**
0.40	(59.08)	0.98	32.10	0.74	-	0.74	45.10

CASH FLOW SUMMARY

For the Year Ended December 31, 2014

	Rupees in '000						
	2014	**2013**	**2012** (Restated)	**2011**	**2010**	**2009**	**2008**
Cash flows from operating activities	1,601,343	(3,888,232)	1,963,372	1,708,563	448,811	1,287,294	378,383
Cash flows from investing activities	1,493,227)	3,973,893	(1,817,605)	(2,042,105)	(1,906,710)	(2,789,298)	(1,883,079)
Cash flows from financing activities	-	(50,000)	(25,000)	-	509,175	490,825	1,000,000
Cash and cash equivalents at beginning of the year	186,246	150,585	29,818	363,360	1,312,084	2,323,263	2,827,959
Cash and cash equivalents at end of the year	294,362	186,246	150,585	29,818	363,360	1,312,084	2,323,263

KEY FINANCIAL RATIOS

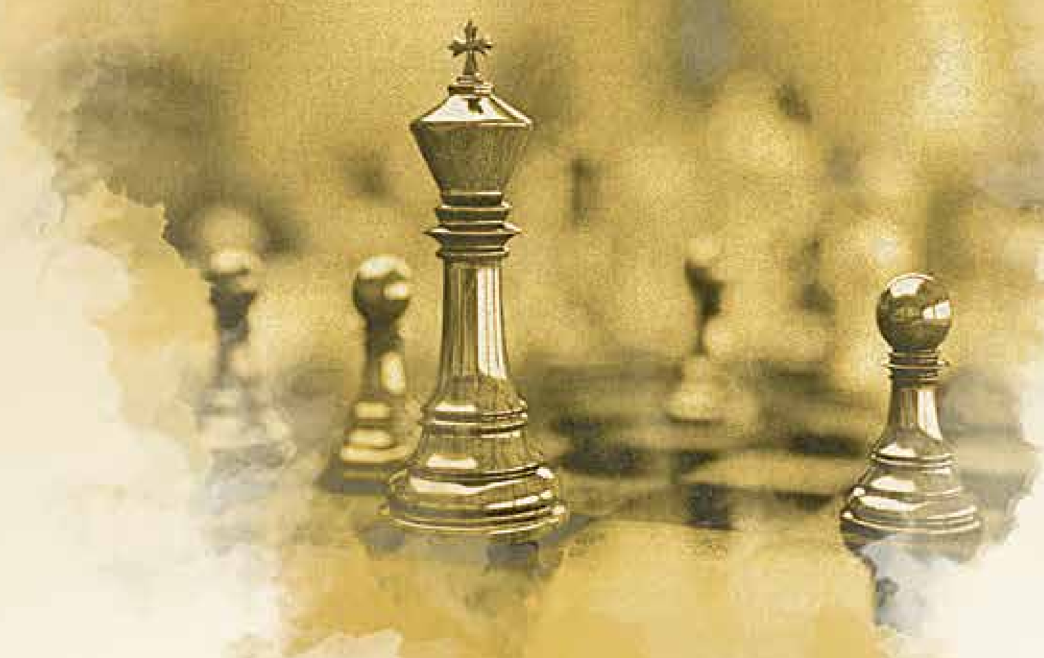
For the Year Ended December 31, 2014

	2014	**2013**	**2012** (Restated)	**2011**	**2010**	**2009**	**2008**
Profitability Ratios (%)							
Operating Margin	28.90	31.69	38.30	35.24	73.13	49.61	75.57
Net Profit Margin	21.91	23.55	26.52	17.56	48.14	38.15	51.16
Yield on Investment	8.55	8.26	12.15	12.87	13.60	15.04	13.91
Yield on Advances	12.13	10.96	12.26	13.44	11.20	17.62	22.04
Debt Equity Ratio	109.26	100.87	88.64	51.18	38.52	29.51	8.64
Administration cost to Revenue	17.63	15.31	14.39	12.14	17.42	11.31	13.27
Non Mark-up Expenses to Assets	1.51	1.28	1.52	1.42	2.00	1.33	1.42
Profit before tax ratio	37.62	39.56	42.73	36.79	85.28	59.64	89.16
Non Mark-up Income to Total Income	23.19	19.88	10.37	4.22	14.25	16.81	15.24
Return to Shareholders (%)							
Return on Average Assets (ROA)	2.58	2.76	4.61	4.36	9.37	6.85	9.39
Return on Average Equity (ROE)	5.38	5.49	7.98	6.42	12.80	8.32	9.94
Return on Capital Employed (ROCE)	1.91	2.00	2.85	2.08	5.62	4.56	5.50
Earnings per Share	0.59	0.57	0.73	0.40	0.98	0.74	0.74
Earning Growth	1.11	0.87	1.20	1.15	1.23	1.57	2.64
Profit Growth	1.02	0.72	1.31	0.55	1.82	1.03	2.39
Break-up Value per Share	14.65	14.07	13.66	12.88	12.57	12.59	12.37
Performance / Liquidity (%)							
Total Assets Turnover	8.91	8.72	12.03	12.38	12.81	13.81	12.43
Total Liabilities / Equity	113.18	104.74	91.97	53.27	40.84	31.65	9.25
Paid-up Capital / Total Assets	32.01	34.72	38.13	50.65	57.30	60.35	85.98
Equity / Total Assets	46.91	48.84	52.09	65.24	71.00	75.96	91.53

STATEMENT OF **VALUE ADDED**

	2014	2013	2012 (Restated)	2011
WEALTH GENERATED				
Financial & Other Income	1,605,752	1,440,415	1,659,432	1,389,487
Financial & Other Expenses	726,560	797,052	875,345	813,037
	879,192	643,363	784,087	576,450

WEALTH DISTRIBUTED	**2013**	**%age**	**2013**	**%age**	**2012**	**%age**	**2011**	**%age**
To Employees								
Salaries, benefits and related costs	168,485	25.75%	157,420	24.47%	124,931	15.93%	74,385	12.90%
To Government								
Income Tax	112,128	17.14%	117,251	18.22%	195,417	24.91%	244,253	42.37%
To Shareholders								
Cash dividend	-	0.00%	100,000	15.54%	50,000	6.38%	-	-
Stock dividend	-	-	-	-	-	-	-	-
Retained for reinvestment & future growth								
Depreciation, Amortisation and retained Profit	373,683	57.12%	268,692	41.77%	413,739	52.78%	257,812	44.73%
	654,296		643,363		784,087		576,450	



STEERING
INVESTMENTS TOWARDS STABILITY

STRATEGY OVERVIEW

BMR and Midsize Infrastructure

By investing in mid to long-term projects, including BMR and building midsize infrastructure projects, PAÏR Investment's strategy is to focus on key economic sectors which are essential for the sustainable growth of the country. Our focus sectors are power (including renewable & alternative power projects), auto-parts, storage facilities, food, pharmaceuticals, etc.

We believe in the SME sector's potential as the growth in businesses generates economic activities, thus creating employment. Our strategy is to provide financing to those businesses which are low on priority with larger Financial Institutions due to their size, but are good concerns/clients.

Agriculture Sector

PAÏR Investment realizes that Pakistan is an agro-based economy, providing employment to a large segment of the population. Our strategy is to support businesses which are ancillary to this agro-based economy, by enhancing their capabilities and integration, thus diversifying the opportunities available to them.

Long-term Funding

PAÏR Investment recognizes the importance of long-term funding as a requirement for import substitution, modernization, storage facilities and renewable energy. Our strategy is to work with our clients to use the SBP refinance line, thus enabling them to upgrade their facilities.

Financial Advisory Services

PAÏR Investment understands that true potential of a business can only be achieved when properly advised. PAÏR Investment not only provides financing to their customers but also provides financial advisory services to them, i.e., how to structure their needs in a way that serves their interest in the best possible manner.

Venture Portfolio

In line with our broad mandate to promote economic activities, PAÏR Investment develops portfolios for clients who have a good business model but are stuck and looking for bailout or restructuring due to liquidity & financial constraints, including small to medium sized companies (capital base of Rs. 50 Million to Rs. 300 Million) with staff strength of 50 to 100 people. The average deal size given is of Rs. 40 Million to Rs. 60 Million, with the maximum deal size up to Rs. 100 Million. PAIR recently approved the financing for an SME auto-parts vendor supplying parts to car manufacturers across Pakistan.

STRATEGY IN PLAY

Project Financing

Keeping in view the importance of energy requirements and mix in Pakistan, PAÏR Investment has significantly financed the Power sector (IPP & alternative power project). As part of our strategy, our focus is alternative power projects. In FY 14, we funded/committed in 2 alternative energy projects, out of which one of the projects was financed under the Islamic Mode of Financing.

Growth Partner

PAÏR Investment's focus is to help its clients to achieve their strategic and financial objectives. PAÏR Investment financed a new local entrant in the OMC sector which was not on the radar of any financial institution. By providing the much needed working capital, it has become the 3rd largest OMC in Pakistan and has also been successfully listed on the Stock Exchange.

Midsize Infrastructure

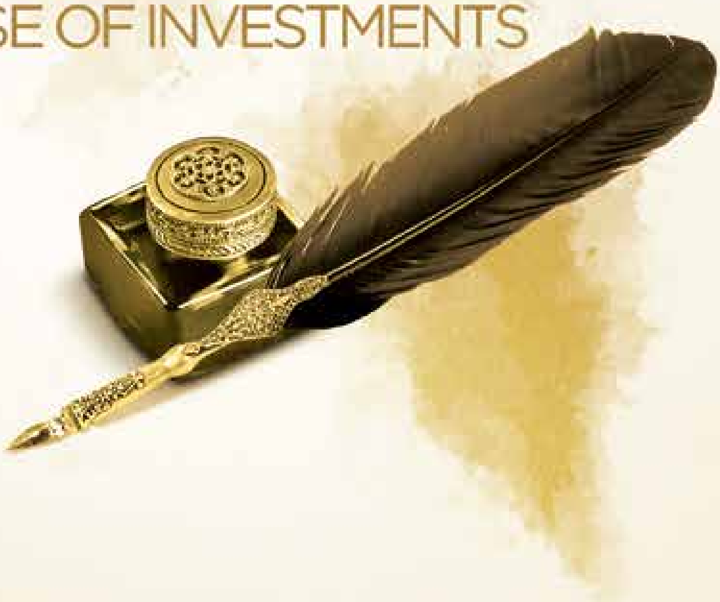
PAÏR Investment funded a 10.5 Megawatt project in Punjab which, after successful achievement of COD, is now contributing to PESCO's Network. The project was initially conceived in the year 1994, however due to various reasons, financial close was not achieved. PAÏR Investment successfully arranged the syndicated term facility for the project.

PAÏR Investment pursues a long-term investment strategy focusing on small to midsize infrastructure projects.

POL Storage OMC Facility

PAÏR Investment financed a storage Petroleum project to construct 6000 MT of HSD storage and 500 MT each of PMG and SKO. This storage provides more than 20 days' cover of HPL's requirement in Machike area, Punjab.

LEADING
THE COURSE OF INVESTMENTS



DIRECTORS'
REPORT 2014

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2014

On behalf of the Board of Directors, I am pleased to present the Financial Statements of PAÏR Investment Company Limited (PAÏR) for the year ended December 31, 2014. These Financial Statements have been prepared in compliance with the requirements of BSD Circular No. 11 dated August 04, 2004 and BSD Circular No. 14 of September 24, 2004.

Economic Overview

Pakistan's economy is growing at a moderate pace with a positive outlook. Key macroeconomic indicators have improved. Private sector credit growth modestly grew, however after consolidating in FY 13/FY14, real GDP growth could conceivably approach and even exceed the 5%YoY mark over the medium-term, with impetus from the manufacturing segment, agricultural and SME sectors, as these are government priority sectors. At the same time, controlled inflation (SBP FY15 project on: 6.5%-7.5%) can unlock a period of sustained single-digit interest rates particularly as the balance of payment position is projected to display incremental strength. Soft commodity prices, restricted imported inflation owing to stable PKR, and limited broad-money growth anchored down domestic inflationary pressures.

Pakistan's foreign exchange reserves, which stood at a mere US$8bn (SBP reserves at US$3bn) in November 2013, have risen to over US$15bn (SBP US$10bn) as at the end of CY14. The initial boost to the reserves came from US$1.5bn friendly flows, and a favorable response to Pakistan bonds (Eurobond/Sukuk) and privatization issues (PPL, UBL and ABL) along with high donor disbursements (including inflows from IMF, WB, ADB and others) pushed foreign exchange cover to 3 months by the end of FY14.

Complementing the government's efforts, supported by decline in commodity prices and higher FX remittance favorably changed the current account deficit outlook and stabilized the Pak Rupee against major currencies. Consequently the PKR, after an extended period of stress, emerged as a stronger currency in FY14. It appreciated by 4.8% against the US$ in FY14, in contrast to a depreciation of 7.8% and 7.4% in FY13 and FY12, respectively. That is also a stark difference from the average 5.7% and 5.9% depreciation in the last 10 and 20 years. Law & order continues to remain a major challenge. Measures adopted by the government through constitutional steps to address security and law & order are improving business confidence levels as interest from foreign investors in energy and infrastructure projects is on the rise.

State Bank of Pakistan (SBP) slashed the discount rate by 150bps, bringing it down to 8.5% (January 2015) after following the policy of monetary tightening for a year. Latest indicators suggest that the domestic economy has continued to register a favorable performance. With better foreign inflows, coupled with lower inflation readings, SBP may continue its monetary easing stance. On the contrary, global liquidity dynamics have changed with the US Fed's QE3, drawing down to an end with US interest rates looking to increase from second quarter FY15. This will have an impact on US$-PKR parity, which coupled with the expected rise in commodities' price, may bring back inflationary concerns.

Company Performance General Overview

PAÏR Investment's performance in FY 2014 continued to grow despite challenges in the country's manufacturing sector owing to energy shortfall. Majority of our core businesses continued to perform well, achieving good underlying revenue growth in the year.

Rupees in '000

Profit & Loss Account

For Nine Months Period Ended	2014	2013	Change (%)
Mark-up / return / interest earned	1,233,407	1,153,996	6.88%
Mark-up / return / interest expensed	508,046	488,889	3.92%
Net Mark-up / interest income	725,361	665,107	9.06%
Non Mark-up Income	372,345	286,419	30.00%
Total income	1,097,706	951,526	15.36%
Non Mark-up / Interest Expenses	283,150	220,483	28.42%
Profit before Provisions	814,556	731,043	11.42%
Provisions / (Reversals)	350,559	274,562	27.68%
Profit before Taxation	463,997	456,481	1.65%
Taxation	112,128	117,251	-4.37%
Profit after Taxation	351,869	339,230	3.73%
Earnings per Share (Rupees)	0.59	0.57	3.73%

Statement of Financial Position

As at	December 31, 2014	December 31, 2013	Change (%)
Advances	3,592,178	3,678,206	-2.34%
Investments	14,114,870	12,745,355	10.75%
Total Assets	18,744,216	17,281,686	8.46%
Total Liabilities	9,951,471	8,840,956	12.56%
Share Capital	6,000,000	6,000,000	-
Reserves	553,966	483,592	14.55%
Unappropriated Profit	2,062,742	1,781,247	15.80%

PAÏR Investment has reported a Profit after Tax of Rs. 351.869 Million for the year ended December 31, 2014 which showed a slight improvement of 3.73% from last year. However, Profit after Tax for the year ended December 31, 2013 includes a one-time reversal of Rs. 29 Million (net of tax) on account of prior years' levies. If this one time reversal is excluded, the net profit after tax for the year ended December 31, 2014 would have increased by 13% as compared to FY 2013.

Revenue showed stable growth. Mark-up Income showed a growth of 6.88% during the period despite the discount rate decreasing by 0.5% i.e. from 10% to 9.5%. Net interest income also showed a positive growth of 9.06%. Non Mark-up Income showed a growth of 30% due to higher capital gains. Provision expense is higher by 28% from last year. Although the provision requirement under objective criteria was lower, in order to have adequate coverage against potential losses (in line with banking industry practices), the Company has created a provision based on subjective basis. Our coverage ratio is 66%. Administration costs merely increased by 5%.

PAÏR's asset base has increased to Rs. 18.744 billion as at December 31, 2014 as compared to Rs. 17.281 Billion as at December 31, 2013; a growth of 8.5%. Gross loans & Corporate Bonds to private sector showed a growth of 8%. Deposit base increased from Rs. 25 Million to Rs. 386 Million.

Credit Rating

PAÏR Investment's Long-Term Entity Rating 'AA' (Double A) and a Short-Term Entity Rating of 'A1+' (A One Plus) has been maintained by 'Pakistan Credit Rating Agency Limited (PACRA)'.

Statement of Internal Controls

The Board is pleased to endorse the statement made by the Management relating to internal controls including the Management's evaluation of ICFR. The Management's Statement on Internal Control is included in the Annual Report.

Focus Areas

PAÏR Investment's strategy is founded on a clear sense of purpose – to promote economic growth, connecting clients to opportunities and enabling businesses to prosper. This has given us a distinct direction and clear parameters in terms of how should we conduct business and where or how should we compete.

Mid-Size Infrastructure Projects: PAÏR Investment's strategy is to focus on key economic sectors which are essential for sustainable growth of the country, therefore, it primarily intends to invest in mid to long-term ventures which include BMR to building mid-size infrastructure projects. Our focus sectors are power, including renewable & alternative power projects, auto-parts, storage facilities, food, pharmaceuticals, etc.

SME Financing: PAÏR Investment believes in the potential of the SME sector, as we believe that growth in businesses generates economic activity, thus creating employment. Our strategy is to provide financing to those businesses which are low on priority with larger Financial Institutions due to their size, yet are good concerns/ clients with attractive future prospects.

Agro-based Economy: PAÏR Investment realizes that Pakistan is an agro-based economy, providing employment to a large segment of the population. Our strategy is to support businesses which are ancillary to the agro-based economy to enhance their capabilities, productivity / yields and integration thus, diversifying the opportunities available to them.

SBP Refinance: PAÏR Investment recognizes the importance of long-term funding requirements for import substitution, modernization, storage facilities and renewable energy. Our strategy is to identify possible avenues and advise our clients to utilize SBP refinance lines, thus enabling them to setup new projects or execute BMR at much lower mark-up rates.

Advisory Services: PAÏR Investment understands that true potential of a business can only be achieved when properly advised and guided. PAÏR Investment not only provides financing to their customers but also provides comprehensive financial advisory services to them, i.e. how to structure their needs in a way that serves their interests in the best possible manner.

Product Innovation

Venture Portfolio: (Revival of Industry) In line with our broad mandate to fuel the economic activity, PAÏR Investment intends to develop a portfolio of small to medium-sized companies (SME), who have feasible business models but due to liquidity or financial constraints, are stuck & looking for bailout or restructuring.

Commercial Paper: PAÏR Investment has successfully raised and repaid a commercial paper of Rs. 500 Million.

IT Infrastructure

Technology plays a crucial role in our response to regulatory change, as well as in optimizing operational efficiency, managing risk and serving our clients. During the year, IT has completed the BCP and DR Sites. The Treasury Investment application has been upgraded with new features implementation. Furthermore, a TLS-based email solution has been implemented for secure email communication with all banks and DFIs, including State Bank.

Corporate and Financial Reporting Framework

The Board of Directors of PAÏR, for the purpose of establishing a framework of good Corporate Governance has implemented the relevant provisions of the Code of Corporate Governance for the year ended December 31, 2014. Review report on the Statement of Compliance with the Code of Corporate Governance from the external auditors is annexed with this report. As required under the Code of Corporate Governance, the Board of Directors state that:

- The financial statements prepared by the management of PAÏR present fairly its state of affairs, the results of its operations, cash flows and changes in equity
- Proper books of accounts of the Company have been maintained
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departure therefrom has been adequately disclosed
- As a continuous process, efforts have been made to effectively implement the internal control system. An effective and sound system of internal control is in the process of being designed in accordance with the requirements of the regulatory authorities
- There is no doubt regarding PAÏR's ability to continue as a going concern
- There has been no material departure from the best practices of the Code of Corporate Governance
- Key operating and financial data for the years since the incorporation of PAÏR, in summarized form, is included in the Annual Report
- Tax outstanding amount and reason thereon are properly disclosed in the attached financial statements

Risk Management Framework

An independent Credit and Risk Management Department is working as a core function to strengthen Company-wide Risk Management activities by adopting Basel II/III Framework. PAÏR is fully compliant with the Capital Adequacy Requirements of the State Bank of Pakistan under the Standardized Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk.

The prevailing economic situation has led the Company to set its focus towards deployment of stringent risk management policies to assess, mitigate and monitor major risks associated with business operations of the Company. Accordingly, your Company has established a set of activities and creates core functions to administer, manage and report in order to complement its core business objectives and to remain abreast with the latest developments & challenges to safeguard shareholders' interests / enhance shareholders' wealth.

Your Company has implemented a robust Internal Capital Adequacy Assessment Process (ICAAP) to establish more Risk Sensitive Assessment, Capital Planning, formalization of Company-wide Risk Appetite and to remain abreast with the internal and external risks that may impact future operations of the Company. The deployment of this process allowed an adequate management of capital, development of risk appetite and concentration levels with respect to the transaction level risk profiling, as well as integrated portfolio management.

The CRMD has been involved in the development of entity-wide policies, procedures, systems and reporting mechanisms to achieve and maintain entity-wide best rating status and adaptation of risk management principals in true letter and spirit.

Events after the Date of Statement of Financial Position

There have not been any material events that occurred subsequent to the date of the Statement of Financial Position that require adjustments to the enclosed Financial Statements, except those which have already been made or disclosed.

Human Resources

Our employees have energy and optimism about the future. Our team is hard at work serving customers. We seek to attract talented people who have the potential to grow. We expect our people to maintain high ethical standards in everything they do, both in their work for the firm and in their personal lives.

Compliance

It is of critical importance that we achieve this goal in a manner compliant with all applicable laws, regulations and internal policies. We are committed to observing the highest standards of integrity and regulatory compliance in all aspects of our work. The Compliance department has prepared a comprehensive plan to meet all the regulatory requirements.

FATCA

Being a part of the global financial institutions and in line with the regulatory requirements, PAÏR Investment has been registered under The Foreign Account Tax Compliance Act (FATCA). Furthermore, PAÏR Investment has also obtained Global Intermediary Identification Number ("GIIN").

Corporate Social Responsibility

We, at PAÏR Investment, firmly believe that being a responsible corporate citizen plays an integral role in our long-term success, and we strive to incorporate our approach to corporate responsibility in every aspect of our work. In addition to our priority of operating profitability and success, we are aware of responsibilities that go beyond our business, particularly our commitment to our employees, society and environment. In FY 2014, we have extended our support to:

- OAKS for the construction & rehabilitation of water wells in Tharparkar; and
- Marie Adelaide Leprosy Centre provides OPD treatment to patients of TB, leprosy, skin and eye diseases

PAÏR Investment, on an annual basis, sponsors one of its staff member to perform Hajj through a transparent balloting mechanism.

Contribution to the National Exchequer

During the year, PAÏR Investment has paid PKR 193 Million in Income Taxes to the Government of Pakistan.

Board of Directors and Their Meetings

Four (4) Board Meetings were held during the year 2014. The Director(s) who were not able to attend any of the meeting(s), were duly granted leave of absence by the Board. The Directors of the Company attended the meetings, as under:

Name of Directors	Board of Director		Board Audit Committee		Board Risk Management Committee		Board Human Resource Compensation Committee		Board Strategic Investment Committee	
	Meetings Held: 4		Meetings Held: 4		Meetings Held: 2		Meetings Held: 2		Meetings Held: 1	
	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance
Mr. Bijan Rahimi, Chairman	√	4	√	4	√	1	√	2	-	-
Mr. Nadeem Karamat, MD/CEO	√	2	-	-	√	2	√	2	√	1
Mr. Aamer Mahmood Hussain – Director	√	4	√	3	√	3	√	2	-	-
Mr. Hamid Eftekhari Kondelaji – Director	√	2	-	-	X	x	-	-	-	-
Mr. Ghader Soleimani – Director	√	1	-	-	√	1	-	-	√	1
Mr. Alireza Pourbagherian – Director	√	4	-	-	√	3	-	-	-	-
Mr. Zarar Ali Khan – Director	√	4	√	4	√	1	-	-	-	-
Mr. Zulfiqar Alam, Acting CEO	√	1	-	-	√	1	-	-	-	-

Statement of Investments of Provident Fund

Investments (including bank balances) of Provident Fund as at December 31, 2014 according to their respective unaudited accounts were PKR 47 million approx. (FY 2013: 36 Million approx.).

Future Outlook

The continuation of economic reforms and efforts to improve the security environment by the Government will improve business confidence and help revive private investment. Some improvement in the electricity supply has facilitated increase in industrial production. Government is also keen on resolving the energy gap and has taken several measures in this regard. Being a DFI, our focus is also financing energy-related projects, especially small-sized and alternative energy.

We foresee another year of strong performance by equity markets in Pakistan, due to improving macroeconomic fundamentals going forward and easy monetary environment. We expect that in view of falling inflation and lower oil prices, companies with high dividend yield, gearing and/or energy-intensive manufacturing are likely to outperform. Despite relatively lower corporate earnings' growth, we expect the stock market to deliver healthy returns in 2015.

Our culture of teamwork and client focus has never been more alive and vibrant, and continues to define who we are and the work we do. We remain intent on learning from the experience of recent years, but maintain a firm eye on the future to do our part to contribute to economic growth and opportunities.

We believe our vision of the direction of the markets and of our industry is correct. We are convinced that proactively evolving our business model is not only the right thing to do, but is the best way to accomplish our aspirations.

Appointment of Auditors

The present Auditors M/s Anjum Asim Shahid Rahman, Chartered Accountants, retired and being eligible, offer themselves for reappointment. As required by the Code of Corporate Governance, the Audit Committee has recommended appointment of M/s Anjum Asim Shahid Rahman, Chartered Accountants, as the statutory auditors of the Company for the financial year 2015.

Earnings Per Share

Basic and Diluted earnings per share have been disclosed in Note 28 of the Financial Statements.

Pattern of Shareholding

Shareholders	Shareholding
Government of Pakistan through Ministry of Finance	50%
Government of Iran through Iran Foreign Investment Company	50%
Total	100%

Appreciation and Acknowledgement

We would like to thank our customers and business partners for the trust they have placed in us. We offer sincere appreciation to the Iran Foreign Investment Company, Ministry of Finance - Government of Pakistan, State Bank of Pakistan and Securities & Exchange Commission of Pakistan for their guidance and cooperation extended to the Bank. Finally, we are also thankful to our associates, staff and colleagues for their commitment and their contribution to the success of our business.

On Behalf of the Board of Directors

Iftekhar

Tehran: February 25, 2015

Chairman

STATEMENT OF INTERNAL CONTROLS

For the year ended December 31, 2014

This statement is being issued in compliance with the Guidelines on Internal Controls, issued by the State Bank of Pakistan (SBP) vide BSD Circular No. 7, dated May 27, 2004. Paragraph 7a of the SBP guidelines on Internal Controls requires all Banks and DFIs to assess their internal controls and their effectiveness.

Evaluation of Internal Control System by Management

The management of the PAÏR Investment is responsible for (i) preparing the DFI's annual financial statements in accordance with the approved accounting standards as applicable in Pakistan, and (ii) establishing and maintaining an adequate internal control structure and procedures for financial reporting.

The management of PAÏR Investment maintains an effective organization structure and instituting appropriate control procedures and monitors the adequacy / effectiveness of internal control systems. The Board of Directors is ultimately responsible for ensuring that an adequate and effective System of Internal Control is established and efforts are made to implement sound control procedures to maintain a suitable control environment.

The management of PAÏR Investment, has adopted the internationally accepted COSO Integrated Framework, in accordance with the guidelines on Internal Controls from State Bank of Pakistan and has completed all stages of Internal Control over Financial Reporting (ICFR). In addition, DFI has formulated comprehensive guidelines for adherence to COSO Framework on a continuing basis.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any evaluation of effectiveness of future periods are subject to the risk that controls may become inadequate because of changes, or that the degree of compliance with the policies and procedures may deteriorate.

At the management level, the Internal Control Monitoring Committee (ICMC) is responsible for monitoring the adequacy and effectiveness of the Internal Control System including ICFR, by periodically reviewing the internal control systems and implementation of the internal control gaps/deficiencies identified by the respective departments, as a result of self-assessment, internal auditors, external auditors and regulators reviews. The gap / recommendation report is then submitted to ICMC which decides on priority and implementation initiatives required, taking into account the nature and size of the business and cost benefit analysis of the proposed controls.

Furthermore, it also oversees the implementation of the Internal Controls Framework and monitors the progress. Significant findings of testing are presented to the Audit Committee of the Board.

As required by the SBP, the External Auditors were engaged to prepare a Long Form Report on Internal Controls over Financial Reporting (ICFR) as of December 31, 2013. No material deficiency was observed in the report submitted to the SBP. Respective departmental/unit heads have carried out testing of the effectiveness of ICFR prevalent throughout the DFI for the year 2014. None of the deficiencies identified are expected to have a material impact on the Financial Reporting.

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

Based upon the results achieved from reviews and audits conducted during the year, management considers that the existing Internal Control System is adequate and has been effectively implemented and monitored, though room for improvement always exists.

Managing Director/ Chief Executive Officer	**Chief Financial Officer**	**Head of Internal Audit**

Date: February 25, 2015

REVIEW REPORT TO THE MEMBERS
ON STATEMENT OF COMPLIANCE OF THE CODE OF CORPORATE GOVERNANCE

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

The responsibility for compliance with the Code is that of the Board of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Company's compliance with the provisions of the Code and report if it does not. 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 part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems, sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's Statement on Internal Controls 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 Board for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail at arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirements to the extent of approval of related party transactions by the Board and placement of such transactions before 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 December 31, 2014.

Anjum Asim Shahid Rahman
Chartered Accountants
Muhammad Shaukat Naseeb

Place: Karachi
Date: February 25, 2015

STATEMENT OF COMPLIANCE
WITH BEST PRACTICE OF CODE OF CORPORATE GOVERNANCE YEAR ENDED DECEMBER 31, 2014

This Statement is being presented to comply with the Code of Corporate Governance, the Code, as framed by the SECP, which is applicable to the PAÏR Investment Company Limited through Regulation G-1 of the Prudential Regulation for Corporate/Commercial Banks issued by the State Bank of Pakistan.

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

1. As per the joint venture arrangement between the Government of Pakistan and the Government of Iran, the Company's Board of Directors comprises of six Directors, and all Directors are nominated by both the shareholders. The Company encourages representation of Non-Executive Directors on its Board of Directors (the Board). At present, the Board includes:

Category	Names
Executive Directors	Nadeem Karamat
Non-Executive Directors	Mr. Zarar Ali Khan Mr. Bijan Rahimi Mr. Hamid Eftekhari Mr. Alireza Pourbagherian Mr. Aamer Mahmood Hussain

2. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company.

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. Two casual vacancies occurred on the Board which was filled during the year upon completion of necessary regulatory process for their appointments on May 16, 2014 and August 18, 2014.

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

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

7. All the powers of the Board have been duly exercised and decisions on material transactions, including the appointment and the determination of remuneration and terms and conditions of employment of the Chief Executive Officer and Non-Executive Directors have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board Meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board arranged one training / orientation programs for its Directors during the year.

10. The Board had approved the appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

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

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

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

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

15. The Board has formed an Audit Committee. It comprises 3 members, who all are Non-Executive Directors and the Chairman of the Committee is a Director representing Ministry of Finance - Government of Pakistan.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The Terms of Reference of the Committee have been formed and advised to the Committee for Compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises 3 members, of whom 2 are Non-Executive Directors and the Chairman of the Committee is a Non-Executive Director representing Iran Foreign Investment Company.

18. The Board has set up an effective internal audit function, who is considered 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 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 the 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 have confirmed that they have observed IFAC guidelines in this regard.

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

For and on behalf of the Board

Iftekhar

Chairman

Grant Thornton
An instinct for growth™

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of PAÏR Investment Company Limited (the Company) as at December 31, 2014 and the related profit and loss account, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') , for the year then ended 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 balance sheet 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 the accounting policies consistently applied;

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

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

  (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, statement of cash flows 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

(c) 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 December 31, 2014 and of the profit, total comprehensive income its 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).

Anjum Asim Shahid Rahman
Chartered Accountants
Muhammad Shaukat Naseeb

Place: Karachi
Date: September 24, 2014

FINDING

NEW PATHWAYS TO GROWTH

FINANCIAL STATEMENT

PAÏR INVESTMENT COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	2014	2013
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	5	**33,303**	27,829
Balances with other banks	6	**261,059**	158,417
Lendings to financial institutions		**-**	-
Investments	7	**14,114,870**	12,745,355
Advances	8	**3,592,178**	3,678,206
Operating fixed assets	9	**210,352**	196,201
Deferred tax assets - net	10	**272,920**	204,896
Other assets	11	**259,534**	270,782
		18,744,216	17,281,686
LIABILITIES			
Bills payable		**-**	-
Borrowings	12	**9,221,225**	8,489,171
Deposits and other accounts	13	**386,060**	25,080
Sub-ordinated loan		**-**	-
Liabilities against assets subject to finance lease		**-**	-
Deferred tax liabilities		**-**	-
Other liabilities	14	**344,186**	326,705
		9,951,471	8,840,956
NET ASSETS		**8,792,745**	8,440,730
REPRESENTED BY			
Share capital	15	**6,000,000**	6,000,000
Reserves	16	**553,966**	483,592
Unappropriated profit		**2,062,742**	1,781,247
		8,616,708	8,264,839
Surplus on revaluation of assets - net of deferred tax	17	**176,037**	175,891
		8,792,745	8,440,730
CONTINGENCIES AND COMMITMENTS	18		

The annexed notes 1 to 39 form an integral part of these financial statements.

Cairman	Chief Executive & Managing Director	Director	Director

PAÏR INVESTMENT COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

For the Year Ended December 31, 2014

	Note	2014	2013
		(Rupees in '000)	
Mark-up / return / interest earned	21	1,233,407	1,153,996
Mark-up / return / interest expensed	22	508,046	488,889
Net mark-up / interest income		725,361	665,107
Provision against non-performing loans and advances	8.4	325,224	341,044
Provision/reversal for diminution in the value of investments	7.3	25,335	(66,482)
		350,559	274,562
Net mark-up / interest income after provisions		374,802	390,545
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		14,985	18,210
Dividend income		27,125	22,765
(Loss) / gain from dealing in foreign currencies		(669)	664
Gain on sale of securities - net	23	327,977	246,533
Unrealised gain/(loss) on revaluation of investments classified as held for trading - net	7.7	958	(4,334)
Other income	24	1,969	2,581
Total non mark-up / interest income		372,345	286,419
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	25	285,046	272,175
Other provisions / write-offs		-	-
Other charges / (reversal) - net	26	(1,896)	(51,692)
Total non mark-up / interest expenses		283,150	220,483
		463,997	456,481
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		463,997	456,481
Taxation			
- Current		213,635	192,284
- Prior years		-	22,716
- Deferred		(101,507)	(97,749)
	27	112,128	117,251
PROFIT AFTER TAXATION		351,869	339,230
Unappropriated brought forward		1,781,247	1,611,197
Profit available for appropriation		2,133,116	1,950,427
Basic and diluted Earnings Per Share - Rupees	28	0.59	0.57

The annexed notes 1 to 39 form an integral part of these financial statements.

Cairman	Chief Executive & Managing Director	Director	Director

PAÏR INVESTMENT COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended December 31, 2014

	Note	2014	2013
		(Rupees in '000)	
Profit after taxation		**351,869**	339,230
Other comprehensive income			
Items that will not be reclassified to profit and loss account in subsequent periods:			
Actuarial gain/(loss) on re-measurement of defined benefit obligation		**1,262**	(2,021)
Related deferred tax		**(429)**	687
		833	(1,334)
Comprehensive income transferred to equity		**352,702**	**337,896**
Components of comprehensive income not reflected in equity			
Surplus on revaluation of available for sale securities - net		**220,623**	186,994
Deferred tax on revaluation		**(44,586)**	(11,103)
		176,037	175,891
Total comprehensive income		**528,739**	513,787

The surplus / (deficit) on revaluation of "Available-for-Sale" securities is presented under a separate head below equity as "surplus / (deficit) on revaluation of assets" in accordance with the requirements specified by the Companies Ordinance, 1984, and the State Bank of Pakistan vide its BSD Circular no 20 dated August 4, 2000 and BSD Circular no 10 dated July 13, 2004.

The annexed notes 1 to 39 form an integral part of these financial statements.

Cairman	Chief Executive & Managing Director	Director	Director

PAÏR INVESTMENT COMPANY LIMITED

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2014

	Note	2014	2013
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		463,997	456,481
Less: Dividend income		(27,125)	(22,765)
	4	436,872	433,716
Adjustments for:			
Depreciation	9.2	18,143	25,563
Amortisation	9.3	3,671	3,899
Provision against non-performing loans and advances	8.4	325,224	341,044
Provision/(Reversal) for diminution in the value of investments	7.3	25,335	(66,482)
Gain on sale of operating fixed assets	24	(1,969)	(3,021)
(Reversal) for government levies	26	-	(64,902)
Charge for defined benefit plan	25	9,585	7,368
Unrealised (gain) / loss on revaluation of 'held for trading' investments	7.7	(958)	4,334
Unrealised loss derivative financial instruments	24	-	1,527
		379,031	249,330
		815,903	683,046
(Increase) / decrease in operating assets			
Held-for-trading securities		126,411	(5,950,807)
Advances - net		(239,196)	306,087
Others assets (excluding advance taxation) - net		10,930	(16,796)
		(101,855)	(5,661,516)
Increase / (decrease) in operating liabilities			
Borrowings from financial institutions		732,054	1,767,993
Deposits and other accounts		360,980	(520,000)
Other liabilities (excluding current taxation) - net		(1,203)	1,294
		1,091,831	1,249,287
		1,805,879	(3,729,183)
Income tax paid		(192,898)	(156,761)
Defined benefits paid		(11,638)	(2,288)
Net cash flows from operating activities		1,601,343	(3,888,232)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in 'available for sale' securities		(1,508,019)	4,265,693
Net investments in 'held to maturity' securities		21,345	(147,275)
Dividend income received		27,443	22,070
Investment in operating fixed assets		(38,518)	(171,735)
Sale proceeds of property and equipment disposed off		4,522	5,140
Net cash flows from investing activities		(1,493,227)	3,973,893
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		-	(50,000)
Net cash flows from financing activities		-	(50,000)
Increase in cash and cash equivalents		108,116	35,661
Cash and cash equivalents at beginning of the year	29	186,246	150,585
Cash and cash equivalents at end of the year	29	294,362	186,246

The annexed notes 1 to 39 form an integral part of these financial statements.

Cairman	Chief Executive & Managing Director	Director	Director

PAÏR INVESTMENT COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

For the Year Ended December 31, 2014

	Note	Issued, subscribed and paid-up capital	Reserve		Total
			Statutory reserves	Unappropriated profit	
		(Rupees in '000)			
Balance as at December 31, 2012		**6,000,000**	**415,746**	**1,611,197**	**8,026,943**
Profit after tax for the year ended 31 December 2013 -		-	-	339,230	339,230
Remeasurement of defined benefit liability - net of tax		-	-	(1,334)	(1,334)
Transfer to statutory reserve - restated	16	-	67,846	(67,846)	-
Transactions with owners recognised directly in equity					
Cash dividend		-	-	(100,000)	(100,000)
Balance as at December 31, 2013		**6,000,000**	**483,592**	**1,781,247**	**8,264,839**
Profit after tax for the year ended 31 December 2014		-	-	351,869	351,869
Remeasurement of defined benefit liability - net of tax		-	-	-	-
Transfer to statutory reserve	16	-	70,374	(70,374)	-
Transactions with owners recognised directly in equity					
Balance as at December 31, 2014		**6,000,000**	**553,966**	**2,062,742**	**8,616,708**

The annexed notes 1 to 39 form an integral part of these financial statements.

Cairman

Chief Executive & Managing Director

Director

Director

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

1. STATUS AND NATURE OF BUSINESS

PAIR Investment Company Limited, "the Company" is an unlisted Public Limited Company incorporated in Pakistan on January 15, 2007 under the Companies Ordinance, 1984. The Company has been notified as a Development Financial Institution by the Ministry of Finance, Government of Pakistan.

The Company is a Joint Venture (50:50) between Government of Pakistan and Iran Foreign Investment Company which is owned by the Government of Iran. The Company's objectives interalia includes financing for industrial and commercial projects, capital and money market operations and other investment banking activities. Its registered and principal office is situated at ICCI Building, Clifton, Karachi.

2. BASIS OF PREPARATION

2.1 Basis of measurement

These financial statements have been prepared in accordance with the requirements of the format prescribed by the State Bank of Pakistan's (SBP) BSD Circular No. 4 dated February 17, 2006 and BSD Circular letter No. 07 dated April 20, 2010.

These financial statements have been presented in Pakistani Rupees, which is the Company's functional and presentation currency. The amounts are rounded to nearest thousand rupees.

3. STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the provisions of and directives issued under the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962 and the directives issued by State Bank of Pakistan (SBP) and Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives of SBP or SECP differ with the requirements of IFRSs, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives shall prevail.

The SBP through its BSD Circular letter 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-Banking Financial Institutions (NBFIs) in Pakistan. Further, SECP has deferred the implementation of IFRS 7 'Financial Instruments: Disclosures' through SRO 411(1)/2008. Accordingly, the requirements of these IFRS and their respective interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC), have not been considered in preparation of these financial statements.

IFRS 8, 'Operating Segments' is effective for the Company's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial statements', effective from the accounting year ended December 31, 2006.

The management of the Company believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.

3.2 Standards, amendments and interpretations to published approved accounting standards that are effective in the current year

The Securities and Exchange Commission of Pakistan (SECP) has notified Islamic Financial Accounting Standard (IFAS) 3 'Profit and Loss Sharing on Deposits issued by the institute of Chartered Accounting of Pakistan. IFAS 3 Shall be followed with effect from the financial periods beginning after January 1, 2014 in respect of accounting for transactions relating to 'Profit and Loss sharing on Deposit' as defined by the said standard. The standard has resulted in certain new disclosures in the financial statements of the Bank as disclosed in Annexure I to these financial statements.

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2014 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these financial statements.

3.3 Standards, amendments and interpretations to published approved accounting standards that are relevant and not yet effective.

The following standards amendments and interpretations of approved accounting standards will be effective for Accounting periods beginning on or after January 01, 2015.

Tide of Standard	Effective for accounting Periods beginning on or after
- LAS 27 Separate financial statements (Amendments)	January 01, 2015
- IFRS 10 ' Consolidated financial statements (Amendments)	January 01, 2015
- IFRS 11 Joint Arrangements	January 01, 2015
- IFRS 12 ' Disclosure of interests in other entities (Amendments)	January 01, 2015
- IFRS 13 – Fair value measure	January 01, 2015

There are other new and standards interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2015 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these financial statements.

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods. Will have no material impact on the financial statements other than in presentation / disclosure.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Cash and cash equivalents

For the preperation of cash flow statement, cash and cash equivalents include cash and balances with treasury banks and balances with other banks excluding any term deposit original terms of greater then three months.

4.2 Sale and re-purchase agreements

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

Sale under re-purchase obligations

Securities sold subject to a re-purchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings. The differential in sale and re-purchase value is accrued over the period of the agreement and recorded as an expense.

Securities purchased under agreement to re-sale (reverse repo) are included in lendings to financial institutions. The differential between the contracted price and re-sale price is amortised over the period of the agreement and recorded as income.

4.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and associated assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The judgments, estimates and associated assumptions are based on historical experiences, current trends and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the estimates.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future period if the revision affects both current and future periods.

The significant judgments made by the management in applying the accounting policies and the key sources of estimating uncertainty were the same as those applied to financial statements for the year ended December 31, 2013.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following:

- Classification and valuation of financial instruments and impairment (Note 4.4)
- Provision against non-performing advances (Note 4.5)
- Valuation and depreciation rates for fixed assets (Note 4.6)
- Taxation - Current (Note 4.7)
- Taxation - Deferred (Note 4.7)
- Staff retirement benefit (Note 4.19)

4.4 Investments

The Company classifies its investments as follows:

Held for trading

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

Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account. Cost of investment is determined on weighted average basis.

Held to maturity

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

These investments classified as 'held to maturity' are carried at amortised cost less impairment, if any.

Available for sale

These are investments that do not fall under the held for trading or held to maturity categories.

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

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Company commits to purchase or sell the investment.

Premium or discount on acquisition of investments is amortised through the profit and loss account over the remaining period till maturity using effective interest method.

In accordance with the requirements of the SBP, quoted securities other than those classified as 'held to maturity' are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities classified as 'available for sale', is taken to a separate account shown in the balance sheet below equity. Cost of investment is determined on weighted average basis.

Management has determined fair value of certain investments by using quotations from active market, and review of conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matter of judgement (e.g. evaluation, interest rates, etc.) and therefore, cannot be determined with precision.

Unquoted equity securities are valued at the lower of cost and break-up value less impairment losses, if any. Break-up value of unquoted equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in subsidiaries and associates if any (which qualify for accounting under International Accounting Standard - 28) are carried at cost less impairment, if any.

Impairment loss on investments in respect of available for sale (except term finance certificates) and held to maturity recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an investment below its cost is also considered an objective evidence of impairment. Provisions for diminution in the value of term finance certificates, bonds and sukuks is made as per the Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available for sale securities, the cumulative loss that has been recognised below equity is removed and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in profit and loss account.

Gain or loss on sale of investments is taken to profit and loss account.

4.5 Advances

Advances are stated net of provision for doubtful debts. Specific provision for doubtful debts is determined on the basis of Prudential Regulations issued by SBP and the other directives issued by the SBP and charged to the profit and loss account. Advances are written off when there is no realistic prospect of recovery.

The Company reviews its loan portfolio to assess the amount of non-performing advances and provision required there against on a regular basis. While assessing this requirement various factors including the delinquency in the account, financial position of the borrowers and the requirements of the Prudential Regulations are considered.

4.6 Operating fixed assets

Tangible assets

Operating fixed assets except capital work in progress, are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged to profit and loss account on straight line basis so as to write-off the assets over their expected economic lives at the rates specified in note 9.2 to these financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date. Full month depreciation is charged in the month the assets are available for use and no depreciation is charged in the month of disposal.

Normal repairs and maintenance are charged to profit and loss account as and when incurred. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in operating fixed assets.

Gains and losses on disposal of assets are included in profit and loss account. The Company reviews the rate of depreciation / useful life, residual values and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of operating fixed assets with a corresponding effect on depreciation charge and impairment.

Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and impairment losses, if any. Intangible assets are amortised from the month when these are available for use, using the straight line method, whereby the cost of an intangible asset is amortised over the period which takes into account the economic benefits that will be available to the Company. The residual value, useful life and amortisation method is reviewed and adjusted, if appropriate, at each balance sheet date.

Capital works-in-progress

Capital works in progress are stated at cost less impairment, if any. These are transferred to specific assets as and when assets become available for use.

4.7 Taxation

Current

Provision for current taxation is based on the taxable income at the current rates of taxation after taking into account available tax credit and rebates, if any. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments /developments made during the year. The charge for current tax is calculated using prevailing tax rates enacted at the balance sheet date and, any adjustments to tax payable relating to prior years.

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

Deferred

Deferred tax is recognised using the balance sheet method on all temporary differences between the amounts attributed to the assets and liabilities for financial reporting purposes and amounts used for taxation purpose. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits would be available against which it can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is not probable that related tax benefits will be realised.

4.8 Borrowings and deposits

Borrowings and deposits are recorded at the amount of proceeds received. Mark-up on borrowings and deposits are charged to profit and loss account on a time proportion basis.

4.9 Foreign currencies

Foreign currency transactions

Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the exchange rates prevailing at the balance sheet date. Foreign currency transactions during the period are recorded at the rates prevailing on the date of transaction.

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

Translation gains and losses

Exchange gains and losses are included in profit and loss account.

4.10 Revenue recognition

Mark-up / return / interest income is recognised on a time proportion basis taking into account effective yield on the asset, except where recovery is considered doubtful, the income is recognised on receipt basis. Interest / return / mark-up on rescheduled / restructured advances and investments is recognised as permitted by the Prudential Regulations issued by the SBP.

A gain / loss on sale of securities is recognised in profit and loss account at the time of sale of relevant securities.

The surplus / deficit arising on revaluation of the Company's held for trading investment portfolio is taken to the profit and loss account.

Premium or discount on acquisition of investments is capitalised and amortised through the profit and loss account over the remaining period through effective interest method.

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

Fee, commission and brokerage income is recognised as the services are rendered.

4.11 Impairment

The carrying amount of the Company's assets (other than deferred tax asset) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the relevant asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

4.12 Off setting

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

4.13 Other provisions

Other provisions are recognised when the Company has a legal or constructive obligation as a result of a past event, and it is probable that outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

4.14 Financial assets and liabilities

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provision of the instrument. Financial assets are de-recognised when the contractual right future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specific in the contract discharge, cancel or expire. Any gain or loss on de-recognition of the financial asset and liability is recognised in the profit or loss account of the current period.

4.15 Dividend and appropriation to reserves

Dividend and appropriation to reserves, except appropriation which is required by the law after the balance sheet date, is recognised as liability in the Company's financial statements in the period in which these are approved.

The Board of Director has proposed the cash dividend per share Rs. 0.25 (2013: Rs. 0.17) for the year ended December 31, 2014 in their meeting held on 25th February 2015.

4.16 Derivative financial instruments

Derivative financial instruments are initially recognised at their fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as asset when fair value is positive and liabilities when fair value is negative. Any change in the value of derivative financial instruments is taken to the profit and loss account.

4.17 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. 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.

4.18 Segment information

A segment is distinguishable component of the Company that is engaged in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The operations of the Company are currently based in Pakistan, therefore, information relating to geographical segment is not relevant. The Company's primary format of reporting is based on business segments.

Business segments

Following are the main segments of the Company:

Corporate Finance	Undertakes advisory services including mergers and acquisitions, listed and unlisted debt syndications, trustee activities and other investment banking activities.
Trading and Sales	Undertakes Company's fund management activities through leveraging and investing in liquid assets such as short term placements, government securities and reverse repo activities. It carries out spread based activities in the inter bank market and manages the interest rate risk exposure of the Company.
Commercial Banking	Includes loans, advances, leases and other transactions with corporate customers.

4.19 Staff retirement benefit

Defined benefit plan

The Company operates an approved gratuity scheme for all its permanent employees. Annual contributions are made to the scheme in accordance with the actuarial recommendations. The actuarial valuation is carried out using the projected unit credit method.

Two-thirds of gratuity is payable to staff on completion of three years of service and fully on completion of five years' service under the scheme.

Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment. The company recognise past service cost as an expense at the earlier of the following dates:

(a) when the plan amendment or curtailment occurs; or
(b) and when the Bank recognises related restructuring costs or termination benefits.

The Company has adopted certain actuarial assumptions as disclosed in the note 31.2 for valuation of defined benefit obligation and fair value of plan assets, based on actuarial advice.

Defined contribution plan

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

4.20 Employees' compensated absences

Employees' entitlement to annual leave is recognised when they accrue to employees. A provision is made for estimated liability for annual leave as a result of services rendered by the employee against un-availed leaves upto the balance sheet date.

	Note	2014	2013
		(Rupees in '000)	
5. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		70	70
Foreign currencies		860	194
	930	264	
With State Bank of Pakistan in			
Local currency current account	5.1	31,998	26,976
With National Bank of Pakistan in			
Local currency current account		335	80
Local currency deposit account	5.2	40	509
	375	589	
		33,303	27,829

5.1 This represent current account maintained for cash reserve requirement of the State Bank of Pakistan.

5.2 This carries mark-up at the rate 6.5% per annum. (2013: 6.5%).

	Note	2014	2013
		(Rupees in '000)	
6. BALANCES WITH OTHER BANK			
In Pakistan			
On current accounts		32,394	5,385
On deposits accounts	6.1	228,665	153,032
		261,059	158,417

6.1 These deposit accounts carry annual markup ranging from 6.5% to 8.3% (2013: 5% to 8%).

7. INVESTMENTS

7.1 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	7.5						
Market treasury bills		**79,482**	**5,598,414**	**5,677,896**	79,482	5,874,844	5,954,326
Shares in listed companies		**71,495**	**-**	**71,495**	1,686	-	1,686
		150,977	**5,598,414**	**5,749,391**	81,168	5,874,844	5,956,012
Available for sale securities	7.6						
Market treasury bills		**484,458**	**-**	**484,458**	493,407	-	493,407
Pakistan investment bonds		**1,132,995**	**1,918,939**	**3,051,934**			
Units in mutual funds		**300,000**	**-**	**300,000**	2,200,000	-	2,200,000
Shares in listed companies		**851,149**	**-**	**851,149**	733,043	-	733,043
Shares in unlisted companies		**296,860**	**-**	**296,860**	296,860	-	296,860
Sukuk bonds		**276,142**	**-**	**276,142**	307,465	-	307,465
Term finance certificates - Listed		**1,822,388**	**-**	**1,822,388**	1,420,686	-	1,420,686
Term finance certificates - Unlisted		**1,333,116**	**-**	**1,333,116**	1,380,690	-	1,380,690
		6,497,108	**1,918,939**	**8,416,047**	6,832,151	-	6,832,151
Held to maturity securities							
Commercial papers		**-**	**-**	**-**	36,636	-	36,636
Unlisted preference shares		**125,930**	**-**	**125,930**	110,639	-	110,639
		125,930	**-**	**125,930**	147,275	-	147,275
Investments at cost		**6,774,015**	**7,517,353**	**14,291,368**	7,060,594	5,874,844	12,935,438
Provision for diminution in value of investments	7.3	**(398,078)**	**-**	**(398,078)**	(372,743)	-	(372,743)
Investments - net of provisions		**6,375,937**	**7,517,353**	**13,893,290**	6,687,851	5,874,844	12,562,695
Surplus / (deficit) on revaluation of held for trading securities	7.7	**(740)**	**1,698**	**958**	3	(4,337)	(4,334)
Surplus on revaluation of available for sale securities	17	**167,062**	**53,560**	**220,622**	186,994	-	186,994
Total investments at market value		**6,542,259**	**7,572,611**	**14,114,870**	6,874,848	5,870,507	12,745,355

		Note	2014	2013
			Rupees in '000	
7.2	**Investments by segments**			
	Federal Government securities			
	- Market treasury bills		**6,162,354**	6,447,733
	-Pakistan investment bonds		**3,051,934**	-
	Fully paid up ordinary shares			
	- Listed companies		**922,644**	734,729
	- Unlisted companies		**296,860**	296,860
			1,219,504	1,031,589
	Term finance certificates			
	- Listed		**1,822,388**	1,420,686
	- Unlisted		**1,333,116**	1,380,690
			3,155,504	2,801,376
	Units in mutual funds		**300,000**	2,200,000
	Sukuk certificates - Unlisted		**276,142**	307,465
	Commercial paper		**-**	36,636
	Preference shares		**125,930**	110,639
	Total investments at cost		**14,291,368**	12,935,438
	Provision for diminution in value of investments	7.3	**(398,078)**	(372,743)
	Investments - net of provisions		**13,893,290**	12,562,695
	Surplus/(deficit) on revaluation of held for trading securities	7.7	**958**	(4,334)
	Surplus on revaluation of available for sale securities	17	**220,622**	186,994
	Total investments at market value		**14,114,870**	12,745,355
7.3	**Particulars of provision held against diminution in value of investments**			
	Opening balance		**372,743**	439,225
	Charge for the year		**25,335**	6,022
	Reversals		**-**	(72,504)
			25,335	(66,482)
	Closing balance		**398,078**	372,743
	Particulars of provision in respect of types and segments			
	Available for sale securities			
	Shares of listed company		**190,453**	164,232
	Shares of unlisted company		**192,959**	192,959
	Sukuk bonds - Unlisted		**3,421**	3,308
	Term finance certificates - Listed		**-**	999
	Term finance certificates - Unlisted		**11,245**	11,245
			398,078	372,743

7.4 Market treasury bills carry yield ranging from 9.49% to 9.99% per annum (2013: 8.94% to 11.92% per annum) with maturities upto November 12, 2015 (2013: March 06, 2014).

7.5 Quality of held for trading securities

Number of Shares 2014	Number of Shares 2013		Market value 2014	Market value 2013	Cost 2014	Cost 2013	Long / medium term credit rating (Entity)	Rated by
			(Rupees in '000)					
		Market treasury bills	**5,679,503**	5,949,983	**5,677,896**	5,954,326	Unrated - Government Securities	
		Shares in Listed Companies						
60,000	-	Allied Bank Limited	**6,815**	-	**6,931**	-	AA+/A1+	PACRA
50,000	-	Askari Bank Limited	**1,154**	-	**1,156**	-	AA/A1+	PACRA/JCR-VIS
65,000	-	Cherat Cement Company Limited	**4,464**	-	**4,525**	-	A-/A2	PACRA
25,200	-	Engro Food Limited	**2,735**	-	**2,756**	-	Unrated	
100,000	-	Fauji Fertilizer Bin Qasim Limited	**4,521**	-	**4,527**	-	Unrated	
370,000	-	Fauji Cement Company Limited	**9,561**	-	**9,423**	-	Unrated	
150,000	-	Faysal Bank Limited	**2,730**	-	**2,725**	-	AA/A1+	PACRA
50,000	-	Ghani Gases Limited	**1,430**	-	**1,490**	-	Unrated	
-	300,000	K-Electric Limited	**-**	1,695	**-**	1,686	A-/A2	PACRA
600,000	-	Lotte Chemical Pakistan Limited	**4,116**	-	**4,390**	-	Unrated	
100,000	-	Nishat Mills Limited	**12,099**	-	**12,342**	-	AA/A1+	PACRA
200,000	-	Pakistan International Airline Corporation.	**1,490**	-	**1,534**	-	Unrated	
20,000	-	Pakistan State Oil Company Limited	**7,158**	-	**7,176**	-	AA+/A1+	PACRA
222,000	-	Pakistan Telecommunication Company Limited	**5,113**	-	**5,057**	-	Unrated	
50,000	-	Pioneer Cement Limited	**4,281**	-	**4,250**	-	Unrated	
1,300	-	Shell (Pakistan) Limited	**337**	-	**363**	-	Unrated	
70,000	-	Sui Northern Gas Pipelines Company Limited	**2,010**	-	**2,022**	-	AA/A1+	PACRA
21,500	-	Sui Southern Gas Company Limited	**834**	-	**828**	-	AA-/A1+	PACRA
			70,848	1,695	**71,495**	1,686		

7.6 Quality of available for sale securities

			Market value 2014	Market value 2013	Cost 2014	Cost 2013	Long / medium term credit rating (Entity)	Rated by
			(Rupees in '000)					
		Market treasury bills	**484,903**	492,967	**484,458**	493,407	Unrated - Government Securities	
		Pakistan Investment bonds	**3,203,501**	-	**3,051,934**	-		
Number of Shares 2014	**Number of Shares 2013**	**Shares / Certificates / Units in Listed Companies**						
340,000	206,883	Allied Bank Limited	**38,617**	18,619	**38,677**	15,822	AA+/A1+	PACRA
490,011	580,011	Adamjee Insurance Company Limited	**24,236**	21,675	**23,477**	19,761	A	PACRA
8,332,058	8,332,058	Agritech Limited	**64,573**	105,567	**249,962**	249,962	D	PACRA
100,000	-	Askari Bank Limited	**2,307**	-	**2,205**	-	AA/A1+	PACRA
72,500	-	Avanceon Limited	**2,454**	-	**2,148**	-	Unrated	
-	18,471	AKZO Nobel Pakistan Limited	**-**	2,303	**-**	2,565	AA/A1+	PACRA
650,000	-	Bank Alfalah Limited	**22,672**	-	**19,717**	-	Unrated	
100,500	115,000	Berger Paints Pakistan Limited	**10,626**	8,309	**7,212**	3,052	Unrated	
195,000	-	Cherat Cement Company Limited	**13,393**	-	**12,492**	-	Unrated	
150,000	-	DG Khan Cement Company Limited	**16,580**	42,865	**13,555**	36,291	Unrated	
-	355,100	Engro Foods Limited	**-**	37,087	**-**	30,863	Unrated	
-	165,400	Engro Corporation Limited	**-**	26,196	**-**	20,884	AA-/A1+	PACRA
535,000	550,000	Fauji Fertilizer Bin Qasim Limited	**24,187**	24,096	**22,455**	23,014	Unrated	
380,000	315,000	Fauji Fertilizer Company Limited	**44,502**	35,267	**44,063**	36,031	Unrated	
200,000	-	Fatima Fertilizer Company Limited	**7,154**	-	**6,147**	-	AA-A+1	
55,000	188,000	General Tyre and Rubber Co. of Pak Limited	**8,010**	9,911	**6,338**	7,593	Unrated	
212,500	-	Ghani Gases Limited	**6,075**	-	**5,836**	-	Unrated	
27,500	30	Habib Bank Limited	**5,947**	5	**5,877**	3	AAA/A-1+	JCR-VIS
125,000	-	Habib Metropolitan Bank Limited	**4,663**	-	**4,419**	-	AA+/A1+	PACRA
85,000	-	Honda Atlas Cars (Pakistan) Limited.	**16,845**	-	**12,882**	-	Unrated	
487,500	541,000	Hub Power Company Limited	**38,201**	32,850	**31,563**	32,495	AA+/A1+	PACRA
		Subtotal	**351,042**	364,750	**509,025**	478,336		

			Market value		Cost		Long / medium term credit rating (Entity)	Rated by
			2014	2013	2014	2013		
			(Rupees in '000)					
		Brought forward	**351,042**	364,750	**509,025**	478,336	Unrated	
455,500	-	International Steels Limited	**11,592**	-	**10,397**	-	Unrated	
300,000	-	K-Electric Limited	**2,766**	-	**2,432**	-	Unrated	
474,000	360,500	Kot Addu Power Company Limited	**37,418**	22,261	**29,676**	20,808	AA+/A-1+	JCR-VIS
37,500	-	Lotee Chemical Pakistan Limited	**257**	-	**274**	-	Unrated	
84,800	45,000	MCB Bank Limited	**25,919**	12,653	**23,121**	12,812	AAA/A1+	PACRA
100,000	-	Maple Leaf Cement Factory Limited	**4,425**	-	**3,128**	-	Unrated	
408,000	300,000	National Bank of Pakistan	**28,340**	17,418	**24,303**	15,129	AAA/A-1+	JCR-VIS
750,000	750,000	Next Capital Limited	**4,313**	2,850	**7,500**	7,500	Unrated	
-	50,000	Nishat Chunian Power Limited	**-**	1,739	**-**	1,728	A+/A-2	JCR-VIS
445,000	-	Nishat Chunian Limited	**20,212**	-	**19,335**	-	Unrated	
482,000	500,000	Nishat Mills Limited	**58,317**	63,620	**57,201**	47,775	AA-/A1+	PACRA
50,000	-	Oil & Gas Development Company Limited	**10,294**	-	**11,154**	-	Unrated	
-	75,000	PACE (Pakistan) Limited	**-**	284	**-**	788	Unrated	
150,000	-	Pak Gen Power Limited	**4,055**	-	**3,204**	-	Unrated	
67,500	102,100	Pak Suzuki Motor Company Limited	**25,051**	15,712	**20,098**	14,143	Unrated	
110,400	127,400	Pakistan Petroleum Limited	**19,488**	27,259	**24,369**	26,420	Unrated	
79,660	195,600	Pakistan State Oil Company Limited	**28,511**	64,982	**28,911**	54,710	AA+/A1+	PACRA
1,100,000	1,150,000	Pakistan Telecommunication Company Limited	**25,333**	32,706	**27,329**	30,627	Unrated	
-	55	Soneri Bank Limited	**-**	1	**-**	1	AA-/A1+	PACRA
575,000	200,000	Sui Northern Gas Pipelines Company Limited	**16,508**	4,260	**13,912**	4,604	AA/A1+	PACRA
552,000	525,000	Sui Southern Gas Company Limited	**21,407**	12,632	**18,321**	11,681	AA-/A1+	PACRA
200,000	-	Telecard Limited	**662**	-	**1,074**	-	Unrated	
-	598,000	TPL Trakker Limited	**-**	4,443	**-**	5,981	A-/A2	PACRA
95,000	-	United Bank Limited	**16,787**	-	**16,385**	-	AA+/A-1+	JCR-VIS
			712,697	647,570	**851,149**	733,043		

Number of Certificates / Units 2014	Number of Certificates / Units 2013		Market value 2014	Market value 2013	Cost 2014	Cost 2013	Long / medium term credit rating (Entity)	Rated by
			(Rupees in '000)					
		Certificates / Units in Listed Mutual Funds						
-	30,745,976	ABL Cash Fund	-	307,610	-	300,000	AA(f)	JCR-VIS
-	2,066,694	Askari Sovereign Cash Fund	-	208,322	-	200,000	AAA(f)	PACRA
-	1,027,962	Askari Sovereign Yield Enhancer	-	103,146	-	100,000	AA-(f)	PACRA
-	2,010,853	Faysal Money Market Fund	-	204,544	-	200,000	AA+(f)	JCR-VIS
-	1,029,019	First Habib Cash Fund	-	103,009	-	100,000	AA(f)	JCR-VIS
-	3,031,454	HBL Money Market Fund	-	306,450	-	300,000	AA(f)	JCR-VIS
-	2,060,019	MCB Cash Management Optimizer Fund	-	206,105	-	200,000	AA(f)	PACRA
-	996,492	MCB Dynamic Cash Fund	-	100,715	-	100,000	A+(f)	PACRA
-	9,908,965	NAFA Financial Sector Income Fund	-	104,073	-	100,000	A+(f)	PACRA
-	10,603,112	NAFA Govt. Securities Liquid Fund	-	106,480	-	100,000	AAA(f)	PACRA
9,022,991	-	NAFA Income Opportunity Fund	**100,741**	-	**100,000**	-	AAA(f)	PACRA
2,042,275	-	Al Ameen Islamic Aggressive Income Fund	**202,798**	-	**200,000**	-	BBB-	PACRA
-	20,319,620	NAFA Money Market Fund	-	203,436	-	200,000	AA(f)	PACRA
-	2,068,256	UBL Liquidity Plus Fund	-	208,014	-	200,000	AA+(f)	JCR-VIS
-	1,012,378	UBL Savings Income Fund	-	101,954	-	100,000	AA- (f)	JCR-VIS
			303,539	2,263,858	300,000	2,200,000		

Number of Shares 2014	Number of Shares 2013		Book value 2014	Book value 2013	Cost 2014	Cost 2013	Long / medium term credit rating (Entity)	Rated by
		Shares in unlisted companies	(Rupees in '000)					
29,685,986	29,685,986	Burj Bank Limited CEO: Ahmed Khizer Khan Percentage holding: 3.63% (2013: 4.01%) 7.6.1	**103,901**	103,901	**296,860**	296,860	A/A-1	JCR-VIS

7.6.1 These shares are valued at Rs. 3.5 per share being the fair value of comparable company, as the Company considers that the breakup value is not representative of its recoverable amount. Accordingly, an impairment loss of Rs. 6.5 per share was recognized in 2011. Breakup value is Rs. 6 per share as at September 30, 2014.

Number of Certificates of Rs. 5,000 each			Market value		Cost		Long / medium term credit rating (Entity)	Rated by
2014	2013		**2014**	2013	**2014**	2013		
			(Rupees in '000)					
		Sukuk						
30,000	30,000	Eden Housing Limited	29,520	29,520	19,680	29,520	Unrated	
12,000	12,000	Sitara Peroxide Limited	36,324	46,957	40,496	46,957	Unrated	
-	54,648	Liberty Powertech Limited	230,988	230,988	216,716	230,988	A+	PACRA
			296,832	307,465	276,892	307,465		
		Term Finance Certificates						
		Listed						
70,000	70,000	Allied Bank Limited	341,709	334,921	329,180	326,206	AA	PACRA
69,136	69,136	Askari Bank Limited	338,345	350,271	347,564	348,165	AA-	PACRA
20,204	20,204	Bank Al Habib Limited - II	50,413	101,280	50,369	100,757	AA	PACRA
-	8,000	Escorts Investment Bank Limited	-	2,947	-	3,997	BB	JCR-VIS
39,037	39,037	Engro Fertilizer Limited - I	133,507	166,396	140,533	163,955	A	PACRA
37,024	37,024	Engro Fertilizer Limited - III	-	184,657	-	182,036	A	PACRA
29,400	-	Engro Fertilizer Limited - IV	146,265	-	146,514	-	Unrated	
38,400	38,400	Jahangir Siddiqui & Company Ltd (30.06.2012)	96,016	146,977	97,241	146,637	AA+	PACRA
120,000	-	NIB Bank Limited	591,381	-	599,880	-	Unrated	
-	37,700	Orix Leasing Pakistan Limited (30 June 2011)	-	37,789	-	37,780	AA+	PACRA
20,000	20,000	Summit Bank Limited	85,429	94,387	99,862	99,908	A- (SO)	JCR-VIS
6,000	6,000	Trust Investment Bank Ltd. (04.07.2008)	-	-	11,245	11,245	Unrated	
-	-	United Bank Limited - IV	-	-	-	-	AA	JCR-VIS
			1,783,065	1,419,625	1,822,388	1,420,686		

Number of Certificates of Rs. 5,000 each 2014	2013		Market value 2014	Market value 2013	Cost 2014	Cost 2013	Long / medium term credit rating (Entity)	Rated by
			(Rupees in '000)					
		Unlisted						
60,000	60,000	Askari Bank Limited	**321,611**	314,318	**301,394**	301,702	AA-	PACRA
-	20,000	Bank Alfalah Limited - IV	**-**	105,496	**-**	99,840	AA-	PACRA
65,000	65,000	Faysal Bank Limited	**339,497**	339,971	**325,156**	325,549	AA-	JCR-VIS
10,000	10,000	Independent Media Corporation (Private) Limited	**37,500**	47,500	**37,500**	47,500	A+	JCR-VIS
-	38,400	JDW Sugar Mills Limited		21,283		21,194	A+	JCR-VIS
80,000	80,000	JDW Sugar Mills Limited - 2	**311,111**	400,000	**311,111**	400,000	Unrated	
-	50,000	Martin Dow Pharmaceutical (Pakistan) Limited		23,000		23,000	A	JCR-VIS
40,000	40,000	Pak Electron Limited	**161,905**	161,905	**161,905**	161,905	* Withdrawn	
20,000	-	Bank Alfalah Limited - IV	**103,276**	-	**99,800**		Unrated	
20,000	-	Jahangir Siddiqui & Company Ltd (3rd Issue)	**99,285**	-	**96,250**		Unrated	
			1,374,185	1,413,473	**1,333,116**	1,380,690		
Number of Certificates		**Preference Shares - Unlisted**						
40,000	40,000	Silk Bank Limited	**-**	-	**125,930**	110,639	Unrated	
		Total	**10,770,139**	12,600,537	**14,292,117**	12,788,163		

* These ratings are in withdrawals list on PACRA website.

In accordance with BSD Circular No. 1 dated October 21, 2011 issued by the SBP, the Company has availed the benefit of Forced Sales Values (FSVs) against the non-performing investments. Had this benefit of FSV not been taken by the Company, the specific provision against impaired investment would have been higher by Rs. 16.355 million (2013: Rs. 33.724 million). Further, this amount arising from availing the benefit of FSV is not available for distribution amongst the shareholders either in the form of cash or stock dividend.

		Note	2014	2013
			(Rupees in '000)	
7.7	**Unrealised gain / (loss) on revaluation of investments classified as held for trading-net**			
	Market treasury bills		**1,607**	(4,343)
	Ordinary shares of listed companies		**(649)**	9
			958	(4,334)
8.	**ADVANCES**			
	In Pakistan			
	Loans, cash credits, finances etc.		**4,428,538**	4,114,569
	Staff loans	8.2	**34,921**	109,694
	Advances - gross	8.1	**4,463,459**	4,224,263
	Provision against non-performing loans and advances	8.3	**(871,281)**	(546,057)
	Advances - net of provision		**3,592,178**	3,678,206
8.1	**Particulars of advances - gross**			
	In local currency		**4,463,459**	4,224,263
	In foreign currencies		**-**	-
			4,463,459	4,224,263
	Short-term (upto one year)		**2,048,434**	1,075,645
	Long-term (over one year)		**2,415,025**	3,148,618
			4,463,459	4,224,263

8.2 Staff loans include personal loans and house loans advanced to employees in accordance with their terms of employment. These personal loans and house loans carry mark-up at the rates of 3% and 5% (2013: 3% and 5%) respectively.

8.3 Advances include Rs. 1,330.507 million (2013: Rs. 889.443 million) which has been placed under non-performing status as detailed below:

	2014					
	Non-performing advances			**Provision required and held**		
	Domestic	**Overseas**	**Total**	**Domestic**	**Overseas**	**Total**
	(Rupees in '000)					
Category of classification						
Other assets especially mentioned	**-**	**-**	**-**	**-**	**-**	**-**
Substandard	**366,064**	**-**	**366,064**	**29,475**	**-**	**29,475**
Doubtful	**75,000**	**-**	**75,000**	**-**	**-**	**-**
Loss	**889,443**	**-**	**889,443**	**841,806**	**-**	**841,806**
	1,330,507	**-**	**1,330,507**	**871,281**	**-**	**871,281**

	2013					
	Non-performing advances			Provision required and held		
	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)					
Category of classification						
Other assets especiallymentioned	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Loss	889,443	-	889,443	546,057	-	546,057
	889,443	-	889,443	546,057	-	546,057

8.4 Particulars of provision for non-performing advances - in local currency

		2014			2013		
	Note	**Specific**	**General**	**Total**	Specific	General	Total
		(Rupees in '000)					
Opening balance		**546,057**	**-**	**546,057**	205,154	-	205,154
Charge for the year		**325,224**	**-**	**325,224**	341,044	-	341,044
Amounts written off	8.5	**-**	**-**	**-**	(141)	-	(141)
		325,224	**-**	**325,224**	340,903	-	340,903
Amounts written off		**-**	**-**	**-**	-	-	-
Closing balance		**871,281**	**-**	**871,281**	546,057	-	546,057

8.4.1 Particulars of provision for non-performing advances

	2014			2013		
	Specific	**General**	**Total**	Specific	General	Total
	(Rupees in '000)					
In local currency	**871,281**	**-**	**871,281**	546,057	-	546,057

		Note	2014	2013
8.5	**Particulars of write offs**		(Rupees in '000)	
8.5.1	**Against provisions**	8.4	-	141
	Directly charged to profit and loss account		-	-
			-	141
8.5.2	**Write offs of Rs. 500,000 and above**		-	-
	Write offs of below Rs. 500,000		-	141
			-	141

8.6 In accordance with BSD Circular No. 1 dated October 21, 2011 issued by the SBP, the Company has availed the benefit of Forced Sales Values (FSVs) against the non-performing advances. Had this benefit of FSV not been taken by the Company, the specific provision against non-performing advances would have been higher by Rs. 490.566 million (2013: Rs. 343.386 million). Further, this amount arising from availing the benefit of FSV is not available for distribution amongst the shareholders either in the form of cash or stock dividend.

8.7 Particulars of loans and advances to Directors, executives, associated companies etc.

Debts due by 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 the year		**109,694**	109,257
	Loans granted during the year		**2,897**	10,486
	Repayments during the year		**(77,670)**	(10,049)
	Balance at end of the year		**34,921**	109,694
9.	**OPERATING FIXED ASSETS**			
	Capital work-in-progress	9.1	**154,343**	154,343
	Property and equipment	9.2	**54,527**	37,405
	Intangible asse	9.3	**1,482**	4,453
			210,352	196,201

9.1 This represents office building situated at The Ocean mall, Clifton, Karachi purchased by the company to transfer its registered and principal office. This new office is in process of designing and construction and is not available for use in its present condition.

9.2 Property and equipment

	Cost			Accumulated depreciation				
	At January 1, 2014	Additions/ (disposal)	As at December 31, 2014	At January 1, 2014	Charge/ (disposals)	At December 31, 2014	Net book value at December 31, 2014	Annual rate of depreciation (%)
	Rupees in '000							
Furniture and fixtures	34,664	291 -	34,955	15,113	6,876	21,989	12,966	20%
"Electrical, office and computer equipment"	29,621	4,946 (1,753)	32,814	19,633	(1,702) 5,633	23,564	9,250	20% to 25%
Vehicles	28,995	32,581 (22,208)	39,368	21,129	(19,706) 5,634	7,057	32,311	25%
2014	93,280	37,818 (23,961)	107,137	55,875	18,143 (21,408)	52,610	54,527	
2013	90,300	17,392 (14,412)	93,280	42,605	25,563 (12,293)	55,875	37,405	

9.3 Intangible assets

	Cost			Accumulated Amortization				
	As at January 1, 2014	Additions/ (Deletion)	As at December 31, 2014	As at January 1, 2014	For the year/ (On disposal)	As at December 31, 2014	Net book value as at December 31, 2014	Amortization Rate (%)
	Rupees in '000							
Computer software								
2014	17,850	700	18,550	13,397	3,671	17,068	1,482	33%
2013	17,850	-	17,850	9,498	3,899	13,397	4,453	33%

9.4 The following operating fixed assets whose original cost or book value exceeds one million rupees or two hundred and fifty thousand rupees respectively, whichever is lower were disposed of during the year.

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Mode of disposal	Particulars of purchaser
	Rupees in '000						
Audi Q7 3.0 TFSI	12,863	11,448	1,415	2,471	1,056	As per employment Contract	Mr. Iqbal Ashraf, former Managing Director / Chief Executive Officer
Honda Accord	6,877	6,061	816	1,481	665		
Generator	1,425	1,384	41	123	82		

9.5 Assets having cost of Rs. 35.189 million (2013: Rs 8.059 million) are fully depreciated.

	Note	2014	2013
10. DEFERRED TAX ASSETS - Net		**(Rupees in '000)**	
Deferred tax asset		**272,920**	204,896
The balance of deferred taxation comprises			
Debit / (credit) balances arising on account of:			
(Surplus) / deficit on revaluation of assets		**(44,093)**	(10,670)
Accelerated tax depreciation allowance		**6,809**	5,766
Provision for gratuity, LFA and leave encashment		**6,706**	7,859
Provision against non performing loans		**287,523**	185,660
Provision against investments		**15,975**	16,281
		272,920	204,896

Movement in temporary differences during the year

Debit / (credit) balances a rising on account of	**Balance at 1 January 2014**	**Recognised in profit and loss**	**Recognised in equity**	**Balance at 31 December 2014**
		(Rupees in '000)		
Deficit / (surplus) on revaluation of assets	**(10,670)**	**(882)**	**(33,483)**	**(45,035)**
Accelerated tax depreciation allowance	**5,766**	**1,043**	**-**	**6,809**
Provision for gratuity, LFA and leave encashment	**7,859**	**(1,153)**	**-**	**6,706**
Provision against non performing loans	**185,660**	**101,863**	**-**	**287,523**
Provision against investments	**16,281**	**636**	**-**	**16,917**
	204,896	**101,507**	**(33,483)**	**272,920**

Debit / (credit) balances a rising on account of	Balance at 1 January 2013	Recognised in profit and loss	Recognised in equity	Balance at 31 December 2013
		(Rupees in '000)		
(Deficit) / Surplus on revaluation of assets	(6,981)	433	(4,122)	(10,670)
Accelerated tax depreciation allowance	2,269	3,497	-	5,766
Provision for gratuity, LFA and leave encashment	5,013	2,159	687	7,859
Provision against non performing loans	71,804	113,856	-	185,660
Provision against investments	38,477	(22,196)	-	16,281
	110,582	97,749	(3,435)	204,896

		Note	2014	2013
			(Rupees in '000)	
11.	**OTHER ASSETS**			
	Income / mark-up accrued in local currency		**210,933**	213,290
	Advances, deposits, advance rent and other prepayments		**40,992**	49,616
	Dividend receivable		**377**	695
	Security deposits		**7,232**	7,181
	Other assets		**259,534**	270,782
12.	**BORROWINGS FROM FINANCIAL INSTITUTIONS**			
	In Pakistan (local currency)		**9,221,225**	8,489,171
12.1	**Details of borrowings secured / unsecured Secured**			
	Borrowings from State Bank of Pakistan-FFSAP	12.2	**23,022**	29,598
	Repurchase agreement borrowings	12.3	**7,281,536**	5,859,573
	Term borrowings	12.4	**1,416,667**	1,500,000
			8,721,225	7,389,171
	Unsecured			
	Call borrowings		**500,000**	1,100,000
			9,221,225	8,489,171

12.2 The Company has entered into agreement with the SBP for extending Financing Facility for Storage of Agricultural Produce (FFSAP) to a customer. This borrowing carry mark-up rate of 6.5% per annum (2013 : 6.5%). The borrowing will mature in November 2019.

12.3 These carry mark-up at the rates ranging from 9.65% to 10.25% per annum (2013: 9.55% to 10.05%) and are secured against government securities having carrying amount of Rs. 7516 million (2013: Rs. 5,875 million). These borrowings will mature up to February 2015 (2013: January 2014).

12.4 This represent finance obtained from Allied Bank Limited to finance the regular business operations of the Company. The finance is secured by pledge of listed TFCs and open end mutual funds. It carries mark up at the rate of 6 months KIBOR + 0.5% per annum. It is repayable in semi annual installments and shall be repaid by 2017.

		Note	2014	2013
			(Rupees in '000)	
13.	**DEPOSITE AND OTHER ACCONTS**			
	Customers			
	Current Accounts – Remunerative	13.2	**136,060**	25,080
	Financial Institutions			
	Current Accounts - Remunerative	13.3	**250,000**	-
			386,060	25,080
13.1	Particulars of deposits			
	In local currency		**386,060**	25,080
	In foreign currencies		**-**	-
			386,060	25,080

13.2 This includes non-markup COIs issued to employee amounting to Rs.0.06 million (2013: Rs. 0.08 million) maturing up to October 2015 (2013:October 2014)

13.3 The mark-up rates on these COIs range between 0% to 10.3% per annum (2013:0% to 9.5% per amount These COIs will mature up to October 2015 (2013.october 2014).

14. OTHER LIABILITIES	Note	2014	2013
		(Rupees in '000)	
Mark-up / return / interest payable in local currency		**74,048**	80,603
Accrued expenses		**14,882**	9,689
Provision for taxation - net		**117,395**	96,658
Dividend payable		**75,000**	75,000
Unrealised loss on derivative financial instruments		**-**	1,527
Payable to defined benefit plan		**19,368**	21,421
Payable to an associated undertaking		**4,900**	5,650
Government levies payable		**-**	2,873
Provision for compensated absences		**1,564**	1,907
Provision for staff rewards		**37,029**	31,377
		344,186	326,705

15. SHARE CAPITAL

15.1 Authorised capital

2014	2013		2014	2013
(Number of shares)			(Rupees in '000)	
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each	**10,000,000**	10,000,000

15.2 Issued, subscribed and paid-up capital

600,000,000	600,000,000	Ordinary shares of Rs. 10 each	**6,000,000**	6,000,000
600,000,000	600,000,000	Fully paid in cash	**6,000,000**	6,000,000

15.3 Major shareholders (holding more than 5% of total paid-up capital)

	2014		2013	
	Number of shares held	**Percentage of shareholding**	Number of shares held	Percentage of shareholding
Name of shareholder				
Government of Pakistan *	**300,000,000**	**50%**	300,000,000	50%
Iran Foreign Investment Company *	**300,000,000**	**50%**	300,000,000	50%
	600,000,000	**100%**	600,000,000	100%

* This includes nominal shares allotted to the nominee Directors of the Company nominated by Government of Pakistan and Iran Foreign Investment Company.

16. RESERVES	(Rupees in '000)	
Statutory reserve		
Opening balance	**483,592**	415,746
Transfer during the year	**70,374**	67,846
Closing balance	**553,966**	483,592

According to BPD Circular No. 15 dated 31 May 2004 issued by SBP, an amount not less than 20% of the after tax profits shall be transferred to create a reserve fund till such time the reserve fund equals the amount of the paid-up capital and after that a sum not less than 5% of profit after tax shall be credited to the statutory reserve.

	Note	2014	2013
17. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX		(Rupees in '000)	
Surplus / (deficit) arising on revaluation of quoted equity shares		**51,998**	79,657
Surplus arising on revaluation of mutual funds		**3,539**	63,858
Surplus / (deficit) arising on revaluation of market treasury bills		**529**	(485)
Surplus arising on revaluation of TFCs		**12,990**	43,964
Surplus arising on revaluation of PIB		**151,567**	-
		220,623	186,994
Related deferred tax (liability)		**(44,586)**	(11,103)
		176,037	175,891

18. CONTINGENCIES AND COMMITMENTS

18.1 The department of inland revenue has re-opened the assessment for the tax years 2009, 2010, 2011 and 2012 and raised an additional demand of Rs 61.6 million in respect of allocation of capital gain, expenses against exempt capital gains and dividend income subject to tax at reduced rate and Workers' Welfare Fund (WWF), against which the Company has made adequate provision.

The Company has filed appeals with the Commissioner Appeal against the aforementioned orders and the management is confident that the outcome of the appeals will be in favour of the Company.

18.2 Commitments

	2014	2013
Repurchase agreement borrowings	**8,325,636**	5,879,655
Credit extension	**293,068**	1,739,194
Sale of shares in future contracts	-	216,214

18.3 Transaction related contingent liabilities

	2014	2013
Guarantees in favour of:		
- Others	-	289,360
	-	289,360

19. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

Off balance sheet financial instruments referred to as derivatives, contracts the characteristics of which are derived from those of underlying assets. These include forwards and swaps in money and foreign exchange markets. The Company's exposure in these instruments represents equity futures. The Company also enters into repo transactions against government securities carrying fixed interest rates and having fixed contractual maturities. The credit risk associated with repo transactions is secured through underlying government securities.

20. DERIVATIVE INSTRUMENTS

The Company at present does not offer structured derivative products such as interest rate swaps, forward rate swaps, forward rate agreements or forward exchange options. However, the Company treasury and investment group buy and sell derivative instruments such as equity futures.

20.1 Equity Futures

An equity futures contract is a standardized contract, traded on a futures counter of the stock exchange, to buy or sell a certain underlying scrip at a certain date in the future, at a specified price.

The Company uses equity futures as a hedging instrument to hedge its equity portfolio against equity price risk. Only selected shares are allowed to be traded on futures exchange. Equity futures give flexibility to the Company either to take delivery on the future settlement date or to settle it by adjusting the notional value of the contract based on the current market rates.

Maximum exposure limit to the equity futures is 10% of tier 1 capital of the Company, based on prevailing SBP regulations.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

		Note	2014	2013
			(Rupees in '000)	
21.	**MARK-UP/RETURN/INTEREST EARNED**			
	On loans and advances to			
	- customers		**437,537**	428,869
	- financial institutions		**-**	4,134
	- employees		**3,450**	5,761
	On investments in			
	- 'held-for-trading' securities		**-**	70,662
	- 'available-for-sale' securities		**764,568**	626,122
	- 'held-to-maturity' securities		**16,154**	11,877
	On deposits with financial institutions		**9,388**	3,773
	On securities purchased under re-sale agreements		**-**	1,224
	On placements		**2,310**	1,574
			1,233,407	1,153,996
22.	**MARK-UP/RETURN/INTEREST EXPENSED**			
	Deposits and other accounts		**-**	42,428
	Securities sold under repurchase agreements		**321,154**	232,808
	On borrowing from State Bank of Pakistan against refinance scheme for storage agriculture facility		**1,611**	2,046
	Other short-term borrowings		**27,760**	43,963
	Long term borrowings		**157,521**	167,644
			508,047	488,889
23.	**GAIN ON SALE OF SECURITIES-Net**			
	Market treasury bills		**2,220**	351
	Ordinary shares of listed companies		**130,975**	91,719
	Units of mutual funds		**183,146**	115,416
	Term finance certificates		**1,646**	39,047
	Pakistan Invetment Bond		**9,990**	-
			327,977	246,533
24.	**OTHER INCOME**			
	Gain on sale of operating fixed assets		**1,969**	3,021
	Unrealised loss on derivative financial instruments		**-**	(1,527)
	Miscellaneous earnings	24.1	**-**	1,087
			1,969	2,581

24.1 This includes amount received from provident fund on behalf of recovery against write-off of loan to Mr. Mian Sajjad (Ex-employee of Risk Management Unit).

		Note	2014	2013
25.	**ADMINISTRATIVE EXPENSES**			
	Salaries, allowances and benefits		**154,219**	144,865
	Charge for defined benefit plan		**9,585**	7,368
	Contribution to defined contribution plan		**4,681**	5,187
	Non-executive Directors' fee		**2,126**	1,940
	Rent and utilities		**21,289**	21,415
	Repairs and maintenance		**7,857**	7,682
	Insurance		**2,827**	2,600
	Communication		**2,962**	2,258
	Advertisement		**456**	757
	Depreciation		**18,143**	25,563
	Amortisation		**3,671**	3,899
	Printing and stationery		**1,881**	2,347
	Legal and professional charges		**4,077**	2,743
	Travelling, conveyance and entertainment		**23,202**	25,927
	Brokerage and commissions		**5,320**	3,798
	Bank charges		**546**	432
	Fee and subscriptions		**17,262**	7,552
	Auditors' remuneration	25.1	**1,383**	1,057
	Donations and charity	25.2	**300**	2,000
	Others		**3,259**	2,785
			285,046	272,175

	Note	2014	2013
		(Rupees in '000)	
25.1 Auditors' remuneration			
Audit fee		**495**	450
Half yearly review		**193**	175
Special certifications and others		**585**	100
Out of pocket expenses		**110**	332
		1,383	1,057

25.2 None of the Directors, executives or their spouses had any interest in the donee. Detail of donations made during the year is as follows:

	2014	2013
OAKS for Construction for Rehabilitation of Water Wells	**100**	-
Marie Adelaide Leprosy Centre	**200**	-
Shaukat Khanum Memorial Hospital	**-**	1,000
Sindh Institute of Urology and Transplantation	**-**	1,000
	300	2,000

26. OTHER CHARGES/ (REVERSALS)-Net

	2014	2013
Penalties imposed by State Bank of Pakistan	**(1,896)**	13,210
Government levies	-	(64,902)
	(1,896)	(51,692)

27. TAXATION

	2014	2013
Current	**213,635**	192,284
Prior year	**-**	22,716
Deferred	**(101,507)**	(97,749)
	112,128	117,251

27.1 Relationship between tax expense and accounting profit

	2014	2013
Profit before tax	**463,997**	456,481
Tax on income @ 33% (2013: 34%)	**153,119**	155,204
Net tax effect on income taxed at reduced rates	**(94,809)**	(86,642)
Net tax effect on income subject to FTR	**(3,446)**	(4,370)
Net tax effect of income / expenses not subject to tax	**(6,820)**	(7,090)
Tax effect of expenses that are not		
Effect of change in rate of tax	**6,026**	(3,159)
deductible in determining taxable profit	**57601**	41,214
Net deductible temporary difference	**638**	512
Prior years charge	**-**	22,716
Others	**(181)**	(1,134)
Tax charge	**112,128**	117,251

28. BASIC / DILUTED EARNINGS PER SHARE

	2014	2013
Profit after taxation for the year	**351,869**	339,230
	(Number of shares in '000)	
Weighted average number of ordinary shares outstanding during the year	**600,000**	600,000
	(Rupees per share)	
Basic / diluted earnings per share	**0.59**	0.57

29. CASH AND CASH EQUIVALENTS

	Note	2014	2013
		(Rupees in '000)	
Cash and balances with treasury banks		**33,303**	27,829
Balances with other banks		**261,059**	158,417
		294,362	186,246

30. STAFF STRENGTH

	2014	2013
	(Number of employees)	
Permanent	**40**	41
Contractual	**1**	1
Company's own staff strength at the end of the year	**41**	42
Outsourced	**8**	11
Total staff strength	**49**	53

31. DEFINED BENEFIT PLAN

31.1 General description

As mentioned in note 4.19, the Company operates an approved gratuity scheme for all its permanent employees. The benefits under the gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn salary for each year of eligible service or part thereof, subject to a minimum of two years of service.

31.2 Principal actuarial assumptions

The actuarial valuation was carried out as at 31 December 2014 using the "Projected Unit Credit Actuarial Cost Method".
The information provided in notes 31.3 to 31.9 has been obtained from the actuarial valuation carried out as at 31 December 2014.

Actuarial Assumptions

	2014	2013
Financial Assumptions		
Discount rate	**11.25%**	12.75%
Expected rate of increase in salaries	**9.75%**	11.25%
Demographic Assumptions		
Mortality rates (for death in service)	SLIC (2001-05)	SLIC (2001-05)
Rates of employee turnover	"moderate"	"moderate"

31.3 Reconciliation of amount payable to defined benefit obligation

	2014	2013
	(Rupees in '000)	
Present value of defined benefit obligation	**18,106**	21,421
Fair value of any assets	**-**	-
Payable to defined benefit plan	**18,106**	21,421

31.4 Movement in the present value of defined benefit obligation

	2014	2013
Present value of defined benefit obligation at the beginning of the year	**21,421**	14,320
Service cost	**6,135**	5,081
Interest cost on define benefit obligation	**3,450**	2,287
Actual benefits paid during the year	**(11,638)**	(2,288)
Remeasurement loss / (gain) on obligation	**(1,262)**	2,021
Present value of defined benefit obligation at the end of the year	**18,106**	21,421

31.5 Movement in the net benefit liability (asset)

	Note	2014	2013
		(Rupees in '000)	
Opening balance		**21,421**	14,320
Net periodic benefit cost for the year		**9,585**	7,368
Actual benefits paid during the year		**(11,638)**	(2,288)
Remeasurement loss / (gain) recognised in OCI during the year		**(1,262)**	2,021
Closing balance		**18,106**	21,421

31.6 Defined benefit cost for the year

	2014	2013
Cost recognised in P&L for the year		
Service cost		
Current service cost	**6,135**	5,08
Past service cost	**-**	-
	6,135	5,081
Net interest cost		
Interest cost on defined benefit obligation	**3,450**	2,287
Interest income on plan assets	**-**	-
	3,450	2,287
	9,585	7,368
Remeasurement recognised in OCI during the year		
Actuarial (gain) / loss on obligation	**(1,262)**	2,021
Return on plan assets net off interest income	**-**	-
	(1,262)	2,021
	8,323	9,389

31.7 Remeasurement recognised in OCI during the year

	2014	2013
Loss / (gain) due to change in financial assumptions	**(160)**	89
Loss due to change in experience adjustments	**(1,102)**	1,932
	(1,262)	2,021

31.8 Sensitivity analysis on significant actuarial assumptions

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	0.5% Increase	0.5% Decrease
	(Rupees in '000)	
Discount rate	**17,243**	19,037
Future salary growth	**19,089**	17,189

31.9 The gratuity cost to be recognised in profit and loss for the year ending December 31, 2015 works out to Rs. 9.196 millio (2014: Rs. 9.585 million).

32. DEFINED CONTRIBUTION PLAN

The Company operates an approved provident fund scheme for all its permanent employees to which both the Company and employees contribute at 10% of basic salary in equal monthly contributions.

	2014	2013
	(Rupees in '000)	
Contribution from the Company	**4,681**	5,187
Contribution from the employees	**4,681**	5,187
Employees covered under the plan	**41**	33

33. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Manag ing Director / Chief Executive Officer		Director		Executives	
	2014	2013	**2014**	2013	**2014**	2013
			(Rupees in ' 000)			
Fees	**-**	-	**2,126**	1,940	**-**	-
Managerial remuneration	**10,179**	34,712	**-**	-	**22,581**	44,371
Contribution to defined contribution plan	**1,020**	1,873	**-**	-	**2,138**	3,155
Rent and house maintenance	**4,071**	8,993	**-**	-	**9,032**	11,827
Utilities	**1,124**	932	**-**	-	**2,258**	2,911
Medical	**61**	369	**-**	-	**2,404**	3,663
Others	**5,700**	1,899	**-**	-	**19,196**	8,686
	22,155	48,778	**2,126**	1,940	**57,609**	74,613
Number of persons	**1**	1	***7**	*7	**14**	23

The Manager Director / Chief executive officer and executive are provided with free use of the company maintained cars. All non-executive Director are given traveling allowance of Euro 5,000 per meeting.
* This also includes outgoing directors during the year.

33.1 Former Manager Director / Chief Executive officer was given a bonus of Rs 26.56 million, earned leave of Rs. 5.88 million and gratuity of Rs. 7.24 million furthermore, he has also purchased vehicles as per Company's policy refer note 9.4.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

34.1 On balance sheet financial instruments

	2014		2013	
	Book value	**Fair value**	Book value	Fair value
	(Rupees in ' 000)		(Rupees in ' 000)	
Assets				
Cash and balances with treasury banks	**33,303**	33,303	**27,829**	27,829
Balances with other banks	**261,059**	261,059	**158,417**	158,417
Lendings to financial institutions	**-**	-	**-**	-
Investments	**14,114,870**	14,114,870	**12,745,355**	12,745,355
Advances	**3,592,178**	3,592,178	**3,678,206**	3,678,206
Other assets	**259,534**	259,534	**270,782**	270,782
	18,260,944	18,260,944	**16,880,589**	16,880,589
Liabilities				
Borrowings from financial institutions	**9,221,225**	9,221,225	**8,489,171**	8,489,171
Deposits and other accounts	**386,060**	386,060	**25,080**	25,080
Other liabilities	**344,186**	344,186	**326,705**	326,705
	9,951,471	9,951,471	**8,840,956**	8,840,956
Off-balance sheet financial instruments				
Equity future	**-**	-	**217,741**	217,741

The fair value of traded investments is based on quoted market price.

In the opinion of the management, the fair value of the remaining financial assets and liabilities is not significantly different from their carrying values.

35. SEGMENT ANALYSIS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate finance	Trading and sales	Commercial banking	Total
		(Rupees in ' 000)		
2014				
Total income - Gross	**14,985**	**899,576**	**691,191**	**1,605,752**
Total markup / return / interest expense	**-**	**348,914**	**159,132**	**508,046**
Segment provision / (reversal) / impairment	**-**	**(2,357)**	**352,916**	**350,559**
	-	**346,557**	**512,048**	**858,605**
Net operating income	**14,985**	**553,019**	**179,143**	**747,147**
Administrative expenses and other charges				**283,150**
Profit before taxation				**463,997**
Segment assets	**-**	**12,580,041**	**6,164,175**	**18,744,216**
Segment impaired assets / non performing loans	**-**	**1,076**	**1,955,500**	**1,956,576**
Segment provision required and held	**-**	**(414)**	**(1,268,945)**	**(1,269,359)**
Segment liabilities	**-**	**7,781,536**	**1,891,157**	**9,672,693**
Segment return on assets -%	**-**	**4.40%**	**2.91%**	**3.99%**
Segment cost of funds -%	**-**	**4.48%**	**8.41%**	**5.25%**
2013				
Total income - Gross	18,210	754,318	667,887	1,440,415
Total markup / return / interest expens	-	319,199	169,690	488,889
Segment provision / (reversal) / impairment	-	(2,357)	276,919	274,56
	-	316,842	446,609	763,451
Net operating income	18,210	437,476	221,278	676,964
Administrative expenses and other charges				220,483
Profit before taxation				456,481
Segment assets	-	11,124,141	6,157,545	17,281,686
Segment non performing loans	-	18,595	1,496,702	1,515,297
Segment provision required and held	-	14,389	358,354	372,743
Segment liabilities	-	7,226,623	1,614,333	8,840,956
Segment return on assets -%	-	3.93%	3.59%	3.92%
Segment cost of funds -%	-	4.42%	10.51%	5.53%

36. RELATED PARTY TRANSACTIONS

Related parties comprise of major shareholders, Directors and key management personnel and their close family members and retirement benefit funds.

Transactions with employees as per the terms of employment and transactions with other related parties are executed substantially on the same terms, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk.

The details of transactions with related parties, other than those which have been specifically disclosed elsewhere in the financial statements are as follows:

36.1. The Key Management Personnel / Directors compensation are as follows:

	2014	2013
	(Rupees in '000)	
Loans and advances to key management personnel:		
Balance at beginning of the year	**101,212**	18,299
- Loans granted during the year	**2,000**	90,677
- Repayments during the year	**(85,984)**	(1,925)
Balance at end of the year	**17,228**	107,051
Mark-up earned on loans and advances to key management personnel	**770**	5,294
Non-executive Directors' remuneration	**2,126**	1,940
Salaries and benefits	**76,607**	105,719
Contribution to defined contribution plan	**3,158**	4,238
Disposal of fixed assets to key personnel	**21,165**	3,869

	2014	2013
36.2. Contribution to defined contribution plan	**4,681**	5,187
36.3. Receivable from Iran Foreign Investment Company - Net	**5,870**	1,217
36.4. Dividend payable to Iran Foreign Investment Company	**75,000**	75,000
36.5. Dividend paid to Ministry of Finance Government of Pakistan	**-**	50,000

37. CAPITAL ASSESSMENT AND ADEQUACY - BASEL III SPECIFIC

37.1 Capital adequacy

The objective of capital management is to safeguard the Company's ability to continue as a going concern, so that it could continue to manage risk and provide adequate returns to shareholders by pricing products and services commensurate with the level of risk.

It is the policy of the Company to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Company recognises the need to maintain a balance between the higher returns and manage acceptable risk appetite that might be possible with greater gearing and the advantages and security supported by a sound capital position.

Goals of managing capital

The goals of managing capital of the Company are as follows:

- To ensure availability of adequate capital at a reasonable cost so as to enable the Company to grow accordingly.

- To achieve a low cost of capital with appropriate mix of capital elements.

- To be an appropriately capitalized institution, as prescribed by regulatory authorities from time to time.

- To maintain highest quality ratings and to protect the Company against unexpected events.

The Capital of the Company is managed keeping in view the minimum "Capital Adequacy Ratio" required by SBP through BSD Circular No. 8 dated 27 June 2006 and BPRD Circular No. 04 of 2013 dated May 16, 2013. The adequacy of the capital is tested with reference to the Risk Weighted Assets of the Company.

The Company's operations are categorized as at trading book and banking book and risk-weighted assets are determined according to specified requirements of SBP in order to seek and reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprises of credit, market and operational risk.

The calculation of Capital Adequacy enables the Company to assess its long-term soundness. It is critically important to continuously monitor the exposure across the entire organization and create aggregate view on the same by generating management level information trial to manage risk and return trade-offs.

The Company is in compliance of the Minimum Capital Requirement, set by the State Bank of Pakistan.

Scope of Applications

The Company has implemented standardized approach of Basel III on standalone basis. The objectives of Basel III aims to further strengthen the existing capital framework by amending certain provisions of Basel II and introduction of new requirements.

The Company at present does not have any overseas operations, subsidiary / associate or engage in joint venture with any other entity.

37.2 Capital Adequacy Ratio (CAR) disclosure template:

CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2014

Rows #		2014 Amount (Rupees in '000)	2013 Amount (Rupees in '000)
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	6,000,000	6,000,000
2	Balance in Share Premium Account		
3	Reserve for issue of Bonus Shares		
4	Discount on Issue of shares		
5	General/ Statutory Reserves	553,966	483,592
6	Gain/(Losses) on derivatives held as Cash Flow Hedge		
7	Unappropriated/unremitted profits/ (losses)	2,062,742	1,781,247
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)		
9	**CET 1 before Regulatory Adjustments**	8,616,708	8,264,839
10	Total regulatory adjustments applied to CET1 (Note 37.2.1)	(567,664)	(171,221)
11	**Common Equity Tier 1**	8,049,044	8,093,618
	Additional Tier 1 (AT 1) Capital		
12	Qualifying Additional Tier-1 capital instruments plus any related share premium		
13	of which: Classified as equity		
14	of which: Classified as liabilities		
15	Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)		
16	of which: instrument issued by subsidiaries subject to phase out		
17	**AT1 before regulatory adjustments**	0	0
18	Total regulatory adjustment applied to AT1 capital **(Note 37.2.2)**	0	0
19	Additional Tier 1 capital after regulatory adjustments		
20	**Additional Tier 1 capital recognized for capital adequacy**	0	0
21	**Tier 1 Capital (CET1 + admissible AT1) (11+20)**	8,049,044	8,093,618
	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		
24	Tier 2 capital instruments issued to third parties by consolidated subsidiaries		
	(amount allowed in group tier 2)		
25	of which: instruments issued by subsidiaries subject to phase out		
26	General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets		
27	Revaluation Reserves (net of taxes)		
28	of which: Revaluation reserves on fixed assets		
29	of which: Unrealized gains/losses on AFS	123,548	84,147
30	Foreign Exchange Translation Reserves		

		2014 (Rupees in '000) Amount		2013 Amount
31	Undisclosed/Other Reserves (if any)			
32	**T2 before regulatory adjustments**	123,548		84,147
33	Total regulatory adjustment applied to T2 capital **(Note 37.2.3)**	(123,548)		0
34	Tier 2 capital (T2) after regulatory adjustments	0		84,147
35	Tier 2 capital recognized for capital adequacy	0		84,147
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital	0		0
37	**Total Tier 2 capital admissible for capital adequacy**	0		84,147
38	**TOTAL CAPITAL (T1 + admissible T2) (21+37)**	**8,049,044**		**8,177,765**
39	**Total Risk Weighted Assets (RWA) {for details refer Note 37.5}**	**10,869,061**		**11,211,316**
	Capital Ratios and buffers (in percentage of risk weighted assets)			
40	**CET1 to total RWA**	**74.05%**		**72.19%**
41	**Tier-1 capital to total RWA**	**74.05%**		**72.19%**
42	**Total capital to total RWA**	**74.05%**		**72.94%**
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation			
	buffer plus any other buffer requirement)	10%		10%
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)	68.55%		7.19%
	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%**

Regulatory Adjustments and Additional Information		2014 Amount	2014 Amounts subject to Pre-Basel III treatment*	2013 Amount	2013 Amounts subject to Pre-Basel III treatment*
		Rupees in '000			
37.2.1	**Common Equity Tier 1 capital: Regulatory adjustments**				
1	Goodwill (net of related deferred tax liability)				
2	All other intangibles (net of any associated deferred tax liability)	1,483		4,453	
3	Shortfall in provisions against classified assets				
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)				
5	Defined-benefit pension fund net assets				
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities				
7	Cash flow hedge reserve				
8	Investment in own shares/ CET1 instruments				
9	Securitization gain on sale				
10	Capital shortfall of regulated subsidiaries				
11	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS				
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	38,851	155,404	-	104,782
13	Significant investments in the common stocks of banking, financial and insurance entities that are				
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of				
15	Amount exceeding 15% threshold				
16	of which: significant investments in the common				
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	338,032	-	166,768	-
20	Any other deduction specified by SBP (mention details)				
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	189,298			
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	567,664		171,221	

Note 37.2.2	Additional Tier-1 & Tier-1 Capital: regulatory adjustments				
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]				
24	Investment in own AT1 capital instruments				
25	Reciprocal cross holdings in Additional Tier 1 capital instruments 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)	16,904	67,617	-	65,452
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation				
28	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from				
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	172,393		-	
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	-		-	

Note 37.2.3	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)	295,942	1,183,767	-	1,026,267
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation				
36	Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	123,548		-	

Note 37.2.4	Additional Information	2014 Rupees in '000 Amount	2013 Rupees in '000 Amount
	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)	1,566,454	1,196,501
(i)	of which: deferred tax assets		
(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	1,566,454	1,196,501
(iv)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity		
	Amounts below the thresholds for deduction (before risk weighting)		
38	Non-significant investments in the capital of other financial entities		
39	Significant investments in the common stock of financial entities		
40	Deferred tax assets arising from temporary differences (net of related tax liability)	272,920	204,896
	Applicable caps on the inclusion of provisions in Tier 2		
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)		
42	Cap on inclusion of provisions in Tier 2 under standardized approach		
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		

37.3 Capital Structure Reconciliation

Table: 37.3.1	Balance sheet of the published financial statements	Under regulatory scope of consolidation
(in thousand PKR)	**As at period end**	**As at period end**
Assets (1)	(2)	(3)
Cash and balances with treasury banks	33,303	33,303
Balanced with other banks	261,059	261,059
Lending to financial institutions	-	-
Investments	14,114,870	14,114,870
Advances	3,592,178	3,592,178
Operating fixed assets	210,352	210,352
Deferred tax assets	272,920	272,920
Other assets	259,534	259,534
Total assets	**18,744,216**	**18,744,216**
Liabilities & Equity		
Bills payable	-	-
Borrowings	9,221,225	9,221,225
Deposits and other accounts	386,060	386,060
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	344,186	344,186
Total liabilities	**9,951,471**	**9,951,471**
Share capital/ Head office capital account	6,000,000	6,000,000
Reserves	553,966	553,966
Unappropriated/ Unremitted profit/ (losses)	2,062,742	2,062,742
Minority Interest	-	-
Surplus on revaluation of assets	176,037	176,037
Total liabilities & equity	**8,792,745**	**8,792,745**

Table: 37.3.2	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period end	As at period end	
Assets (1)	(2)	(3)	(4)
Cash and balances with treasury banks	33,303	33,303	
Balanced with other banks	261,059	261,059	
Lending to financial institutions	-	-	
Investments	14,114,870	14,114,870	
of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	1,758,385	2,620,008	a
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	-	-	b
of which: Mutual Funds exceeding regulatory threshold	-	-	c
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	-	-	d
of which: others (mention details)	-	-	e
Advances	3,592,178	3,592,178	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital	-	-	g
Fixed Assets	210,352	210,352	
Deferred Tax Assets	272,920	272,920	
of which: DTAs that rely on future profitability excluding those arising from temporary differences	-	-	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Other assets	259,534	259,534	
of which: Goodwill	-	-	j
of which: Intangibles	1,483	1,483	k
of which: Defined-benefit pension fund net assets	-	-	l
Total assets	**18,744,216**	**18,744,216**	
Liabilities & Equity			
Bills payable	-	-	
Borrowings	9,221,225	9,221,225	
Deposits and other accounts	386,060	386,060	
Sub-ordinated loans	-	-	
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier 2	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	-	
of which: DTLs related to goodwill	-	-	o
of which: DTLs related to intangible assets	-	-	p
of which: DTLs related to defined pension fund net assets	-	-	q
of which: other deferred tax liabilities	-	-	r
Other liabilities	344,186	344,186	
Total liabilities	**9,951,471**	**9,951,471**	

Share capital	6,000,000	6,000,000	
of which: amount eligible for CET1	6,000,000	6,000,000	s
of which: amount eligible for AT1	-	-	t
Reserves	553,966	553,966	
of which: portion eligible for inclusion in CET1(provide breakup)	553,966	553,966	u
of which: portion eligible for inclusion in Tier 2	-	-	v
Unappropriated profit/ (losses)	2,062,742	2,062,742	w
Minority Interest	-	-	
of which: portion eligible for inclusion in CET1	-	-	x
of which: portion eligible for inclusion in AT1	-	-	y
of which: portion eligible for inclusion in Tier 2	-	-	z
Surplus on revaluation of assets	176,037	176,037	
of which: Revaluation reserves on Fixed Assets	-	-	aa
of which: Unrealized Gains/Losses on AFS	176,037	176,037	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total liabilities & Equity	**8,792,745**	**8,792,745**	

	Basel III Disclosure Template (with added column)			
	Table: 37.3.3	**Component of regulatory capital reported by bank**	**Source based on reference number from step 2**	
	Common Equity Tier 1 capital (CET1): Instruments and reserves			
1	Fully Paid-up Capital/ Capital deposited with SBP	6,000,000	(s)	
2	Balance in Share Premium Account	-		
3	Reserve for issue of Bonus Shares	-		
4	General/ Statutory Reserves	553,966	(u)	
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-		
6	Unappropriated/unremitted profits/ (losses)	2,062,742	(w)	
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)	
8	**CET 1 before Regulatory Adjustments**	8,616,708		
	Common Equity Tier 1 capital: Regulatory adjustments			
9	Goodwill (net of related deferred tax liability)	-	(j) - (o)	
10	All other intangibles (net of any associated deferred tax liability)	1,483	(k) - (p)	
11	Shortfall of provisions against classified assets	-	(f)	
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{(h) - (r} * x%	where 'x' depends on transitional arrangement for capital deduction (e.g. 0%, 20% etc.), Section 2.4.11
13	Defined-benefit pension fund net assets	-	{(l) - (q)} * x%	
14	Reciprocal cross holdings in CET1 capital instruments	-	(d)	
15	Cash flow hedge reserve	-		
16	Investment in own shares/ CET1 instruments	-		
17	Securitization gain on sale	-		
18	Capital shortfall of regulated subsidiaries	-		
19	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	(ab)	
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	38,851	(a) - (ac) - (ae)	Portion of amount above the threshold that is to be deducted from CET1, whereas "ac" is the portion to be deducted from AT1 and "ae" is the portion to be deducted from T2
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)	Portion of amount above the threshold that is to be deducted from CET1, whereas "ad" is the portion to be deducted from AT1 and "af" is the portion to be deducted from T2

22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23	Amount exceeding 15% threshold		
24	of which: significant investments in the common stocks of financial entities	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments applied to CET1 capital	-	
27	of which: Investment in TFCs of other banks exceeding the prescribed limit	338,032	
28	of which: Any other deduction specified by SBP (mention details)	-	
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	189,298	
30	Total regulatory adjustments applied to CET1 (sum of 9 to 29)	567,664	
31	**Common Equity Tier 1**	**8,049,044**	

	Additional Tier 1 (AT 1) Capital		
32	Qualifying Additional Tier-1 instruments plus any related share premium	-	
33	of which: Classified as equity	-	(t)
34	of which: Classified as liabilities	-	(m)
35	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
36	of which: instrument issued by subsidiaries subject to phase out	-	
37	**AT1 before regulatory adjustments**		
	Additional Tier 1 Capital: regulatory adjustments		
38	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
39	Investment in own AT1 capital instruments	-	
40	Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
41	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(16,904)	(ac)
42	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
43	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	
44	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	172,393	
45	Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 44)	-	
46	Additional Tier 1 capital	-	
47	**Additional Tier 1 capital recognized for capital adequacy**	-	
48	**Tier 1 Capital (CET1 + admissible AT1) (31+47)**	8,049,044	

	Tier 2 Capital		
49	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	(n)
50	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	
51	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(z)
52	of which: instruments issued by subsidiaries subject to phase out	-	
53	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	-	(g)
54	Revaluation Reserves	-	
55	of which: Revaluation reserves on fixed assets	-	portion of (aa)
56	of which: Unrealized Gains/Losses on AFS	123,548	
57	Foreign Exchange Translation Reserves	-	(v)
58	Undisclosed / Other Reserves (if any)	123,548	
59	**T2 before regulatory adjustments**	123,548	
	Tier 2 Capital: regulatory adjustments		
60	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	
61	Reciprocal cross holdings in Tier 2 instruments	-	
62	Investment in own Tier 2 capital instrument	-	
63	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(295,942)	(ae)
64	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
65	Amount of Regulatory Adjustment applied to T2 capital (sum of 60 to 64)	(123,548)	
66	Tier 2 capital (T2)	-	
67	Tier 2 capital recognized for capital adequacy	-	
68	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
69	Total Tier 2 capital admissible for capital adequacy	-	
70	**TOTAL CAPITAL (T1 + admissible T2) (48+69)**	**8,049,044**	

Disclosure template for main features of regulatory capital instruments					
	Main Features	**Common Shares**	**Instrument - 2**	**Inst.- 3 & so on ...**	**Explanation**
1	Issuer	**PAIR Investment Company Limited**			Identifies issuer legal entity.
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	**Not Applicable**			
3	Governing law(s) of the instrument	**Banking Companies Ordinance 1962, Companies Ordinance 1984 and other corporate laws as promulgated by SECP**			Specify the governing law(s) of the instrument
	Regulatory treatment				
4	Transitional Basel III rules	**Not Applicable**			Specifies the regulatory capital treatment during Basel III transitional phase (i.e. the component of capital that the instrument is being phased-out from). Enter: [Common Equity Tier 1] [Additional Tier 1] [Tier 2]
5	Post-transitional Basel III rules	**Not Applicable**			Specifies regulatory capital treatment under Basel III rules not taking into account transitional treatment. Enter: [Common Equity Tier 1] [Additional Tier 1] [Tier 2] igible]
6	Eligible at solo/ group/ group&solo	**Solo**			Specifies the level(s) within the group at which the instrument is included in capital. Enter: [Solo] [Group] [Solo and Group]
7	Instrument type	**Ordinary Shares**			Enter: [Ordinary shares] [Perpetual non-cumulative preference shares] [perpetual debt instruments] [Other Tier 2] (others: please specify)
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	**PKR 6,000,000**			Specifies amount recognized in regulatory capital.
9	Par value of instrument	**PKR 10**			Par value of instrument
10	Accounting classification	**Shareholders's equity**			Specifies accounting classification. Helps to assess loss absorbency. Enter: [Shareholders' equity] [Liability - amortized cost] [Liability - fair value option] [Non-controlling interest in consolidated subsidiary]
11	Original date of issuance	**2007**			Specifies date of issuance.
12	Perpetual or dated	**Perpetual**			Specifies whether dated or perpetual. Enter: [Perpetual/ no Maturity] [Dated]
13	Original maturity date	**No Maturity**			For dated instrument, specifies original maturity date.
14	Issuer call subject to prior supervisory approval	**No**			Specifies whether there is an issuer call option. Helps to assess permanence. Enter: [Yes] [No]
15	Optional call date, contingent call dates and redemption amount	**Not Applicable**			For instrument with issuer call option, specifies first date of call if the instrument has a call option on a specific date (day, month and year) and in addition mention if the instrument has a tax and/or regulatory event call. Also specifies the redemption price. Helps to assess permanence
16	Subsequent call dates, if applicable	**Not Applicable**			Specifies subsequent call dates, if applicable. Helps to assess permanence.
	Coupons / dividends				
17	Fixed or floating dividend/ coupon	**Not Applicable**			Enter [fixed], [floating], [fixed to floating], [floating to fixed]
18	coupon rate and any related index/ benchmark	**Not Applicable**			
19	Existence of a dividend stopper	**No**			Specifies whether the non payment of a coupon or dividend on the instrument prohibits the payment of dividends on common shares (i.e. whether there is a dividend stopper) Enter: [yes], [no] Specifies whether the non payment of a coupon or dividend on the instrument prohibits the payment of dividends on common shares (i.e. whether there is a dividend stopper) Enter: [yes], [no]
20	Fully discretionary, partially discretionary or mandatory	**Fully discretionary**			Enter: [fully discretionary] [partially discretionary] [mandatory]
21	Existence of step up or other incentive to redeem	**No**			Specifies whether there is a step-up or other incentive to redeem. Enter: [Yes] [No]
22	Noncumulative or cumulative	**Not Applicable**			Specifies whether dividends / coupons are cumulative or noncumulative. Enter: [Noncumulative] [Cumulative]
23	Convertible or non-convertible	**Non-convertible**			Specifies whether instrument is convertible or not. Helps to assess loss absorbency. Enter: [Convertible] [Nonconvertible]
24	If convertible, conversion trigger (s)	**No**			Specifies the conditions under which the instrument will convert, including point of non-viability. Where one or more authorities have the ability to trigger conversion, the authorities should be listed. For each of the authorities it should be state whether it is the terms of the contract of the instrument that provide the legal basis for the authority to trigger conversion (a contractual approach) or whether the legal basis isovided by statutory means (a statutory approach)

25	If convertible, fully or partially	**Not Applicable**			Specifies whether the instrument will: (i) always convert fully, (ii) may convert fully or partially; or (iii) will always convert partially Enter: one of the options
26	If convertible, conversion rate	**Not Applicable**			Specifies rate of conversion into the more loss absorbent instrument. Helps to assess the degree of loss absorbency.
27	If convertible, mandatory or optional conversion	**Not Applicable**			For convertible instruments, specifies whether conversion is mandatory or optional. Helps to assess loss absorbency. Enter: [Mandatory] [Optional] [NA]
28	If convertible, specify instrument type convertible into	**Not Applicable**			For convertible instruments, specifies instrument type convertible into. Helps to assess loss absorbency. Enter: [Common Equity Tier 1] [Additional Tier 1] [Tier 2]
29	If convertible, specify issuer of instrument it converts into	**Not Applicable**			If convertible, specify issuer of instrument into which it converts.
30	Write-down feature	**No**			Specifies whether there is a write down feature. Helps to assess loss absorbency. Enter: [Yes] [No]
31	If write-down, write-down trigger(s)	**Not Applicable**			Specifies the trigger at which write-down occurs, including point of non-viability. Where one or more authorities have the ability to trigger write-down, the authorities should be listed. For each of the authorities it should be state whether it is the terms of the contract of the instrument that provide the legal basis for the uthority to trigger write-down (a contractual approach) or whether the legal basis is provided by statutory means (a statutory approach)
32	If write-down, full or partial	**Not Applicable**			For each write-down trigger separately, specifies whether the instrument will (i) always be written-down fully, (ii) may be written down partially; or (iii) will always be written down partially. Help assess the level of loss absorbency at write-down
33	If write-down, permanent or temporary	**Not Applicable**			For write down instrument, specifies whether write down is permanent or temporary. Helps to assess loss bsorbency. Enter: [Permanent] [Temporary] [NA]
34	If temporary write-down, description of write-up mechanism	**Not Applicable**			For instrument that has a temporary write-down, description of write-up mechanism.
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument	**Not Applicable**			Specifies instrument to which it is most immediately subordinate. Helps to assess loss absorbency on gone-concern basis.
36	Non-compliant transitioned features	**No**			Specifies whether there are non-compliant features. Enter: [Yes] [No]
37	If yes, specify non-compliant features	**Not Applicable**			If there are non-compliant features, specify which ones. Helps to assess instrument loss absorbency.

37.5 Risk Weighted Assets

The capital requirements for the Company as per major risk categories are given below:

	2014		2013	
	Capital requirements	**Risk weighted assets**	Capital requirements	Risk weighted assets
Credit risk				
Claims on:				
Banks	**7,048**	**70,476**	3,399	33,988
Corporate	**392,838**	**3,928,381**	572,949	5 ,729,490
Public sector entities	**-**	**-**	-	-
Retail portfolio	**206**	**2,061**	139	1,394
Secured by residential property	**1 ,129**	**1 1,286**	3,777	37,765
Past due loans	**83,970**	**839,700**	64,680	646,797
Listed equity investments	**1 56,725**	**1,567,248**	51,744	517,436
Unlisted equity investments	**29,847**	**298,469**	13,204	132,038
Investments in fixed assets	**20,887**	**208,869**	19,620	196,201
All other assets	**73,083**	**730,828**	56,967	569,668
	765,733	**7,657,318**	786,479	7,864,777

	2014		2013	
Market risk				
Interest rate risk	**1 6,353**	**204,410**	9,261	115,766
Equity risk	**121,546**	**1,519,324**	131,956	1 ,649,451
	1 37,899	**1,723,734**	141,217	1 ,765,217
Operational risk	**119,041**	**1,488,009**	126,506	1 ,581,322
	1 ,022,673	**10,869,061**	1 ,054,202	11,211,316

Capital Adequacy Ratios	**2014**		2013	
	Required	**Actual**	Required	Actual
CET1 to total RWA	5.50%	74.05%	5.00%	72.19%
Tier-1 capital to total RWA	7.00%	74.05%	6.50%	72.19%
Total capital to total RWA	10.00%	74.05%	10.00%	72.94%

38. RISK MANAGEMENT

The primary risks associated with the Company's exposure are:
Credit Risk: the risk of loss resulting from client or counterparty default.
Market Risk: the exposure to market variables such as interest rates and equity prices.
Operational Risk: the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and therefore includes legal risk.

The Company's Credit & Risk Management Department has BASEL Compliant, Credit, Market, Liquidity and Operational Risk functions.

The Company's portfolio and exposures are governed through relevant policies, procedures and various risk measurement techniques by adopting Internal Capital Adequacy Assessment Process (ICAAP) and Stress Testing with a purpose to achieve efficiency, effectiveness and compliance. Internal Risk Rating mechanism and transaction level risk analytics have been adopted in order to have ongoing risk sensitive assessment and reporting. The Company is more focused towards implementing system based risk assessment by acquiring risk systems in order to have more efficiency in overall risk management processes.

38.1. Credit risk

Credit risk is the risk of loss to the Company as a result of failure by a client or counterparty to meet its contractual obligations. It is inherent in loans, commitments to lend, traded products, repurchase agreements (repos and reverse repos), placements and other lending transactions. The role of Credit Risk Management particularly includes:

- Participation in portfolio planning and management.

- Establishment of credit policies and standards that conform to regulatory requirements and the Company's overall objectives.

- Working with Business Units in keeping aggregate credit risk well within the Company's risk appetite.

- Organizing portfolio reviews focusing on quality assessment, risk profiles, industry concentrations.

-Setting systems to identify significant portfolio indicators, problem credits and level of provisioning required.

The Company has designed an Internal Risk Rating Models and methodology to gauge credit risk elements in the banking book of the Company.

The credit products mainly comprise of Fund based & Non-Fund based, including short term and long term financing, project finance, term lending, reverse repurchase, bridge finance, investment in TFCs , sukuk bonds and placements with financials institutions, etc. Exposures are collateralized by cash equivalents fixed and current assets including property plant and equipment, land and building, hypothecation, pledge on stocks and receivables as the case may be. The Company manages limits and controls concentrations of credit risk as identified, in particular to individual counterparties and groups, and to industries, where appropriate.

Concentrations of credit risk exist if clients are engaged in similar activities, or are located in the same geographic region or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. The Company sets limits on its credit exposure to counterparty / groups by industry, in line with SBP standards.

Stress testing on credit portfolio is being carried out on regular basis to assess the impact of defaults on Company's earning and capital adequacy. Credit concentration, rating migration, default shocks and risk aggregation of large exposures are few of the main tactics used to monitor ongoing changes in the Credit risk standing of the Company.

38.1.1 Credit Risk – General Disclosures Basel II/ III specific

The Company is more focused on the intent of Basel II/ III rather than treating it as a regulatory requirement. Therefore, in addition to the adoption of Standardized approach and reporting to SBP, the Company has already adopted the practice of ongoing assessment as required under the advanced approaches of Basel II .The Company has adopted Pillar II ICAAP requirements duly approved by the Board of Directors.

38.1.2 Credit Risk: Disclosure for portfolio subject to the Standardized Approach

For the calculation of Risk Weighted Assets under Standardized Approach, external credit ratings have been used for all exposures against banks lending, corporate lending and debt instruments. The external ratings are further mapped with SBP ratings scale to arrive at risk weights of each transaction.

Types of exposures and ECAI's used

Exposures	JCR-VIS	PACRA
Banks	✓	✓
Corporate	✓	✓

Credit exposures subject to standardised approach
Exposures

	Rating Category	Amount Outstanding	Deduction	Net amount
		-----------------------(Rupees in '000)-----------------------		
Corporate	1	721,781	-	721,781
	2	9 87,124	-	9 87,124
	3,4	38,206	-	38,206
	5,6	1,511	-	1,511
	Unrated 1	2 ,055,127	-	2 ,055,127
	Unrated 2	1,039,011	-	1,039,011
Banks	1	7 ,633,915	7,281,536	352,379
Sovereigns		3,720,486	-	3,720,486
Retail Portfolio		2,748	-	2,748
Residential Mortgage Finance		32,246	-	32,246
Past Due Loans		839,707	-	839,707
Listed Equity investmnents		1 ,567,248	-	1 ,567,248
Unlisted Equity investmnents		198,979	-	198,979
Cash and Cash Equivalents		930	-	930
Others		530,318	-	530,318
		19,369,338	7,281,536	12,087,802

CRM = Credit Risk Mitigation

38.1.2.1 Credit Risk: Disclosure with respect to Credit Risk Mitigation for Standardized approach - Basel II

The credit policy of the Company covers credit risk mitigation process and requirements for all secured transactions. Key elements include:

- Collateral type;
- Collateral quality and ranking;
- Collateral valuation process, and
- Margin requirements

Equitable Mortgage, Token Registered Mortgage, Hypothecation Charge Over Fixed Assets , Current Assets, Pledge of Shares, Lending against Government Securities (for repo style transaction), GOP Guarantee and Pledge of stocks are the main type of collaterals taken against the exposure.

38.1.3 Segmental information

38.1.3.1 Segments by class of business

	2014					
	Advances - Gross		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Cement	7 5,000	2%	-	-	-	-
Sugar	6 55,036	15%	-	-	-	-
Electronics and electrical appliances	20,000	-	-	-	-	-
Construction	314,443	7%	-	-	293,068	3%
Power (electricity), gas, water, sanitary	738,580	17%	50,000	13%	-	-
Financial	-	-	250,000	65%	8,325,636	97%
Services	289,674	6%	-	0%	-	-
Textile	641,667	14%	-	-	-	-
Transport, Storage and Communication	-	-	-	-	-	-
Fertilizer	428,571	10%	-	-	-	-
Infrastructure	254,503	6%	-	-	-	-
Individuals	-	0%	-	0%	-	-
Paper and board	88,889	2%	-	-	-	-
Steel	483,827	11%	-	-	-	-
Oil and Gas	214,286	5%	-	-	-	-
Others	224,062	5%	86,060	22%	-	-
	4,428,538	100%	386,060	100%	8,618,704	100%

	2013					
	Advances - Gross		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Perc ent
Cement	75,000	2%	-	-	-	-
Sugar	860,610	21%	-	-	850,000	10%
Electronics and electrical appliances	21,000	1%	-	-	-	-
Construction	314,443	8%	-	-	-	-
Power (electricity), gas, water & sanitary	666,541	16%	-	-	-	-
Financial	-	-	-	-	6,095,869	75%
Services	-	-	-	-	90,000	1%
Textile	500,000	12%	-	-	150,000	2%
Transport, Storage and Communication	-	-	-	-	-	-
Fertilizer	500,000	12%	-	-	-	-
Infrastructure	261,081	6%	-	-	-	-
Individuals	34,920	1%	15,080	60%	-	-
Paper and board	133,333	2%	-	-	-	-
Steel	210,170	5%	-	-	142,207	2%
Oil and Gas	100,000	2%	-	-	150,000	2%
Provident Fund Trust	-	0%	10,000	40%	-	-
Dairy farm	264,451	6%	-	-	-	-
Others	207,941	6%	-	-	646,347	8%
	4,149,490	**100%**	**25,080**	**100%**	**8,124,423**	**100%**

38.1.3.2 Segment by sector

	2014					
	Advances - Gross		**Deposits**		**Contingencies and commitments**	
	(Rupees in '000)	**Percent**	**(Rupees in '000)**	**Percent**	**(Rupees in '000)**	**Percent**
Public / Government	**-**	**-**	**-**	**-**	**8,325,636**	**97%**
Private	**4,428,538**	**100%**	**386,060**	**100%**	**293,068**	**3%**
	4,428,538	**100%**	**386,060**	**100%**	**8,618,704**	**100%**

	2013					
	Advances - Gross		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	-	-	-	-	5,879,655	75%
Private	4,114,569	100%	25,080	100%	1,955,408	25%
	4,114,569	100%	25,080	100%	7,835,063	100%

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

	2014		2013	
	Classified Advances	**Specific Provisions Held**	Classified Advances	Specific Provisions Held
	(Rupees in '000)			
Cement	**75,000**	**75,000**	75,000	75,000
Construction	**314,443**	**314,443**	316,306	42,513
Textile	**500,000**	**452,363**	500,000	369,636
Infrastructure	**231,481**	**21,142**		
Sugar	**108,333**	**8,333**		
Others	**101,250**	**-**	-	-
	1,330,507	**871,281**	891,306	487,149

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

Public / Government	**-**	**-**	-	-
Private	**1,330,507**	**871,281**	891,306	487,149
	1,330,507	**871,281**	891,306	487,149

38.1.3.5 Geographical segment analysis

	2014			
	Profit before taxation	**Total assets employed**	**Net assets employed**	**Contingencies & commitments**
	(Rupees in '000)			
Pakistan	**463,997**	**18,744,216**	**8,792,745**	**8,618,704**

	2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
	(Rupees in '000)			
Pakistan	456,481	17,281,686	8,440,730	7,835,063

38.2 Equity position risk in the trading book-Basel II / III specific

Equity position risk in trading book arises due to changes in prices of individual stocks or levels of equity indices. The Company's equity trading book comprises of Treasury Capital Market's (TCM), Held for trading (HFT) & Available for Sale (AFS) portfolios.

As of 31 December 2013 the equity portfolio of the Company comprises of investment in equities Majortiy of listed and unlisted equities are classified in Held for trading (HFT) and Available for Sale (AFS) while some unlisted equities are classified in Held to Maturity (HTM) category. The marked to market valuation on the listed equities is done on daily basis and any unrealised gain / loss is booked in the profit and loss account and the statement of financial position respectively.

38.3 Market risk

Trading activities are executed in the Treasury & Investment Unit (T&IU). Major equity holdings are held to earn capital gain and dividend to support the Company's business activities while some of the investment positions of equity holding are made for revenue generation as part of strategic initiatives. The Company is active in the Money Market, Fixed Income and Equity market that carry interest rate and equity price risk on both trading and banking book respectively. Management level Market Risk Committee has been invoked to ensure specific & general risk assessment of all Market related products on timely basis.

Controls are also applied to prevent any undue risk concentrations in trading books, taking into account variations in price volatility and market depth and liquidity. They include controls on exposure to individual market risk variables, such as individual interest or equity price ('risk factors'), and on positions in the securities of individual issuers.

Market risk measures and controls are applied at the portfolio level, and concentration limits and other controls are applied where necessary to individual risk types, to particular books and to specific exposures. Portfolio risk measures are common to all market risks, but concentration limits and other controls are tailored to the nature of the activities and the risks they create.

The Company has developed Market Risk Policy, which covers the techniques to gauge, monitor and report the impact of interest rate and price risk implications.

38.3.1 Foreign exchange risk

Foreign Exchange Risk is the risk of loss resulting from changes in exchange rates. The Company does not carry any product specific Foreign Exchange Risk.

	2014			
	Assets	**Liabilities**	**Off - balance sheet items**	**Net currency exposure**
	(Rupees in '000)			
Pakistan Rupees	**18,744,216**	**9,951,471**	**-**	**8,792,745**
US Dollars	**813,036**	**-**	**-**	**813,036**
Euros	**47**	**-**	**-**	**47**
	19,557,299	**9,951,471**	**-**	**9,605,828**

	2013			
	Assets	Liabilities	Off - balance sheet items	Net currency exposure
	(Rupees in '000)			
Pakistan Rupees	17,274,625	8,840,956	-	8,433,669
US Dollars	6,869	-	-	6,869
Euros	192	-	-	192
	17,281,686	8,840,956	-	8,440,730

38.3.2 Equity position risk

The objective of 'Held for Trading' portfolio is to take advantages of short-term capital gains, while the 'Available for Sale' portfolio is maintained with a medium-term view of capital gains and dividend income. The Company has also invested in mutual funds categorize as "Available for Sale". Investment policy has been developed to discuss in detail the objectives / policies, risks / mitigates, limits / controls for exposures against price risk.

38.3.3 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II/III Specific

The Company's Banking Book consists of significant amount of Interest Rate sensitive assets. The investment portfolio comprises of floating interest rate TFCs and Sukuk that are mainly linked to six month KIBOR. Therefore, the overall frequency of banking book interest rate is around six months. Interest rate position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date, the instrument's repayment nature varies from monthly payments to bullet maturity.

Capital Adequacy Stress test exercise has been conducted by using duration method for measuring the upward and downward shocks of interest rate. This provides the Company risk taking and absorption capacity and its implication on capital adequacy in the worst case scenarios.

38.3.4 Mismatch of interest rate sensitive assets and liabilities

	2014											
	Effective yield / interest rate	Total	Exposed to yield / interest risk									Non-interest bearing financial instruments
			Upto one month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 years	Over 1 years to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	
		------------------------------------ (Rupees in '000) ------------------------------------										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.01%	33,303	40									33,263
Balances with other banks	6.17%	261,059	247,871									13,188
Lendings to financial institutions	0.00%	-	-	-	-	-	-	-	-	-	-	-
Investments - net	10.69%	14,114,870	1,341,605	4,833,544	2,494,047	925,262	1,368,918	1,019,182	351,557	463,845	-	1,316,910
Advances - net	12.83%	3,592,178	1,068,894	1,480,400	627,043	-	1,276	1,330	23,023	2,513	29,733	357,966
Other assets - net	0.00%	210,933										210,933
		18,212,343	2,658,410	6,313,944	3,121,090	925,262	1,370,194	1,020,512	374,580	466,358	29,733	1,932,260
Liabilities												
Borrowings from financial institutions	9.96%	9,221,225	7,381,536	1,316,667	500,000	-	-	-	23,022	-	-	-
Deposits and other accounts	9.96%	386,060	21,000	365,000	-	-	-	-	-	-	-	60
Other liabilities - net	0.00%	344,186	-	-	-	-	-	-	-	-	-	344,186
		9,951,471	7,402,536	1,681,667	500,000	-	-	-	23,022	-	-	344,246
On-balance sheet gap		8,260,872	(4,744,126)	4,632,277	2,621,090	925,262	1,370,194	1,020,512	351,558	466,358	29,733	1,588,014
Non financial net assets		531,873										
Total net assets		8,792,745										

	2013										
	Effective yield / interest rate	Total	Exposed to yield / interest risk								Non-interest bearing financial instruments
			Upto one month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 years	Over 1 years to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	
	(Rupees in '000)										
Off-balance sheet financial instruments											
Equity Future		-	-	-	-	-	-	-	-	-	-	-
"Forward Lending (including call lending, repurchase agreement lending, commitments to extend credit, etc.)		-	-	-	-	-	-	-	-	-	-	-
"Forward borrowings (including call borrowing, repurchase agreement borrowing, etc.)		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		**8,260,872**	**(4,744,126)**	**4,632,277**	**2,621,090**	**925,262**	**1,370,194**	**1,020,512**	**351,558**	**466,358**	**29,733**	
Cumulative yield / interest risk sensitivity gap			**(4,744,126)**	**(111,849)**	**2,509,241**	**3,434,503**	**4,804,697**	**5,825,209**	**6,176,767**	**6,643,125**	**6,672,858**	

	2013											
	Effective yield / interest rate	Total	Exposed to yield / interest risk									Non-interest bearing financial instruments
			Upto one month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 years	Over 1 years to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	
On-balance sheet financial instruments	(Rupees in '000)											
Assets												
Cash and balances with treasury banks	0.13%	27,829	509	-	-	-	-	-	-	-	-	27,320
Balances with other banks	7.16%	158,417	153,032	-	-	-	-	-	-	-	-	5,385
Lendings to financial institutions	0.00%	-	-	-	-	-	-	-	-	-	-	-
Investments - net	10.39%	12,745,355	4,518,334	3,393,040	1,702,473	2,947	-	-	-	-	-	3,128,561
Advances - net	12.27%	3,678,206	648,269	2,016,714	541,186	327	679	773	29,598	2,763	35,603	402,294
Other assets - net	0.00%	270,782	-	-	-	-	-	-	-	-	-	270,782
		16,880,589	5,320,144	5,409,754	2,243,659	3,274	679	773	29,598	2,763	35,603	3,834,342
Liabilities												
Borrowings from financial institutions	9.83%	8,489,171	6,309,573	2,150,000	-	-	-	-	29,598	-	-	-
Deposits and other accounts	9.12%	25,080	25,000	-	-	-	-	-	-	-	-	80
Other liabilities - net	0.00%	326,705	-	-	-	-	-	-	-	-	-	326,705
		8,840,956	6,334,573	2,150,000	-	-	-	-	29,598	-	-	326,785
On-balance sheet gap		8,039,633	(1,014,429)	3,259,754	2,243,659	3,274	679	773	-	2,763	35,603	3,507,557
Non financial net assets		401,097										
Total net assets		8,440,730										

38.4 Liquidity risk

The Company's approach to liquidity management is to ensure, that it will always have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions without incurring unacceptable losses or risking sustained damage.

Liquidity risk policy has been designed that entails careful monitoring and control of the daily liquidity position, and regular liquidity stress tests under a variety of scenarios. Scenarios encompass both normal and stressed market conditions, including general market crises and the possibility that access to markets could be impacted by a stress event affecting some part of the Company's business.

The Company has developed Liquidity Risk Policy, which covers the techniques to gauge, monitor and report the impact of potential liquidity risk indicators and its implications.

38.4.1 Maturity of assets and liabilities

The maturity profile has been prepared on the basis of contractual maturities and the position is discussed by the Assets and Liabilities Management Committee (ALCO) on monthly basis. The withdrawal pattern of these cash flows reflects a more meaningful analysis of the liquidity risk of the Company.

38.4.1.1 Maturities of assets and liabilities

	2014									
		Exposed to yield / interest risk								
	Total	Upto one month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 years	Over 1 years to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	33,303	33,303	-	-	-	-	-	-	-	-
Balances with other banks	261,059	261,059	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments - net	14,114,870	1,119,151	3,833,485	863,404	1,866,992	2,055,431	1,385,471	1,410,670	1,434,001	146,265
Advances - net	3,592,178	332,086	232,528	168,475	444,064	864,941	790,154	585,341	161,226	13,363
Other assets - net	259,534	37,240	74,372	131,396	7,968	-	8,558	-	-	-
Operating fixed assets	210,352	14,763	-	18,642	1,992	11,909	1,749	2,383	4,571	154,343
Deferred tax asset - net	272,920	-	6,626	-	-	266,294	-	-	-	-
	18,744,216	**1,797,602**	**4,147,011**	**1,181,917**	**2,321,016**	**3,198,575**	**2,185,932**	**1,998,394**	**1,599,798**	**313,971**
Liabilities										
Borrowings from financial institutions	9,221,225	7,384,824	691,667	-	190,788	381,576	381,576	190,794	-	
Deposits and other accounts	386,060	21,000	365,000	-	60					
Other liabilities - net	344,186	162,115	116,686	60,485	-	4,900	-	-	-	-
	9,951,471	**7,567,939**	**1,173,353**	**60,485**	**190,848**	**386,476**	**381,576**	**190,794**	**-**	**-**
Net assets	**8,792,745**	**(5,770,337)**	**2,973,658**	**1,121,432**	**2,130,168**	**2,812,099**	**1,804,356**	**1,807,600**	**1,599,798**	**313,971**

Represented by:	
Share capital	**6,000,000**
Reserves	**553,966**
Unappropriated profit	**2,062,742**
Surplus on revaluation of assets-net of deferred tax	**176,037**
	8,792,745

38.4.1.1 Maturities of assets and liabilities

	2013									
		Exposed to yield / interest risk								
	Total	Upto one month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 years	Over 1 years to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	27,829	27,829	-	-	-	-	-	-	-	-
Balances with other banks	158,417	158,417	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments - net	12,745,355	4,513,187	2,064,540	2,350,594	846,161	588,673	652,554	804,147	925,499	-
Advances - net	3,678,206	361,839	93,467	238,706	441,318	739,926	710,747	917,465	156,835	17,903
Other assets - net	270,782	132,210	60,421	78,151	-	-	-	-	-	-
Operating fixed assets	196,201	-	3	228	3,678	14,719	7,469	16,661	-	153,443
Deferred tax asset - net	204,896	-	-	-	-	204,896	-	-	-	-
	17,281,686	5,193,482	2,218,431	2,667,679	1,291,157	1,548,214	1,370,770	1,738,273	1,082,334	171,346
Liabilities										
Borrowings from financial institutions	8,489,171	6,312,860	941,667	-	294,955	423,243	256,576	259,870	-	-
Deposits and other accounts	25,080	25,000	20	-	60	-	-	-	-	-
Other liabilities - net	326,705	167,610	99,649	53,796	-	5,650	-	-	-	-
	8,840,956	6,505,470	1,041,336	53,796	295,015	428,893	256,576	259,870	-	-
Net assets	8,440,730	(1,311,988)	1,177,095	2,613,883	996,142	1,119,321	1,114,194	1,478,403	1,082,334	171,346
Represented by:										
Share capital	6,000,000									
Reserves	483,592									
Unappropriated profit	1,781,247									
Surplus on revaluation of assets-net of deferred tax	175,891									
	8,440,730									

38.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. The management has developed Operational Risk Policy. The process of deployment will be streamlined with internal control function of the Company. Once the implement tion process will be invoked the Company will be able to manage operational risk process in a more systematic way that includes analyzing current systems for data collection, migration, validation and retention for current and historical reference and calculation. Data warehousing solutions are being assessed for timely availability and storage of data.

38.5.1 Operational risk disclosure - Basel II/III specific

Basic Indicator approach of Basel II/ III has been used to calculate Operational Risk charge of the Company.

39. GENERAL

39.1 The financial satements were aurthorized for issue on 25 February 2015 by the Board of Director of the Company.

39.2 The Pakistan Credit Rating Agency Limited (PACRA) has upgraded the long term entity rating to AA (Double A) and has maintained the short term rating at A1+ (A one plus) of the Company.

39.3 The Board of Director of Company has proposed cash diviend of Rs. 150 million (2013: Rs. 100 million) for the year ended December 31, 2014 in thier meeting held on February 25, 2015. These financial statements do not include the effect of this appropration which will be accounted for subsequent to the year end.

Cairman	Chief Executive & Managing Director	Director	Director

PAÏR

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