

Silver Jubilee



Annual Report 2014





ilver Jubilee



We
Continue
to Rise

BOP
THE BANK OF PUNJAB
HEAD OFFICE



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CORPORATE INFORMATION

Board Of Directors

Mr. Ghafoor Mirza	Chairman
Mr. Naeemuddin Khan	President/CEO
Mr. Javaid Aslam	Director
Mr. Mohammad Jehanzeb Khan	Director
Khawaja Farooq Saeed	Director
Mr. Saeed Anwar	Director
Dr. Umar Saif	Director
Syed Maratib Ali	Director
Mr. Omar Saeed	Director
Mr. Raza Saeed	Secretary To The Board

Central Audit Committee (CAC)

Khawaja Farooq Saeed	Chairman
Mr. Omar Saeed	Member
Mr. Saeed Anwar	Member

Board Risk Management Committee (BRMC)

Syed Maratib Ali	Chairman
Mr. Omar Saeed	Member
Mr. Saeed Anwar	Member

Human Resource & Remuneration Committee (HR&RC)

Mr. Mohammad Jehanzeb Khan	Chairman
Khawaja Farooq Saeed	Member
Dr. Umar Saif	Member
Mr. Naeemuddin Khan	Ex-officio Member

Auditors

M/s Yousuf Adil Saleem & Co., Chartered Accountants

Registered Office

BOP Tower, 10-B, Block-E-II,
Main Boulevard, Gulberg-III, Lahore.
Telephones: +92 - 42-35783700-10
Fax No. +92 - 42 - 35783975
UAN: 111-200-100

Website

www.bop.com.pk

Registrar

M/s. Corplink (Pvt) Limited
Wings Arcade, 1-K, Commercial,
Model Town, Lahore.
Telephones: +92 - 42 - 35916714, 35916719, 35839182
Fax No. +92 - 42 - 35869037



VISION

To be a customer focused bank
with service excellence.

MISSION

To exceed the expectation of our stakeholders by leveraging our relationship with the Government of Punjab and delivering a complete range of professional solutions with a focus on programme driven products and services in the agriculture and middle tier markets through a motivated team.



Our network is growing

364 online branches
operational and still counting...

Visit us and experience the service that makes BOP
exceptional.



CORE VALUES

OUR CUSTOMERS
as our first priority

PROFITABILITY
for the prosperity of our stakeholders that allows us
to constantly invest, improve and succeed

CORPORATE SOCIAL RESPONSIBILITY
to enrich the lives of community where we operate

RECOGNITION AND REWARD
for the talented and high performing employees

EXCELLENCE
in everything we do

INTEGRITY
in all our dealings

RESPECT
for our customers and each other

MANAGEMENT



Naeemuddin Khan
President / CEO



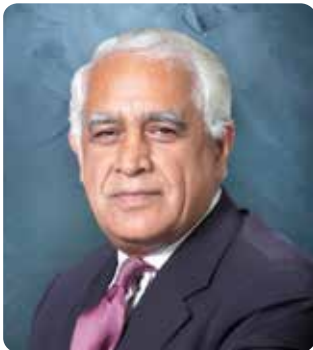
Shahid Waqar Mahmood
Group Head Whole Sale Banking-I



Khalid S. Tirmizey
Deputy CEO



Nadeem Amir
Chief Financial Officer



Taimur Afzal
Group Head Retail Finance



Mustafa Hamdani
Group Head Payment Services



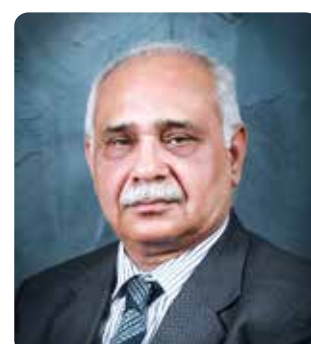
Moghis Bokhari
Group Head Human Resource



Ijaz ur Rehman Qureshi
Group Head Audit & RAR



Tariq Maqbool
Chief Risk Officer



Mahboob ul Hassan
Group Head SAM



Ahmed Shah Durrani
Group Head Retail Banking



Asim Jahangir Seth
Head Whole Sale Banking-II



Omer Iqbal Sheikh
Head Islamic Banking



Khawar S. Ansari
Head Treasury & ECM



Irfanuddin
Group Head Operations



Col (R) Sajid Ali Khan
Group Head Administrative Support



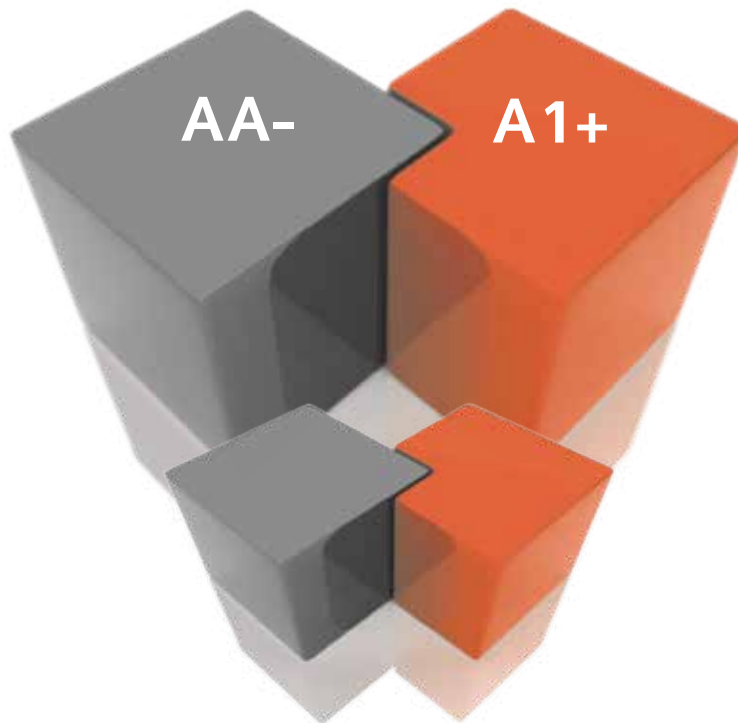
Khalid Munir
Head C & IC



Javed Iqbal
Chief Information Officer



Raza Saeed
Secretary to the Board



CREDIT RATING

Entity Ratings by PACRA

Long Term: AA-

Short Term: A1+

Rating Definition

Long Term Rating

AA: Very High Credit Quality. AA Ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable for foreseeable events.

Short Term Rating

A1+: Obligations supported by the highest capacity for timely repayment.



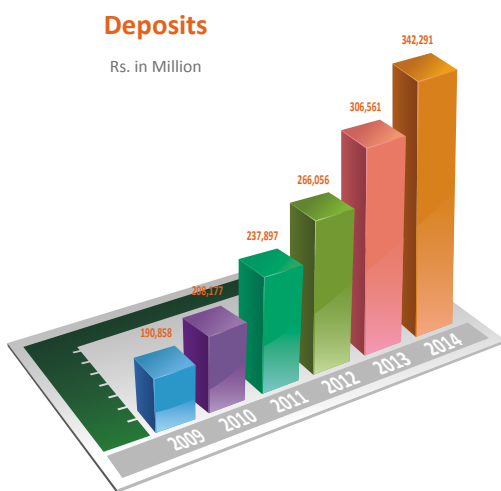
Criteria	2014	2013	2012	2011	2010	2009	
BALANCE SHEET							
Total Assets	Rs in m	420,370	352,698	332,111	280,998	229,190	216,670
Advances (net)	Rs in m	170,313	157,286	149,605	127,130	120,818	121,316
Investments	Rs in m	154,875	123,956	129,519	92,581	56,403	57,960
Shareholders Equity	Rs in m	15,256	12,577	10,733	10,135	2,947	5,531
Revaluation Reserve	Rs in m	4,071	905	1,638	638	721	645
Deposits	Rs in m	342,291	306,561	266,056	237,897	208,177	190,858
Borrowings	Rs in m	44,743	22,802	44,684	24,964	11,527	14,040
OPERATING RESULTS							
Markup/ return/ interest earned	Rs in m	29,522	24,228	24,666	20,685	18,220	15,642
Markup/ return/ interest expense	Rs in m	20,526	20,209	22,523	21,073	18,802	19,023
Net markup income	Rs in m	8,996	4,019	2,143	(388)	(582)	(3,381)
Non-markup based income	Rs in m	2,790	3,596	3,191	1,990	1,883	2,219
Non-markup based expenses	Rs in m	6,250	5,280	4,558	3,711	4,168	3,029
Provision against NPLs	Rs in m	1,119	(673)	(965)	(3,164)	560	9,242
Net profit/(Loss) before tax	Rs in m	4,307	3,001	1,404	523	(6,186)	(14,374)
Net profit/(Loss) after tax	Rs in m	2,787	1,938	1,634	348	(4,029)	(10,069)
OTHER INFORMATION							
EPS (Non dilutive)	Rs. Per share	1.94	2.34	2.63	0.66	(7.62)	(19.04)
Dividend - Cash	%	-	-	-	-	-	-
Dividend - Bonus issue-Interim	%	-	-	-	-	-	-
Dividend - Bonus issue-Final	%	-	-	-	-	-	-
No. of branches	No.	364	334	306	284	273	272
Staff Strength	No.	6,180	6,092	5,491	4,999	4,464	4,279
Break up value per share*	Rs. Per share	6.77	5.58	4.82	4.55	1.93	3.62

*including impact of share deposit money at par value.

GROWTH TRENDS

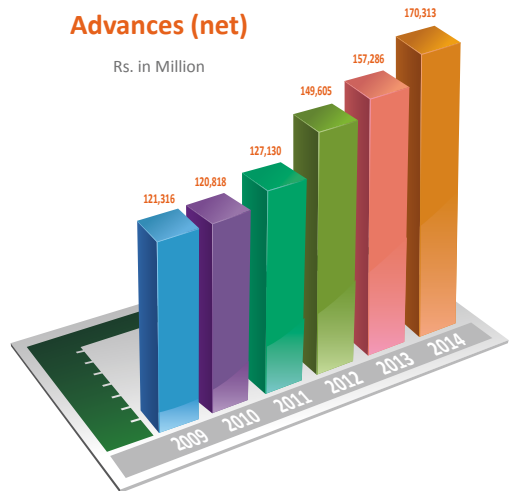
Deposits

Rs. in Million



Advances (net)

Rs. in Million



CASA

Rs. in Million



Investments

Rs. in Million



BOP
Life
Current Account

A Current Account for Life

All the benefits of a current account
with the added protection of
FREE LIFE INSURANCE

Free
ATM/Debit
MasterCard
Issuance &
Subsequent
Renewals

Free
Pay Orders
& Demand
Drafts

Free
Online
Banking
with myBOP.com.ph

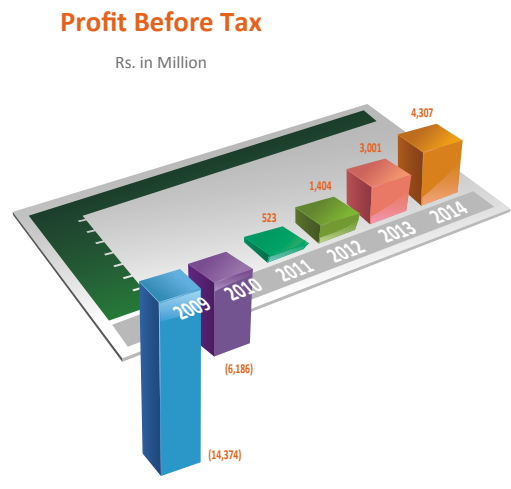
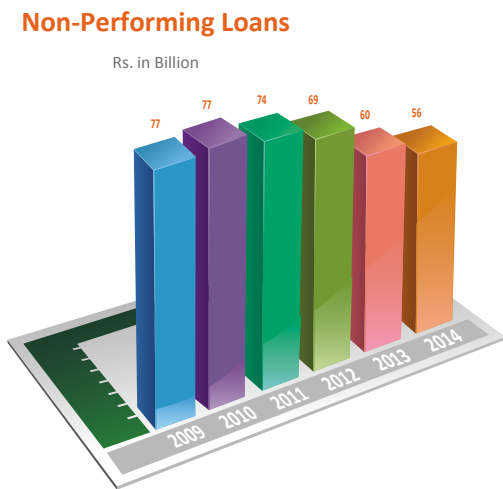
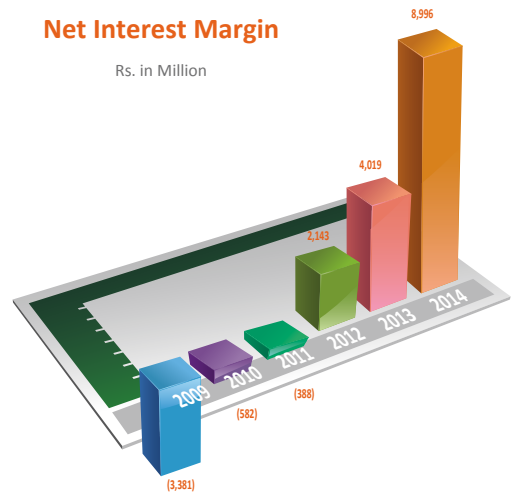
Free
Life
Insurance
with Natural,
Accidental Death
and Total Permanent
Disability Covers

For more information,
please call our 24/7 Phone Banking or visit your nearest BOP Branch
BOP Phone Banking: 111-245-200 www.bop.com.ph

BOP
THE BANK OF FUTURES

Passion Reborn

GROWTH TRENDS





37 branches

Our Rapidly Expanding Network of Branches

Alhamdulillah, The Bank of Punjab is pleased to announce the establishment of 37 Taqwa Islamic Banking branches. As we continue to grow our Taqwa Islamic Banking network, we remain committed to our ideals of excellence and service quality across The Bank of Punjab network.



BOP Phone Banking: 111-267-200

www.bop.com.pk

Passion Reborn



CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Bank of Punjab is fully aware of its obligations toward the society and acknowledges the fact that the growth of any organization depends upon its contribution toward the uplift of under privileged communities of society.

Accordingly, the Bank takes pride in development of programs specially designed and tailored to meet the requirements of under privileged communities across the country. Besides focusing the areas of education, sports, art & culture, health care and social welfare under its Corporate Social Responsibility (CSR) initiatives, special emphasis is given on women empowerment through specially designed products and services.

Key CSR initiatives taken by the Bank:

Social Development through Banking Services:

While expanding branch network and developing new products and services, every possible effort has been made to expand the Bank's outreach to un-banked areas of the country, to enable easy access of state of the art banking products and services to the residents of these areas. In order to achieve this end, several new branches have been opened in remote areas of the country in year 2014 with full functionality of online connectivity and complete range of products and services suitably tailored for them. The easy access to banking services in under developed areas shall go a long way in improving social life of the residents. Further, through specially designed credit lines of BOP, Agriculture and SME sectors in these areas shall get much needed boost.

The Bank fully acknowledges the role of women in the economic and social life of the country. Accordingly, every effort has been made to help women become more effective part of the society. Besides offering equal opportunity to women in all dealings of the Bank, specially designed products and services are also offered to encourage women empowerment. In order to inculcate habit of savings among the children and housewives, products like Young Lions Saving Scheme and Gharayloo Saving Scheme have been introduced. Women's Entrepreneur Finance Scheme (WEFS) has been specifically designed for empowering women and help them to contribute toward national economy.



Besides being a major contributing factor in country’s foreign reserves, remittances from abroad is the only source of cash flow for most of the beneficiaries. Accordingly, special and personalized services are offered to the recipients of Home Remittance Proceeds.

The Bank of Punjab has played an instrumental role in supporting Government of Punjab (GoPb) initiative for providing vehicles for commercial use to educated unemployed youth. Accordingly, process for financing 50,000 vehicles under GoPb youth initiative has been started which will not only provide source of income to educated unemployed youth but also improve transportation services in the country.

Disbursement of Financial Assistance to Flood Victims:

The devastating flood in year 2014 had completely destroyed the social and economic lives of thousands of fellow countrymen across Punjab. In order to rehabilitate and help them to re-organize their lost social and economic lives, a gigantic task to provide financial assistance to them, under initiative of Government of the Punjab, through the branch network of The Bank of Punjab was successfully completed in a very short period of time and in a fully transparent manner.

Culture, Sports and Heritage:

The Bank fully recognizes the importance of culture, sports and heritage in the social life of the peoples. Accordingly, Bank generously supports the activities promoting the culture, sports and heritage in the country. Besides sponsoring different sports events across the country, the Bank also extends financial support to the cultural events at the Regional levels.

Environment Protection and Energy Conservation:

The persistent energy crisis in the country has made it obligatory for every individual and organization to play its role in preserving energy. Accordingly, every effort is being made to keep energy consumption at barest minimum level and ensure effective utilization of day light. Further, the generators are being used rationally to avoid pollution and help curtail fuel consumption.

The Bank also realizes the financing needs to help produce alternative energy. Besides facilitating large scale projects, the Bank has introduced Solar Penal financing scheme with an objective to reduce energy woes of common man and help produce low cost environment friendly energy.

Special Care for Special Persons:

Besides offering personalized and priority services to the senior citizens, the Bank ensures hazard free services to the special persons visiting the Bank. Separate counters have been established for senior citizens in line with the directives of Government of Pakistan and State Bank of Pakistan.



As your Bank celebrates the auspicious occasion of its Silver Jubilee, it is considered imperative to take all our patrons into confidence as regards to the strategies and future initiatives of the Management and to proactively take stock of future prospects.

It gives me immense pleasure to report that the Bank has shown exceptional results in terms of growth in profitability and strengthening of its balance sheet, while continuous expansion in different banking ventures as well as its outreach to new areas gives a very prospect future ahead. The financial results for year 2014 portray significant improvement in operational bottom line through prudent lending and substantial rise in low cost deposits. Being the first priority, recovery of inherited non-performing loans always remained the corner stone of the strategy of the Management. In this regard, all possible measures have been taken, including legal battles both in courts of the country and abroad to recover every penny of public money and I assure that the Management shall always remain resolute in this respect.

While implementing restructuring and image building strategies side by side, the Management also remained fully focused on revamping and effective implementation of the business strategies. On the behest of conscious efforts of the Management to take the BOP brand name to every corner of the country to ensure provision of banking services to every citizen, a well chalked out expansion plan has been put in place in earnest with a view to expand the Bank's outreach, especially in un-banked areas of the country. Besides equipping the branches with latest technology and backup connectivity support, ATM network has been substantially enhanced to meet 24/7 banking requirements of the clients. Debit MasterCard has also been launched with features of Point of Sale (POS) transactions and withdrawal through local and international ATMs. With the services of utility bills collections through ATMs, SMS Banking and Phone Banking successfully rolled out, the Bank would be launching Branchless Banking services, shortly.

The Bank whole heartedly supports the initiatives taken by the Government of the Punjab (GoPb) to uplift the under privileged segments of the society. Besides playing a pivotal role in wheat procurement for GOPb throughout the past several years, the Bank stood shoulder to shoulder with GOPb and dedicated its resources in fastest disbursement of financial assistance to the flood victims in most transparent manner. In recognition of sizeable contributions of foreign remittances in country's exchequer, personalized services are being offered to the beneficiaries of remittances under the Government of Pakistan Remittance Initiative (PRI).

The Management never had any doubt that any restructuring would only yield results if the culture of merit and transparency, with no room for slackness, is adopted across the organization as a trademark. The Management has been taking pride in investing in human resource, with best resource being made available, trained, nurtured and equipped with latest tools of modern banking to serve the Bank in all facets of operations. As a result of imparting scores of specially tailored and designed in-house and outsourced training courses, seminars and workshops, the Bank's Management has been able to empower its human resource for achieving excellence in banking services. By putting in place a transparent reward system and a policy of zero tolerance towards corrupt practices and malicious intents, the Management has been successful in promoting a healthy competitive environment and inculcating a true professional spirit among the staff members.

To provide with its customers' demands, the Bank successfully launched its Islamic Banking Operations in the year 2013 under the brand name of "Taqwa Islamic Banking" to provide Riba free banking solutions to its customers. Through "Taqwa Islamic Banking" a range of Shariah Compliant products and services are being offered to the clients. The Management has a plan to further expand Islamic banking network, in future.

In order to cater the changing requirements of internal control regime and ensure effectiveness of controls, a comprehensive mechanism has been implemented to ensure compliance with Guidelines and Regulations of State Bank of Pakistan and Securities and Exchange Commission of Pakistan.

The Management is fully cognizant of the growing technological requirements and to that end, the Bank has signed an agreement for procurement of Flexcube Core Banking System (CBS), one of the world's leading CBS. Besides improving all facets of Bank's operations, the implementation of CBS shall enable the bank to offer new range of products and services and serve its valued clients in a highly efficient manner.

Besides giving a new outlook to the Bank and exhibiting an image of modern corporate entity, the Management extensively invested in the image and perception building measures through advertisements and sponsorships. The Management has always realized its corporate social responsibilities and perceives it not only as a means to fulfill its obligations towards the society but also to improve the Bank's image by sponsoring sports, culture and art across the country.

The Bank has achieved many milestones in the last few years and has started its journey towards success. However, the Management has a keen eye on the future challenges and strategies are being continuously reviewed and revamped to ensure that Bank embraces all future challenges and is geared to withstand any pitfalls on the road to greatness. The Management would continue to ensure committed and concentrated efforts to achieve desired targets and earn the laurel of being one of the top banks of the country, in very near future.

While appreciating the continuous support provided by Government of the Punjab and State Bank of Pakistan, I also wish to thank the Board of Directors for their valuable guidance and our staff for their dedicated hard work.

Naeemuddin Khan
President

One card, endless possibilities



The Bank of Punjab Debit Card - backed by the power of MasterCard and designed for your convenience. The BOP Debit MasterCard makes it easy to use your current or saving account to pay for purchases or withdraw cash from ATMs. Accepted at thousands of ATMs and retail outlets in Pakistan and millions more around the world, this is truly the only card you will ever need.



BOP Phone Banking: 111-267-200

www.bop.com.pk

BOP
THE BANK OF PUNJAB

Passion Reborn

Economic Review



After several years of economic uncertainty, lack of much needed structural reforms and low economic growth, the macroeconomic indicators remained positive in the FY14. The major factors contributing in the marked improvement of macroeconomic indicators in the FY14 were the Extended Fund Facility from International Monetary Fund (IMF), substantial improvement in the FOREX reserves of the country, unprecedented appreciation in the PKR, reduction in fiscal deficit and lowering of inflation rate. The Government efforts to curtail the fiscal deficit yielded more than expected results as the same remained at the level of 5.5% as compared to targeted fiscal deficit of 6.5% for FY14.

However, despite positive macroeconomic indicators and Government's initiatives, the energy sector continued to struggle and remained one of the major obstacles in the economic growth of the country. Further, despite Government intentions, the goal of re-structuring Public Sector Enterprises (PSEs) could not be achieved and PSEs remained a fiscal burden for the Central Government.

During the FY14, real GDP growth was 4.1% as compared to 3.7% in FY13, which is below the targeted growth but well above and much more balanced as compared to GDP growth for FY13. The Agriculture sector grew by a mere 2.1%, falling well below the targeted growth of 3.8%. The main reason for this descending growth was devastating floods, fall in minor crops and below targeted growth in livestock sector. The Industrial Growth remained above target with growth of Large Scale Manufacturing (LSM) remaining at 3.9% and the bulk of LSM growth came from the sugar, beverage and fertilizer sectors. The service sector grew by 4.3% in FY14 as compared to 4.9% in previous year. This has been primarily on account of lower value addition by finance & insurance and a sharp fall in general government services. Further, the Government services grew by 2.2% as against a hefty

growth of 11.3% in the FY13.

During the FY14, CPI inflation remained at the level of 8.6% which is well below the initial projection of 11% to 12% by State Bank of Pakistan. The major factors that kept the inflation under check were reduction in petroleum prices, appreciation in PKR and improvement in supply of wheat and perishable food items.

Although the overall profitability of Banking Sector improved in FY14 but contribution of the same towards the uplift of the economy remained below par due to lack of investment opportunities, deteriorating re-payment capacity of borrowers and persistent energy crises. The Non-Performing portfolio of the Banking industry continued its upward trend with overall volume of NPLs portfolio of the Banking industry remained above Rs. 600 billion.



In November 2014, policy rate was reduced by 50 basis points and further reduction by 100 basis points in January 2015, in line with decline in CPI inflation rate, is expected to provide much needed impetus to the economic activities. As witnessed during year 2014, the economic policies of the government have started yielding results. Accordingly, the future outlook of Pakistan's economy is expected to be positive on account of declining inflation, better law and order situation, improved investors' confidence and macroeconomic & structural reforms initiated by Government.



The Board of Directors is pleased to present the 25th Annual Report of The Bank of Punjab together with the audited Financial Statements and Auditors' Report thereon for the year ended December 31, 2014.

Performance at a Glance

During the year 2014, the Bank continued to maintain its growth trend despite extremely challenging environment and registered impressive growth in all facets of operations. The management has been able to bring greater competitive strength and diversity into Bank's several businesses while ensuring availability of high quality service to its valued customers. Owing to the stringent measures taken, the confidence of the stakeholders has been fortified and all endeavours are focused on ensuring a robust trajectory of growth in the years ahead.



During the year 2014, the focus on growing the CASA portfolio was backed with numerous strategic and marketing initiatives. On one hand, the product lines were revamped with value added features to attract new clientele, while 30 new branches were opened during 2014, with major presence in remote areas of the country taking the overall tally of branch network to 364. Accordingly, the Deposits increased to 342,291 million as against Rs. 306,561 million as of December 31, 2013, with rise of 23% in low cost CASA Deposits.

During the year, the Bank pursued prudent lending to clients with strong credit repayment capacity, while ensuring an effective credit appraisal process. The Gross Advances of the Bank as on

December 31, 2014 stood at Rs. 197,122 million as against Rs. 182,961 million as on December 31, 2013. The Bank also vigorously followed set strategies for NPLs reduction and, despite numerous impediments, successfully achieved a reduction of Rs.4,311 million during the year 2014. Resultantly, the Non-Performing Loans stood at Rs. 55,650 million as against Rs. 59,961 million last year. The Management is committed to continue its endeavors to recover each penny of public money.

Bank's Investments & Lending to Fls stood at Rs. 187,623 million as on December 31, 2014 as against Rs. 135,364 million as of December 31, 2013. In order to attain improved risk profile, the major concentration remained in Government Securities.

During the year 2014, Total Assets increased to Rs. 420,370 million as against Rs. 352,698 million as at close of the last year, thereby depicting a rise of 19%.

As at the close of the year 2014, net advances aggregating to Rs. 21,681 million requiring additional provision of Rs. 20,689 million have not been subjected to provisioning criteria as prescribed in SBP prudential regulations in view of the relaxation provided by SBP on the basis of two Letters of Comfort (LOCs) issued by the Government of the Punjab, as explained in Note 1.2 of the financial statements. As highlighted in Bank's business plan, the management believes that Bank would be able to provide for these NPLs/ recover them within next 2 to 3 years, as it is already successfully achieving growth and profitability targets.

During the year, the Bank was able to post a pretax profit of Rs. 4,307 million as against Rs. 3,001 million for year 2013, thus registering an increase of 44%. The Operational Profit improved to Rs. 2,619 million as against Rs. 256 million during year 2013 thereby registering significant growth.

Despite comparatively higher policy rate of central bank and prevalent minimum profit regime implemented by State Bank of Pakistan on saving bank deposits, your Bank successfully managed reduction in cost of deposits through hefty growth in CASA deposits. Similarly, the reduction in Non-Performing Loans and prudent fresh lending also made significant contribution. The Net Interest Margin (NIM) for the year 2014 thus increased to a level of Rs. 8,996 million, including refund of Rs. 2,129 million received from Government of the Punjab (GOPb) on account of mark-up paid on share deposit money, as against Rs. 4,019 million during preceding year registering an increase of 124%.

The Bank's Treasury effectively managed the movements in interest rate scenario and money market opportunities, while earning an amount of Rs.667 million on account of Capital Gains during year 2014. The Non-Mark-up/Interest Income of the Bank remained at the level of Rs. 2,790 million. Consequent upon implementation of stringent austerity measures, the operating expenses remained in line with the increase in business volume and expansion in Branch network.

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Financial Highlights

	Rs. in Million
Profit after taxation	2,787
Accumulated losses b/f	(11,251)
Transfer from surplus on revaluation of fixed assets (net of tax)	10
Transfer from surplus on revaluation of fixed assets on disposal	(1)
Transfer to statutory reserve	(557)
Actuarial gains on re-measurement recognized	3
Right shares issue cost	(104)
Accumulated losses c/f	(9,113)
Earnings per share-Rupees	1.94

Capital Adequacy and Minimum Capital Requirements

As at December 31, 2014, paid-up capital, reserves (net of losses) including share deposit money, as allowed by SBP, of the Bank amounted to Rs. 15,256 million and the Capital Adequacy Ratio (CAR) stood at 10.20% under Basel III reporting framework against regulatory requirement of 10%.

During the year 2011, GOPb, being majority shareholder, in order to support capital structure of the Bank, deposited Rs. 7,000 million as advance subscription money, in addition to Rs. 10,000 million deposited in year 2009 against future issue of shares by the Bank. Accordingly, during the year 2013, in the first phase, the Bank issued Right Shares of Rs. 5,000 million (99.53%) at a discount of Rs 0.5 per share. Subsequently, in the

second phase, the Bank has issued right shares of Rs. 5,000 million (47.39%) at par value during year 2014.

In order to further support capital structure of the Bank, during the year 2014, GOPb has extended a subordinated loan of Rs. 2.0 billion for a period of 7 years.

Nevertheless, the GOPb being majority shareholder and sponsor of the Bank, has also extended its commitment to support and assist the Bank in ensuring that it remains compliant with the regulatory requirements at all times.

Human Resource Management

BOP's Human Resource Management is based on a strategic and coherent approach for management of the Bank's most valued asset-its people, who individually and collectively contribute to the achievement of objectives of the Bank. The Bank strongly recognizes that its future success is dependent on the ability to attract, motivate and retain highly talented people. The Bank has put an effective Human Resource Management system in place, based on the principles of merit, with a view to maximize the potential of its human resources. The Bank provides a healthy and challenging working environment thus encouraging the staff to unleash their talent. Besides conducting regular training sessions at Bank's Learning and Development Centre, participation of staff in different training courses and seminars is ensured to equip them with latest tools of trade. Bank's performance appraisal system has been designed in a manner to evaluate the performance objectively and ensure fairness.

Risk Management Framework

Risk management is a structured and disciplined approach aligning strategy, processes, people,



technology and knowledge for evaluating and managing uncertainties that an organization faces as it creates value. The Bank's risk management strategy is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring. The policies and procedures established for this purpose are continuously benchmarked with best practices & SBP guidelines.

The Board of Directors of the Bank is primarily responsible for laying down risk parameters and establishing an integrated risk management and control system. The Bank's Board approved Risk Management policies and has also set out exposure limits taking into account the risk appetite of the Bank and the skills available for managing the risks. The Board of Directors is supported by "Board Risk Management Committee" in this respect.

The Bank's Management has introduced a holistic approach towards implementation of effective risk management framework and has been engaged in extensive and detailed evaluation and assessment of risk management framework in all areas of banking operations in line with the strategic direction set by the Board of Directors.

The credit risk mechanism consists of policies and procedures that ensure credit risk is measured and monitored both at account and portfolio levels. The Bank has standardized and well-defined approval processes for all credit proposals to minimize the credit risk associated with them. The Bank has also developed credit rating models and the entire credit portfolio of the Bank is subject to internal credit rating. The Bank continuously monitors portfolio concentrations by borrower, groups, industry, geographic locations, etc. and constantly strives to improve credit quality and maintain a risk profile that is diverse in terms of borrowers, products, industry type and geographic location.

The overall responsibility of managing the market risk rests with the Market Risk Management Committee (MRMC). The Committee meets regularly and decides on the size, mix, tenor, pricing and composition of various assets and liabilities. It is primarily involved in identification, measurement, monitoring and

management of liquidity and interest rate risks. It uses tools such as Ratio analysis, Gap analysis, Interest Rate Sensitivity etc. for management of liquidity and interest rate risks.

Comprehensive systems and procedures have been put in place for managing Operational Risk. All new products introduced by the Bank pass through an approval process to identify and address operational risk issues.



Information Technology

Information technology has been the cornerstone of financial sector reforms aimed at increasing the speed and reliability of financial operations and of initiatives to strengthen the banking sector. The Bank fully acknowledges the role and importance of Information Technology in the modern banking. The Bank has a network of 364 online branches along with 223 ATMs to help customers enjoy the convenience of 24/7 banking services. The branch network has been provided with backup connectivity arrangements to ensure uninterrupted online services to the clients. Further, the Bank has a comprehensive IT Security Policy to ensure safety of customers' data and facilitate execution of banking transactions in a secured environment. A Disaster Recovery Site has also been established in line with the Business Continuity Plan of the Bank. In order to assist the management in decision making, a robust Management Information System has been made available by the Bank's IT Division.

In order to further strengthen its core banking operations, the Bank has signed an agreement for procurement of Flexcube Core Banking System (CBS), one of the world's leading CBS. Besides improving all

facets of Bank's operations, the implementation of core banking software shall enable the Bank to offer new range of products and services.

Special Assets Management (SAM)

The Special Assets Management Division of the Bank has been entrusted with the task of early recovery/regularization of Non-Performing Loans (NPLs) portfolio. In this regard, a comprehensive strategy has been implemented to recover and restructure the NPLs by ensuring adherence to the Bank's Approved Credit Policy Manual, SBP guidelines and Prudential Regulations.

With a view to make the recovery exercise of NPLs result oriented, the Management, apart from conventional recourse available for resolution in and outside the Court, has also initiated search and attachment of defaulters' hidden assets to hound them to come to table of negotiations for amicable settlement. Apart from placement of defaulters' names on ECL, the Bank has also initiated legal actions against the defaulters under National Accountability Ordinance, 1999 and FIA Act, 1974. On the initiative taken by the Bank's Management, NAB and FIA have commenced investigations against several defaulters and it is expected that their efforts would yield result in near future.

Branch Network

In order to enhance the Bank's outreach, especially in under privileged areas, the Bank has opened 30 new Branches during year 2014. The Branch network of the Bank has now reached at 364 branches providing efficient services to valued clients, while opening of 40 branches and 4 sub-branches have been planned for year 2015.

Islamic Banking

The Islamic Banking Operations started in the year 2013 under the brand name of "Taqwa Islamic Banking" has also grown substantially during the year 2014 with total number of Islamic Banking Branches enhanced to 37. Through "Taqwa Islamic Banking", a complete range of Shariah Compliant products and services is being offered to the clients. In order to capitalize on expanding Islamic Banking market, product lines, including Shariah Compliant financing products, are being designed and revamped to meet the requirements of every client.

The Bank shall continue to strengthen and enhance the Islamic Banking network with a view to generate low cost deposits through attractive Shariah Compliant products and services. Further, Bank will encourage financing to clients with good market reputation under Shariah Compliant products to help boost Bank's gross spread/profitability.



Payment Services

With an objective to meet the payment requirements of Bank's Corporate, Commercial and Retail Customers under one umbrella, following key functions have been clubbed as Payment Services:

- Cash Management
- Financial Institutions
- Trade Marketing
- Home Remittances
- Alternate Distribution Channels
- Branchless Banking

The Payment Services Group is offering full range of products and services specially tailored and designed to meet the requirements of each group of customers. The Bank is offering full range of products and services to enhance client's liquidity. These services broadly include making collections and disbursements for the companies, liquidity management, providing information (MIS) and managing commercial electronic banking activities. The solutions being offered by the Bank are fully customizable and enhancing clients' working capital efficiency.

The Bank has also taken initiatives under Alternate Distribution Channels (ADC) to provide different services to its valuable clients. The Bank has successfully introduced following services:

- BOP Debit MasterCard
- BOP Phone Banking & Complaint Management Unit
- Enterprise wide Customer Relationship Management (CRM) Solution
- CTI/Contact Centre Solution
- SMS Banking
- Utility Bills Payment System
- POS Acquiring Network



آپ کے کاروبار کے لئے بہترین کرنٹ اکاؤنٹ



BOP کا تجارت کرنٹ اکاؤنٹ آپ کو نہ صرف بینکنگ کی متعدد سہولیات فراہم کرتا ہے بلکہ بینک سے آپ کے روابط کو بے حد آسان بھی بناتا ہے۔ آپ کے کاروباری اثاثوں اور رقم نکالنے پر مفت انشورنس کے ساتھ مالی مفادات کو محفوظ فراہم کرتا ہے تاکہ آپ پورے اطمینان سے کاروبار کر سکیں۔ تمام مفت خدمات 25,000 روپے یا اس سے زائد رقم اوسط بیلنس برقرار رکھنے پر فراہم کی جائیں گی۔



The following new initiatives/projects are in progress and are expected to be made operational during year 2015:

- Branchless Banking
- Prepaid Cards
- Internet Banking
- Mobile Banking

Home Remittances

The Bank is managing a huge volume of transactions related to payment of Home Remittances through its nationwide network. The Bank, through its online system, is ensuring efficient handling of transactions. During the year 2014, the Bank handled over 1.0 million home remittance transactions aggregating to Rs. 43.2 billion.

Wheat Procurement Program

During the year 2014, the Bank successfully managed syndicated financing arrangement to the tune of Rs. 96.1

billion for wheat procurement program of the Government of the Punjab as "Lead Arranger".

Financing for Self Employment Scheme for Educated Unemployed Youth

The Bank has played an instrumental role in supporting Government of the Punjab (GoPb) initiatives for creating employment opportunities. In this regard, process for financing 50,000 vehicles under Apna Rozgar Scheme has been started which will not only provide source of income to educated unemployed youth but also improve transportation services in the country.

Internal Controls

The Board of Directors of the Bank has overall responsibility for ensuring existence of an adequate and effective system of internal control that is designed to manage the Bank's risks within an acceptable risk profile. The Board is pleased to endorse the Statement on Internal Controls including management's evaluation of ICFR made by the management, which is included in the annual report.

Statement of compliance with Corporate and Financial Reporting Framework

The Directors are pleased to give the following statement in respect of Code of Corporate Governance:

- The financial statements, together with notes thereon have been prepared in conformity with the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984. These Statements present fair state of affairs, the result of its operations, cash flows and changes in equity and comprehensive income. Proper books of account of the Bank have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- All the statutory liabilities, if any, have been adequately disclosed in the financial statements.
- Dividend has not been declared for the year in order to strengthen the equity base and to comply with regulatory requirements.
- Value of investment of Staff Provident Fund and Gratuity Fund, based on latest audited accounts is Rs. 1,724,457 thousand & Rs. 283,185 thousand, respectively.
- Statement showing pattern of shareholding as on December 31, 2014 is disclosed at page No. 224 of the Annual Report.



- International Accounting and Financial Reporting Standards and Islamic Financial Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there-from has been adequately disclosed in the Annual Accounts. The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no significant doubt upon the Bank's ability to continue as a going concern.
- Statement showing key operating and financial data for the last six years is disclosed at page No. 11 of the Annual Report.
- Statement of compliance with code of corporate governance is presented at page No. 33 of the Annual Report.
- During the year, 11 meetings of Board of Directors were held with following attendance:

Name of Directors	No. of Meetings	Replaced/ Retired
Mr. Ghafoor Mirza	9	
Mr. Naeemuddin Khan	11	
Mr. Javaid Aslam	1	
Mr. Mohammad Jehanzeb Khan	5	
Mr. Tariq Mahmood Pasha	5	Replaced
Khawaja Farooq Saeed	11	
Mr. Saeed Anwar	8	
Dr. Umar Saif	3	
Syed Maratib Ali	6	
Mr. Omar Saeed (*)	1	

(*) Elected in the EOGM held on 17-06-2014.

- During the year, 5 meetings of Central Audit Committee(CAC) of Board of Directors were held with following attendance:

Name of Directors	No. of Meetings
Khawaja Farooq Saeed	5
Mr. Tariq Mahmood Pasha	4
Mr. Saeed Anwar	5

- During the year, 4 meetings of Board Risk Management Committee (BRMC) of Board of Directors were held with following attendance:

Name of Directors	No. of Meetings
Syed Maratib Ali	4
Mr. Tariq Mahmood Pasha	4
Mr. Saeed Anwar	4

- During the year, 3 meetings of Human Resource & Remuneration Committee (HR & RC) of Board of Directors were held with following attendance:

Name of Directors	No. of Meetings
Mr. Mohammad Jehanzeb Khan	3
Khawaja Farooq Saeed	3
Dr. Umar Saif	2
Mr. Naeemuddin Khan	3

* Mr. Tariq Mahmood Pasha attended 14th HR&RC meeting on special invitation.

- During the year, two Directors completed Directors' Training Program conducted by Institute of Chartered Accountants of Pakistan.

Credit Rating

The improvement in Bank's financial health has been duly acknowledged by M/s Pakistan Credit Rating Agency (PACRA) by maintaining long term and short term ratings of AA- and A1+, respectively, with stable outlook.

As per standard rating scale and definition "AA" long term rating denotes a very low expectation of credit risk. It indicates a very strong capacity for timely payment of financial commitments not significantly vulnerable to foreseeable events. Similarly, "A1+" short term rating denotes obligations supported by the highest capacity for timely repayment.

Subsidiary

Punjab Modaraba Services (Pvt) Limited, Bank's wholly owned subsidiary, is managing First Punjab Modaraba. The net assets of the subsidiary stood at Rs. 29.947 million at the year-end as against Rs. (24.141) million on December 31, 2013.



Outlook for the year 2015

During the year 2015, the Bank would continue to follow the comprehensive strategies of business expansion, improvement in asset quality, procurement of low cost deposits, strengthening of internal controls, bringing efficiency to control costs, technological developments, rebuilding of brand image and strengthening the capital base.

Auditors

The retiring auditors M/s M. Yousuf Adil Saleem & Co., Chartered Accountants, a member firm of M/s Deloitte Touche Thomatsu Ltd., being eligible, have offered themselves for reappointment for the year ending December 31, 2015.

The Board of Directors, on the suggestions of Audit Committee, recommended the above firm as statutory auditors of the Bank for year 2015.

Acknowledgement

I would like to acknowledge and appreciate the guidance and support from Government of the Punjab and the State Bank of Pakistan. We appreciate our valued customers and respected shareholders for their support, trust and confidence reposed in our Bank. We also wish to thank all our employees for their dedicated work and contribution towards the growth of the institution.

Ghafoor Mirza
Chairman



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Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance issued by the Securities & Exchange Commission of Pakistan also contained in Listing Regulations of all Stock Exchanges in Pakistan where the shares of The Bank of Punjab (the Bank) are listed, for the purpose of establishing a framework of good governance, ensuring compliance with the best practices of corporate governance.

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

1. The Bank encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes three independent and five non-executive directors.

Category	No.	Names
Independent Directors	3	1. Khawaja Farooq Saeed 2. Mr. Saeed Anwar 3. Mr. Omar Saeed
Executive Directors	1	1. Mr. Naeemuddin Khan
Non-Executive Directors	5	1. Mr. Ghafoor Mirza 2. Mr. Javaid Aslam 3. Mr. Mohammad Jehanzeb Khan 4. Dr. Umar Saif 5. Syed Maratib Ali

The independent directors meet the criteria of independence under clause i (b) of the Code.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Bank.
3. All the directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The vacancy occurring on the Board due to retirement of elected director on 30.09.2013 was filled through Election of Directors in the Extra-Ordinary General Meeting of the Bank held on 17.06.2014.
5. Bank has prepared a Code of Conduct and appropriate steps have been taken to disseminate it throughout the Bank and put on the Bank's website.
6. The Board has developed a mission statement and overall corporate strategy. The Board has also developed significant policies of the Bank and a complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions have been taken by the board.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose 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, except in circumstances where emergent meetings are called or where time frame does not allow to serve notice/agenda to meet seven days requirement. The minutes of the meeting were appropriately recorded and circulated.

9. The Board has appropriate arrangements in place for orientation of its directors to apprise them of their duties and responsibilities. Two directors attended the training program during the period under review.
10. The officers having positions of CFO, Company Secretary and Head of Audit were appointed prior to the implementation of Code of Corporate Governance.
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 Bank 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 Bank other than that disclosed in the pattern of shareholding.
14. The Bank has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises of three members, of whom one is non-executive director and the Chairman and other member of the Committee are independent directors.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Bank and as required by the CCG. The Charter of the Audit Committee has already been formed and approved by the Board.
17. The board has formed a Human Resource & Remuneration Committee. It comprises of four members, of whom one is Independent director and the Chairman & one other member of the Committee are non-executive Directors. President/CEO in his Ex-Officio capacity is an Executive Director/Member.
18. The board has set up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Bank and are involved in internal audit function on full time basis.
19. The statutory auditors of the Bank 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 Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Bank's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with except for the following, where the corresponding provision(s) of The Bank of Punjab Act, 1989 have been complied.

Reference Clauses from Code of Corporate Governance

- (iii) Any casual vacancy in the Board of Directors of a listed company shall be filled up by the Directors within 90 days thereof.

- (vi) The Chairman shall be elected from among the non-executive directors of the listed company.

Corresponding Provisions of The Bank of Punjab Act - 1989**Section 14**

A Director appointed by the Government, other than President, shall hold office during the pleasure of Government.

Section 15(1)

Any vacancy occurring on the Board by the death, resignation, removal or disqualification of any Director shall be filled by the remaining Directors, who shall co-opt a duly qualified person to fill the vacancy:

Provided that where a vacancy occurs in the office of a Director appointed by the Government, the vacancy shall be filled only by appointment by the Government.

Section 10(2)

The Chairman of the Board shall be nominated by the Government from amongst official Directors.

Further, in terms of Section 10(3), the Chairman shall preside over the meetings of the Board and shall have a casting vote, but he shall not exercise any executive authority or powers.

For and on behalf of the Board

Naeemuddin Khan
President/CEO



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REVIEW REPORT TO THE MEMBERS

On Statement Of Compliance With The Best
Practices Of The Code Of Corporate Governance

M. Yousuf Adil Saleem & Co.

Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
Karachi-75350
Pakistan

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Fax: +92 (0) 21-3454 1314

Web: www.deloitte.com

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of The Bank of Punjab (the Bank) to comply with the Regulation G - 1 of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan and Listing Regulation No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges Limited, where the Bank is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Bank's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Bank personnel and review of various documents prepared by the Bank 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 control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

Further, Sub Regulation (X) of Listing Regulation 35 notified by the Karachi, Lahore and Islamabad Stock Exchanges Limited requires the Bank to place before the Board of Directors for their consideration and approval related party transactions, distinguishing between transactions carried out on terms equivalent to those

that prevail in arm's length transactions and transactions which are not executed at arm's length price, 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 requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken 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 does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended December 31, 2014.

We draw attention to paragraph 4 of the statement reflecting the instance of non-compliance regarding requirements in respect of filling the vacancy of elected directors within 90 days.

M. Yousuf Adil Saleem & Co.

Chartered Accountants

Engagement Partner:

Nadeem Yousuf Adil

Dated: March 27, 2015

Place: Karachi

SHARIAH ADVISOR'S REPORT

By the grace of Allah, The Bank of Punjab (Islamic Banking Division) has completed its 2nd year of Islamic commercial banking. During this year IBD introduced its new brand name "Taqwa" Islamic Banking.

An impulsive expansion plan of IBD branch network has been successfully completed and during the year eleven new branches have opened and nineteen branches of conventional banking have converted into Islamic Banking. Moreover, during this year, the bank executed a number of structured transactions after approval of Shariah Advisor.

Training & Development

During the year under review, Taqwa Islamic Banking has arranged various sessions related to Islamic Banking products and approximately more than eighty employees attended these sessions. Moreover, more than twenty employees attended training session conducted by NIBAF and other reputed Islamic Banking Training institutes.

As the Bank plans to increase its branch network and induct new employees, the Bank needs to ensure adequate training related to Islamic banking products and services offered by the Bank especially to those employees dealing directly with customers.

Review of Assets

Taqwa Islamic Banking primarily used Diminishing Musharaka, Ijarah, Murabaha, and Sukuk for its financing/investment activities during the year. Diminishing Musharaka being 13.89%, Ijarah 5.64%, Murabaha being 2.48%, Sukuk 22.36%, and Treasury Placement 55.63% respectively at the end of the year.

Review of Liabilities

On the liability side, the Taqwa Islamic Banking offered a variety of Shariah-compliant deposit products based on the modes of 'Mudarabah' & 'Qarz'.

Charity

An amount of Rs. 20,117 has been disbursed from the Charity Account.

Recommendations

Based on the review of various transactions, following are some areas which need attention of the management:

1. BOP-IBD's IT system should be strengthened to accommodate the new Islamic Financing Products and pool management system.
2. As BOP-Taqwa Islamic banking has converted a handsome number of conventional branches into Islamic Banking branches, there should be more emphasis on training and development to build the aptitude of all staff members towards Islamic Banking.
3. Due care should be taken while appointing new staff members for Islamic Banking Branches ensuring that the new recruits are inclined /committed to the ideology of Islamic Banking.
4. Workshop/seminars on Islamic banking may be organized for customers and general public to improve the general perception of Islamic banking.
5. Strategy for replacement of conventional insurance of Branch premises, lockers, cash etc with Islamic system shall be made as soon as possible.
6. Employment contracts, Staff Health Insurance, retirement benefits and staff finances of the employees working under Taqwa Islamic banking should be reviewed and brought in line with Shariah rulings available in the matter.

Shariah Audit & Compliance Reviews

The Bank of Punjab (Islamic Banking Division) gives overriding consideration to Shariah-compliance with a policy of no compromise on Shariah principles. It is responsibility of the Bank's Management to ensure that the branches work in accordance with the rulings and principles of Islamic Shariah. Shariah Review conducts examination of the operations of IBD and IBBS' transactions including but not limited to Deposit Mechanism, profit distribution, financing products documentation and procedures on a test basis. The review was carried out in order to obtain all information and explanations deemed necessary for the purpose of obtaining reasonable assurance that the BOP-IBD did not violate the rulings and principles of Islamic Shariah, providing a reasonable basis for a considered opinion.

Conclusion

As per the requirement of the SBP, it is mandatory for the management and employees to ensure application of

Shariah principles and guidelines issued by the Shariah Advisor and to ensure Shariah-compliance in all activities of Islamic Banking. The prime responsibility for ensuring Shariah-compliance of the Islamic Banking operations lies with the management.

Based on the Shariah reviews of sample cases for each class of transaction, related documentation, processes, the profit distribution mechanism for the depositors and management's representation made in this regard, it is my opinion, that the transactions carried-out by BOP-Taqwa Islamic Banking during the year, comply with the principles of Islamic Shariah in light of the guidelines and directives given by the Shariah Advisor of BOP-IBD and SBP guidelines related to Shariah-compliance.

May Allah bless us with the best Taufeeq to accomplish His cherished tasks, make us successful in this world and in the hereafter, and forgive our mistakes.



Dr Muhammad Mushtaq Ahmed

Shariah Advisor
The Bank of Punjab-IBD



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- Free life insurance of Rs. 500,000 (on maintaining minimum monthly balance of Rs. 50,000)
- Free collection of outstation cheques (up to 3 gross salaries in a month)
- Advance salary loan facility



Statement of Internal Controls

The Management of The Bank of Punjab (the "Bank") acknowledges its responsibility for establishing and maintaining an adequate and effective system of internal control to provide reasonable assurance to achieve the following:

- Efficiency and effectiveness of the operations;
- Reliability of financial reporting;
- Compliance with applicable laws and regulations.

The internal control system encompasses policies and procedures relating to all processes, products and activities of the bank's operations. All significant policies and procedural manuals are in place, which are reviewed, revised, and improved to keep them current with latest activities and challenges.

Compliance & Internal Control Division (C&ICD) has been entrusted with remediation of internal control deficiencies and maintaining the system on an ongoing basis. C&ICD also ensures implementation of control design improvements recommended by Internal Audit & RAR Group (IA&RAR), SBP and External Auditors. The IA&RAR, independent from Management, is entrusted with the supervisory function with respect to the review of internal controls. IA & RAR evaluates, validates, monitors and contributes to ongoing effectiveness of control systems as part of its scope. It also periodically reports, significant findings, directly to the Central Audit Committee (CAC) of the Board.

Implementing State Bank of Pakistan (the "SBP") Guidelines on Internal Controls, to place an effective internal control system has been the Bank's top priority. During the year ended 2014, walkthroughs of processes and activities were conducted to update related processes, risks and control documentation. The IA & RAR is also entrusted with the function to review and assess adequacy and effectiveness of the control activities as well as

implementation of and compliance with all the prescribed policies and procedures. The management expeditiously takes up the findings and observations of Audit Group, SBP and Bank's External Auditors to ensure implementation of control design improvements.

The Bank has put in place all stages of SBP roadmap on Internal Control over Financial Reporting (ICFR). External Auditors of the Bank have also evaluated the effectiveness of ICFR as on December 31, 2013 through a special review, and a Long Form Report (LFR) was submitted to SBP. The bank shall submit LFR for year ended December 31, 2014 issued by statutory auditors as per regulatory requirements. During the year under review, we have endeavored to follow the guidelines issued by SBP on ICFR for evaluation and management of significant risks and shall continue further improvements in Internal Controls System.

Internal Controls System evolves continuously and hence its evaluation is an ongoing process. This statement of internal controls is based on the management's assessment towards various aspects of the Internal Controls System of the Bank. The Internal Control Systems of the Bank are designed to minimize and manage risks rather than eliminate the risk of failure to achieve the desired objectives, hence it can only provide reasonable and not absolute assurance against material misstatement or loss. The system of internal control followed by the Bank is considered to be adequate in design and is being implemented and continuously monitored.

Naeemuddin Khan
President

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 24th Annual General Meeting of the members of The Bank of Punjab will be held at Qasar-e-Noor, Main Boulevard, Gulberg-III, Lahore on Thursday, 30th April, 2015 at 9:30 a.m. to transact the following business:

Ordinary Business:

1. To confirm the minutes of Extra Ordinary General Meeting held on June 17, 2014.
2. To receive, consider and adopt the Annual Audited Financial Statements of the Bank of Punjab for the year ended December 31, 2014 together with the Director's and the Auditors' reports thereon.
3. To appoint Auditors for the year ending December 31, 2015 and to fix their remuneration.

4. Any other item of business with the permission of the Chair.

Special Business:

1. Payment of reasonable and appropriate fee to the directors for attending Board and Committee meetings.

By order of the Board

Raza Saeed

Secretary

Lahore: April 09, 2015

NOTES:

01. The Register of Members and the Share Transfer Books of the Bank shall remain closed for transfer from 23-04-2015 to 29-04-2015 (both days inclusive).
02. All members are entitled to attend the meeting; however, the right of vote is restricted to those who are registered as such for a period of not less than three months prior to the date of the meeting as per section 17(1) of The Bank of Punjab Act, 1989.
03. Proxies in order to be effective must be deposited at the Corporate Affairs Department of the Bank, BOP Tower, 10-B, Block-E-II, Main Boulevard, Gulberg-III, Lahore not less than 48 hours before the meeting. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
04. A member is entitled to appoint another member as proxy to attend to the meeting.
05. The members should quote their folio number in all correspondence with the Bank and at the time of attending the Meeting.
06. Members are requested to promptly notify any change in their addresses to our Registrar M/s. CORPLINK (Pvt.) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore before book closure so that entitlement, if any, be dispatched at the correct addresses.
07. CDC Account holders will further have to follow the under mentioned guidelines as laid down in Circular 01 dated January 26, 2000 issued by the Securities & Exchange Commission of Pakistan:

A. For attending the meeting

- i) In case of individual, the account holder or sub-account holder shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting.
- ii) In case of corporate entity, the Board of Directors; resolution/power of attorney with specimen signature of the nominee shall have to be produced (unless it has been provided earlier) at the time of the meeting.

B. For appointing proxies

- 1) In case of individual, the account holder or sub-account holder shall submit the proxy form as per the above requirement.
- 2) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- 3) Attested copies of CNIC or the Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- 4) The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.
- 5) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall have to be submitted (unless it has been provided earlier) along with proxy form to the Company.
08. Entry of the member or his/her duly authorized person will be on strict identification as per specimen signature on the Bank's record.

Statement Under Bye-Laws of the Bank No.18-IV(ii) and Post-facto approval as per the requirement of G-I-C(2) of the SBP Prudential Regulations.

This statement set out material facts concerning the special business to be transacted at 24th Annual General Meeting.

Payment of reasonable and appropriate Fee to Directors/Chairman excluding President/CEO for attending the Board and Committee Meetings.

- i) The Directors and the Chairman other than the President/CEO were being paid Rs.25,000/- per meeting as fee for attending a Board and Committee meetings as per Bye-Law No.19-A of the Bank and approved in the 19th Annual General Meeting held on June 30, 2009 and 22nd Annual General Meeting held on April 30, 2013.
- ii) Post-facto approval has now been sought from the shareholders as to the following:
 - a) that the Board of Directors of the Bank in its 215th meeting held on 19.09.2014 has revised the fee of Rs.50,000/- for attending Board Meeting and Rs.25,000/- for Committee Meetings of the Board to the Chairman and Directors other than the President of the Bank.
 - b) that every Director and the Chairman other than the President/CEO shall be entitled to be paid a fee as decided by the Board for attending Board & Committee meetings.

UNCONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014



Auditors' Report to the Members

We have audited the annexed unconsolidated statement of financial position of The Bank of Punjab (the Bank) as at December 31, 2014 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (here-in after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 17 branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control and prepare and present the financial statements in conformity with approved accounting standards and the requirements of The Bank of Punjab Act 1989, the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in the case of loans and advances covered more than 60% of the total loans and advances of the Bank, we report that:

- a) in our opinion, proper books of account have been kept by the Bank as required by The Bank of Punjab Act, 1989, the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion-
 - i. the unconsolidated statement of financial position and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii. the expenditure incurred during the year was for the purpose of the Bank's business; and
 - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of

comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2014 and its true balance of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

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

We draw attention to Note 1.2 to the financial statements in which the matters related to equity injection by the Government of Punjab (GoPb), regulatory compliance and relaxations granted by the State Bank of Pakistan (SBP) from provisioning against certain advances based on the undertaking by GoPb in respect of the capital injection and enduring support of GoPb have been fully discussed, and also to note 13.1 wherein basis for recognizing deferred tax asset have been explained. The preparation of projections involves certain key assumptions by the management and any significant change therein may have an effect on the realisability of deferred tax asset. Our opinion is not qualified in respect of these matters.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Engagement Partner:
Nadeem Yousuf Adil

Dated: March 27, 2015
Place: Karachi

Member of
Deloitte Touche Tohmatsu Limited

Unconsolidated Statement of Financial Position

as at December 31, 2014

	Note	2014 Rupees in '000'	2013
ASSETS			
Cash and balances with treasury banks	7	23,622,411	23,820,864
Balances with other banks	8	2,239,170	4,265,296
Lendings to financial institutions	9	32,748,623	11,407,448
Investments - net	10	154,874,757	123,956,143
Advances - net	11	170,312,593	157,285,598
Operating fixed assets	12	5,490,121	3,514,801
Deferred tax assets - net	13	9,845,426	12,627,352
Other assets - net	14	21,237,087	15,820,643
		420,370,188	352,698,145
LIABILITIES			
Bills payable	16	1,727,731	1,506,335
Borrowings	17	44,742,624	22,802,482
Deposits and other accounts	18	342,290,763	306,560,767
Sub-ordinated loan	19	2,000,000	-
Liabilities against assets subject to finance lease	20	1,128	2,386
Deferred tax liabilities - net		-	-
Other liabilities	21	10,281,235	8,344,877
		401,043,481	339,216,847
NET ASSETS		19,326,707	13,481,298
REPRESENTED BY			
Share capital	22	15,551,132	10,551,132
Discount on issue of shares		(263,158)	(263,158)
Reserves	23	2,081,243	1,539,659
Share deposit money	24	7,000,000	12,000,000
Accumulated losses		(9,113,154)	(11,250,885)
		15,256,063	12,576,748
Surplus on revaluation of assets - net of tax	25	4,070,644	904,550
		19,326,707	13,481,298
CONTINGENCIES AND COMMITMENTS	26		

The annexed notes from 1 to 46 and Annexures - I to IV form an integral part of these unconsolidated financial statements.

Chairman

President

Director

Director

Unconsolidated Profit and Loss Account for the year ended December 31, 2014

	Note	2014 Rupees in '000'	2013
Mark-up/return/interest earned	27	29,521,719	24,195,203
Mark-up/return/interest expensed	28	20,525,783	20,176,169
Net mark-up / interest income		8,995,936	4,019,034
Provision / (Reversal of provision) against non-performing loans and advances - net	11.5.5	1,118,605	(673,081)
Provision for diminution in the value of investments - net	10.3	110,881	6,643
Bad debts written off directly	11.6	-	241
		1,229,486	(666,197)
Net mark-up / interest income after provisions		7,766,450	4,685,231
NON MARK-UP/INTEREST INCOME			
Fee, commission and brokerage income		906,494	775,622
Dividend income		33,258	137,512
Income from dealing in foreign currencies		183,830	147,417
Gain on sale and redemption of securities - net	29	667,322	1,391,874
Unrealized loss on revaluation of investments classified as held for trading	10.7	(654)	(4,296)
Other income	30	1,000,180	1,148,097
Total non-markup/interest income		2,790,430	3,596,226
		10,556,880	8,281,457
NON MARK-UP/INTEREST EXPENSES			
Administrative expenses	31	6,215,031	5,199,782
(Reversal of provision) / Provision against other assets	14.3	(2,416)	32,945
Provision against off balance sheet obligations	21.1	17,875	325
Other charges	32	19,727	47,123
Total non-markup/interest expenses		6,250,217	5,280,175
		4,306,663	3,001,282
Extra ordinary/unusual items		-	-
		4,306,663	3,001,282
PROFIT BEFORE TAXATION			
Taxation - Current year		323,121	278,239
- Prior years		-	-
- Deferred		1,196,093	785,036
	33	1,519,214	1,063,275
		2,787,449	1,938,007
PROFIT AFTER TAXATION			
Accumulated losses brought forward		(11,250,885)	(12,742,364)
Transfer from surplus on revaluation of fixed assets - net of tax		9,858	10,352
Transfer from surplus on revaluation of fixed assets on disposal		(980)	814
Transfer to statutory reserve		(557,490)	(387,601)
Actuarial gains on remeasurement recognized		2,514	8,391
Right shares issue cost		(103,620)	(78,484)
		(11,900,603)	(13,188,892)
Accumulated losses carried forward		(9,113,154)	(11,250,885)
Basic earnings per share - Rupees	34	1.94	2.34
Diluted earnings per share - Rupees	35	1.94	2.34

The annexed notes from 1 to 46 and Annexures - I to IV form an integral part of these unconsolidated financial statements.

Chairman

President

Director

Director

Unconsolidated Statement of Comprehensive Income

for the year ended December 31, 2014

	Note	2014 Rupees in '000'	2013
Profit after taxation for the year		2,787,449	1,938,007
Other comprehensive income not to be reclassified to profit and loss account in subsequent periods:			
Actuarial gains on remeasurement recognized during the year	38.1.1	2,514	8,391
Comprehensive income transferred to equity		2,789,963	1,946,398
Components of comprehensive income not reflected in equity			
Items to be reclassified to profit and loss in subsequent periods:			
Surplus / (deficit) on revaluation of investments - net of tax		1,940,269	(724,834)
Items not to be reclassified to profit and loss in subsequent periods:			
Surplus / (deficit) on revaluation of fixed assets - net of tax		1,234,703	(2,090)
Total comprehensive income for the year		5,964,935	1,219,474

The annexed notes from 1 to 46 and Annexures - I to IV form an integral part of these unconsolidated financial statements.

Chairman

President

Director

Director

Unconsolidated Cash Flow Statement for the year ended December 31, 2014

	Note	2014 Rupees in '000'	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		4,306,663	3,001,282
Less: Dividend income		(33,258)	(137,512)
		4,273,405	2,863,770
Adjustments for:			
Depreciation on property and equipment	12.2	369,642	328,857
Depreciation on ijarah assets under IFAS - 2	11.2	28,219	-
Amortization on intangible assets	12.3	4,561	2,622
Amortization of (discount) / premium on Government securities		(176,076)	32,518
Unrealized loss on revaluation of investments classified as held for trading	10.7	654	4,296
Provision / (Reversal of provision) against non-performing loans and advances - net	11.5.5	1,118,605	(673,081)
Bad debts written-off directly	11.6	-	241
Provision for diminution in the value of investments - net	10.3	110,881	6,643
Provision for employees compensated absences	38.1.3	14,105	16,558
Provision for gratuity	38.1.1	78,904	79,861
(Reversal of provision) / provision against other assets	14.3	(2,416)	32,945
Provision against off balance sheet obligations	21.1	17,875	325
Net profit on sale of property and equipment	30	(21,459)	(59,167)
Net profit on sale of non-banking assets acquired in satisfaction of claims	30	(82,652)	(527,751)
Gain on sale and redemption of securities	29	(667,322)	(1,391,874)
Finance charges on leased assets	31	152	275
		793,673	(2,146,732)
		5,067,078	717,038
(Increase) / Decrease in operating assets:			
Lendings to financial institutions		(21,541,175)	(9,044,502)
Net investments in held for trading securities		9,801,418	3,369,266
Advances - net		(14,189,725)	(7,043,131)
Others assets - net		(6,201,144)	(3,382,984)
		(32,130,626)	(16,101,351)
Increase / (Decrease) in operating liabilities:			
Bills Payable		221,396	5,626
Borrowings		21,878,241	(21,911,655)
Deposits and other accounts		35,729,996	40,504,986
Other liabilities		1,827,988	760,890
		59,657,621	19,359,847
		32,594,073	3,975,534
Financial charges paid		(152)	(275)
Income tax paid		(236,478)	(243,650)
Net cash flow from operating activities		32,357,443	3,731,609
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(23,329,954)	1,884,181
Net investments in held to maturity securities		(13,651,866)	593,308
Dividends received		32,883	142,068
Investments in operating fixed assets		(568,653)	(505,963)
Sale proceeds of property and equipment disposed-off		58,994	192,341
Sale proceeds of non-banking assets disposed-off		719,551	2,498,583
Net cash (used in) / flow from investing activities		(36,739,045)	4,804,518
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease obligations		(1,258)	(1,215)
Sub-ordinated loan received from GoPb		2,000,000	-
Right shares issue cost		(103,620)	(78,484)
Net cash flow from / (used in) financing activities		1,895,122	(79,699)
Net (decrease) / increase in cash and cash equivalents		(2,486,480)	8,456,428
Cash and cash equivalents at beginning of the year		28,854,680	20,398,252
Cash and cash equivalents at end of the year	36	26,368,200	28,854,680

The annexed notes from 1 to 46 and Annexures - I to IV form an integral part of these unconsolidated financial statements.

Chairman

President

Director

Director

Unconsolidated Statement of Changes in Equity for the year ended December 31, 2014

	Share capital	Discount on issue of shares	Statutory reserve	Capital reserves		Share deposit money	Revenue reserve	Total
				Share premium	Restructuring reserve		Accumulated losses	
	R u p e e s i n '000'							
Balance as at January 01, 2013	5,287,974	-	396,364	37,882	753,187	17,000,000	(12,742,364)	10,733,043
Transfer from surplus on revaluation of fixed assets to accumulated losses - net of tax	-	-	-	-	-	-	10,352	10,352
Transfer from surplus on revaluation of fixed assets to accumulated losses on disposal	-	-	-	-	-	-	814	814
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	-	-	1,946,398	1,946,398
Transfer from restructuring reserve against NPLs	-	-	-	-	(35,375)	-	-	(35,375)
Transfer to statutory reserve	-	-	387,601	-	-	-	(387,601)	-
Transaction with owners, recorded directly in equity								
Issue of right shares during the year	5,263,158	-	-	-	-	(5,000,000)	-	263,158
Discount on issue of shares	-	(263,158)	-	-	-	-	-	(263,158)
Right shares issue cost	-	-	-	-	-	-	(78,484)	(78,484)
	5,263,158	(263,158)	-	-	-	(5,000,000)	(78,484)	(78,484)
Balance as at December 31, 2013	10,551,132	(263,158)	783,965	37,882	717,812	12,000,000	(11,250,885)	12,576,748
Transfer from surplus on revaluation of fixed assets to accumulated losses - net of tax	-	-	-	-	-	-	9,858	9,858
Transfer from surplus on revaluation of fixed assets to accumulated losses on disposal	-	-	-	-	-	-	(980)	(980)
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-	-	2,789,963	2,789,963
Transfer from restructuring reserve against NPLs	-	-	-	-	(15,906)	-	-	(15,906)
Transfer to statutory reserve	-	-	557,490	-	-	-	(557,490)	-
Transaction with owners, recorded directly in equity								
Issue of right shares during the year	5,000,000	-	-	-	-	(5,000,000)	-	-
Right shares issue cost	-	-	-	-	-	-	(103,620)	(103,620)
	5,000,000	-	-	-	-	(5,000,000)	(103,620)	(103,620)
Balance as at December 31, 2014	15,551,132	(263,158)	1,341,455	37,882	701,906	7,000,000	(9,113,154)	15,256,063

The annexed notes from 1 to 46 and Annexures - I to IV form an integral part of these unconsolidated financial statements.

Chairman

President

Director

Director

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2014

1. STATUS AND NATURE OF BUSINESS

1.1 The Bank of Punjab (the Bank) was constituted pursuant to The Bank of Punjab Act, 1989. It was given the status of a scheduled bank by the State Bank of Pakistan (SBP) on September 19, 1994. It is principally engaged in commercial banking and related services with its registered office at BOP Tower, 10-B, Block E-2, Main Boulevard, Gulberg III, Lahore. The Bank has 364 branches including 37 Islamic banking branches. (2013: 334 branches including 07 Islamic banking branches) in Pakistan and Azad Jammu and Kashmir at the year end. The Bank is listed on Lahore, Karachi and Islamabad Stock Exchanges. The majority shares of the Bank are held by Government of the Punjab (GoPb).

1.2 As on December 31, 2014, paid-up capital, reserves (net of losses) and share deposit money of the Bank amounts to Rs. 15,256,063 thousand. The Capital Adequacy Ratio (CAR), as disclosed in note 43, stood at 10.20 %. As at the close of the year 2014, net advances aggregating to Rs. 21,681,471 thousand (2013: Rs. 26,185,925 thousand) requiring additional provision of Rs. 20,689,119 thousand (2013: Rs. 24,348,207 thousand) there against have not been subjected to provisioning criteria as prescribed in SBP prudential regulations in view of the relaxation provided by SBP vide letter No. OSED/Div-01/SEU-03/010(01)-2015/5065 dated February 27, 2015, on the basis of two Letters of Comfort (LOCs) issued by the GoPb as explained in below paragraph.

The GoPb being the majority shareholder, in order to support the Bank, deposited Rs. 10,000,000 thousand and Rs. 7,000,000 thousand as share deposit money in the year 2009 and 2011 respectively against future issue of shares by the Bank. Further, the GoPb vide two LOCs has also undertaken to inject necessary funds to make good the capital shortfall to the satisfaction of SBP up to a maximum amount of Rs. 3,580,000 thousand (net of tax @ 35%) and Rs. 10,570,000 thousand (net of tax @ 35%) within a period of 90 days after close of the year ending December 31, 2018 if the Bank fails to make provision of Rs. 21,770,000 thousand or if there is a shortfall in meeting the prevailing regulatory capital requirements as a result of the said provisioning. In addition, in terms of aforesaid LOCs, the GoPb being majority shareholder and sponsor of the Bank, has also extended its commitment to support and assist the Bank in ensuring that it remains compliant with the regulatory requirements at all times.

During the year 2014, the Bank has issued 500,000,000 right shares (47.39%) for Rs. 5,000,000 thousand at a par value against share deposit money of Rs. 10 billion deposited by GoPb in year 2009. Accordingly, the entire amount of share deposit money deposited in year 2009 has been converted into paid up capital of the Bank.

During the year 2014, the Bank was required by SBP to record provisioning, against exposure covered under LOCs, in a staggered manner aggregating to 15% by December 31, 2014 which condition has been duly complied with by the Bank. However, during the year 2015, the Bank will be required to record further provisioning in staggered manner against outstanding exposure of borrowers covered under above LOCs i.e. 5% by June 30, 2015 and additional 10% by December 31, 2015 so as to ensure that total staggering by end of the year 2015 would not be less than 15% of the additional provision of Rs. 20,689,119 thousand required as on December 31, 2014. As communicated by SBP, going forward, further extension in these relaxations would be considered upon satisfactory compliance of the conditions / requirements of SBP as well as the Bank's future performance based on the Bank's business plan.

On the basis of enduring support of Gopb, the arrangements as outlined above and the business plan prepared by the management which has been approved by the Board of Directors, the Board is of the view that the Bank would have adequate resources to continue its business on a sustainable basis in the foreseeable future.

2. BASIS OF PREPARATION

2.1 In accordance with the directives of the Government of Pakistan regarding the conversion of the Banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the Banks from their customers and immediate resale to them at appropriate

marked-up price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

- 2.2 These unconsolidated financial statements are separate financial statements of the Bank in which the investment in subsidiary is stated at cost less impairment losses (if any) and has not been accounted for on the basis of reported results and net assets of the investee.
- 2.3 The financial results of Islamic Banking business have been consolidated in these unconsolidated financial statements for reporting purposes, after eliminating inter-branch transactions / balances. Key financial figures of the Islamic Banking business are disclosed in Annexure-I to these unconsolidated financial statements.

3. STATEMENT OF COMPLIANCE

These unconsolidated financial statements have been prepared in accordance with the directives issued by the SBP, requirements of The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board and Islamic Financial Accounting standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the directives issued by the SBP and Securities and Exchange Commission of Pakistan (SECP), the Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 differ with the requirements of these standards, the requirements of the said directives, the Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 take precedence.

SBP as per BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standard (IAS) 40, "Investment Property" for banking companies till further instructions. Further, according to the notification of SECP dated April 28, 2008, the IFRS – 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these Standards have not been considered in the preparation of these unconsolidated financial statements.

IFRS 8, 'Operating Segments' is effective for the Bank'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 Bank believes that as the SBP has defined the segment categorization in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these unconsolidated financial statements is based on the requirements laid down by the SBP.

SECP has notified Islamic Financial Accounting Standard (IFAS) 3, "Profit and Loss Sharing on Deposits" issued by the Institute of Chartered Accountants of Pakistan. The standard is effective from January 1, 2014 and deals with the accounting for transactions relating to "Profit and Loss Sharing on Deposits" as defined by the standard. The standard may result in the addition of certain new disclosures.

However, the SBP vide its BPRD Circular No. 4 dated February 25, 2015 has deferred the disclosure requirements of IFAS - 3 which will be notified in due course.

4. BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention, except for

revaluation of free hold land and buildings on free hold land, valuation of certain investments and commitments in respect of forward exchange contracts at fair value and certain staff retirement benefits at present value.

These unconsolidated financial statements are presented in Pak Rupees, which is the Bank's functional and presentation currency.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

5.1 Classification of investments

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

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

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

5.2 Provision against non-performing advances

Apart from the provision determined on the basis of time-based criteria given in Prudential Regulations issued by the SBP, the management also applies the subjective criteria of classification and, accordingly, the classification of advances is downgraded on the basis of credit worthiness of the borrower, its cash flows, operations in account and adequacy of security in order to ensure accurate measurement of the provision.

5.3 Impairment of available for sale investments

The Bank considers that available for sale equity investments and mutual funds are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance. As of the statement of financial position date, the management has determined an impairment loss on available for sale securities and held to maturity securities as disclosed in note 10.3.2.

5.4 Depreciation, amortization and revaluation of operating fixed assets

Estimates of useful life of operating fixed assets are based on management's best estimate. In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the change in pattern. Further, the Bank estimates the revalued amount

of free hold land and buildings on free hold land on a regular basis. The estimates are based on valuations carried out by an independent valuation expert under the market conditions.

5.5 Income taxes

In making estimates for income taxes currently payable by the Bank, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. There are various matters where the Bank's view differs with the view taken by the income tax authorities and such amounts are shown as a contingent liability.

5.6 Staff retirement benefits

The amount of provision for gratuity and compensated absences is determined using actuarial valuation. The valuation involves making use of assumptions about discount rates, mortality, expected rate of salary increases, retirement rates, and average leave utilization per year. Due to the degree of subjectivity involved and long-term nature of these plans, such estimates are subject to significant uncertainty.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Change in accounting estimate

During the year the Bank has changed depreciable life of bank owned and leased vehicles from 5 years on straight line basis to 3 years on straight line basis which qualifies as change in accounting estimate in accordance with the requirements of International Accounting Standards 8 – "Accounting Policies, Changes in Accounting Estimates and Errors" and the same is applied on prospective basis with effect from January 01, 2014.

The effect of this change on depreciation expense in current and future periods is as follows:

Increase/ (decrease) in depreciation expense	Rupees in '000'				
	Year Ended 2014	Year Ending 2015	Year Ending 2016	Year Ending 2017	Year Ending 2018
	14,287	(3,321)	(4,654)	(4,706)	(1,606)

6.2 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks, balances with other banks and call money lendings less over drawn nostro accounts and other overdrawn bank accounts.

6.3 Revenue recognition

Revenue is recognized to the extent that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following recognition criteria must be met before revenue is recognized:

6.3.1 Mark-up/return/interest income

Mark-up/return/interest on advances and return on investments are recognized in profit and loss account on an accrual basis, except mark-up on non-performing advances which is recognized when received.

6.3.2 Dividend income

Dividend income is recognized when the Bank's right to receive the dividend is established.

6.3.3 Lease finance income

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease periods so as to produce a constant periodic rate of return on the outstanding net investment in lease. Unrealized lease income is suspended, where necessary, in accordance with the requirements of the SBP. Gain/loss on termination of lease contracts, documentation charges and other lease income are recognized as income when these are realized.

6.3.4 Fees and commission income

Commission income is recognized on time proportion basis.

6.4 Advances including net investment in finance lease

Advances and net investments in finance lease are stated net of provision for doubtful debts. Provision for doubtful debts is made in accordance with the Prudential Regulations prescribed by the SBP and charged to profit and loss account.

Leases where risks and rewards incidental to ownership are substantially transferred to lessee are classified as finance lease. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value.

The rentals received / receivable on Ijarahs are recorded as income / revenue. Depreciation on Ijarah assets is charged to profit and loss account by applying the straight line method whereby the depreciable value of Ijarah assets is written off over the Ijarah period. The Bank charges depreciation from the date of the delivery of respective assets to Mustajir upto the date of maturity / termination of Ijarah agreement.

6.5 Investments

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

All regular way purchase/sale of investment are recognized on the trade date, i.e., the date the Bank commits to purchase/sell the investments. Regular way purchase or sale of investment requires delivery of securities within the time frame generally established by regulation or convention in the market place.

Investment in subsidiary is stated at cost less provision for impairment (if any). Other investments are classified as follows:

- Held for trading – These are securities which are acquired with the intention to trade by taking advantage of short-term market/interest rate movements. These are carried at market value, with the related surplus / (deficit) on revaluation being taken to profit and loss account.
- Held to maturity – These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortized cost.

- Available for sale – These are investments, other than those in subsidiaries and associates, which do not fall under the held for trading or held to maturity categories. These are carried at market value with the surplus/ (deficit) on revaluation taken to ‘Surplus/(deficit) on revaluation of assets’ shown below equity, except available for sale investments in unquoted shares, debentures, bonds, participation term certificates, term finance certificates, federal, provincial and foreign government securities (except for Treasury Bills and Pakistan Investment Bonds) which are stated at cost less provision for diminution in value of investments, if any.

Provision for diminution in the value of investments is made after considering impairment, if any, in their value and charged to profit and loss account. Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to break-up value. Provision for diminution in value of investments for unquoted debt securities is calculated with reference to the time-based criteria as per the SBP’s Prudential Regulations.

Premium or discount on debt securities classified as available for sale and held to maturity securities are amortized using the effective yield method.

On de-recognition or impairment in quoted available for sale securities the cumulative gain or loss previously reported as “Surplus/(Deficit) on revaluation of assets” below equity is included in the profit and loss account for the period.

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

6.6 Lending to/borrowing from financial institutions

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

6.6.1 Sale under repurchase obligations

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings from financial institutions. The differential in sale and repurchase price is accrued using effective yield method and recorded as interest expense over the term of the related repo agreement.

6.6.2 Purchase under resale obligations

Securities purchased under agreement to resell (reverse repo) are not recognized in the financial statements as investments and the amount extended to the counter party is included in lendings to financial institutions. The differential between the contracted price and resale price is amortized over the period of the contract and recorded as interest income.

6.7 Operating fixed assets and depreciation

6.7.1 Owned

Property and equipment, other than free hold land which is not depreciated, are stated at cost or revalued amounts less accumulated depreciation and accumulated impairment losses (if any). Free hold land is carried at revalued amount.

Depreciation on property and equipment is charged to income using the diminishing balance method so as to write off the historical cost / revalued amount of the asset over its estimated useful life, except motor vehicles

and computer equipment on which depreciation is charged using the straight line basis. The rates at which the depreciation is charged are given in note 12.2 to these unconsolidated financial statements. Impairment loss or its reversal, if any, is charged to income. When an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount over its estimated useful life.

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed.

Surplus / Deficit arising on revaluation of free hold land and buildings on free hold land is credited to the "Surplus/ (Deficit) on Revaluation of Assets" shown below equity. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of buildings (net of deferred taxation) is transferred directly to un-appropriated profit / accumulated loss.

Gains and losses on sale of operating fixed assets are included in income currently.

Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Normal repairs and maintenance are charged to the profit and loss account as and when incurred.

6.7.2 Leased

Property and equipment subject to finance lease are accounted for by recording the assets and the related liabilities. These are stated at fair value or present value of minimum lease payments whichever is lower at the inception of the lease less accumulated depreciation. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability. The property and equipment acquired under finance leasing contracts is depreciated over the useful life of the assets as per rates given in note 12.2 to these unconsolidated financial statements.

6.7.3 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses (if any). The cost of intangible assets is amortized over their useful lives, using the straight line method as per the rates given in note 12.3 to these unconsolidated financial statements. Amortization on additions is charged from the month the assets are available for use while no amortization is charged in the month in which the assets are disposed.

6.7.4 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses (if any). These are transferred to specific assets as and when assets are available for use.

6.8 Taxation

6.8.1 Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

6.8.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that the taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is charged or credited in income statement, except in the case of items credited or charged to equity in which case it is included in equity.

The Bank also recognizes deferred tax asset/liability on deficit/surplus on revaluation of operating fixed assets and available for sale securities which is adjusted against the related deficit/surplus in accordance with the requirements of International Accounting Standard (IAS)12, 'Income Taxes'.

6.9 Assets acquired in satisfaction of claims

The Bank acquires assets in settlement of claims. These are acquired at average value obtained from three independent approved valuers at the time of acquisition.

6.10 Employee retirement and other benefits

6.10.1 Defined contribution plan – Provident Fund

The Bank operates an approved Provident Fund Scheme, covering all permanent employees. Contributions are made monthly by the Bank and the employees at the rate of 8.33% of basic salary. Contributions by the Bank are charged to income.

6.10.2 Defined benefit plan - Gratuity scheme

The Bank operates an approved funded gratuity scheme for all its employees. Contributions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to income. Actuarial gains and losses are charged or credited to other comprehensive income in the year in which they occur.

6.10.3 Employees' compensated absences

The Bank makes annual provision in the financial statements for its liabilities towards vested compensated absences accumulated by its employees on the basis of actuarial valuation. Actuarial gains and losses are charged to income in the year in which they occur.

6.11 Foreign currencies

Transactions in foreign currency are translated to Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities and commitments for letters of credit and acceptances in foreign currencies are translated at the exchange rates prevailing at the statement of financial position date except assets and liabilities for which there are forward contracts which are translated at the contracted rates. Forward exchange contracts and foreign bills purchased are valued at forward rates applicable to their respective maturities.

All exchange differences are charged to profit and loss account.

6.12 Provisions

Provisions are recorded when the Bank has a present obligation as a result of a past event when it is probable that it will result in an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

6.13 Provision for off balance sheet obligations

Provision for guarantees, claims and other off balance sheet obligations are made when the Bank has legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of amount can be made. Charge to profit and loss account is stated net of expected recoveries.

6.14 Dividend distribution and appropriations

Dividend distributions and appropriation to reserves are recognized as a liability in the financial statements in the period in which these are approved. Transfer to statutory reserve and any of the mandatory appropriations as may be required by law are recognized in the period to which they relate.

6.15 Impairment

The carrying amounts of assets (other than deferred tax assets) are reviewed for impairment at each statement of financial position date whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

6.16 Earnings per share

The Bank presents earnings per share (EPS) for its ordinary shares which is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares (if any).

6.17 Share Capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

6.18 Financial instruments

6.18.1 Financial assets and liabilities

Financial instruments carried on the statement of financial position include cash and bank balances, lending to financial institutions, investments, advances, certain receivables, borrowing from financial institutions, deposits and other payables. The particular recognition criteria adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

6.18.2 Offsetting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when

there is a legally enforceable right to set off and the Bank intends either to settle on a net basis, or to realize the assets and settle the liabilities, simultaneously.

6.19 Segment reporting

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

6.19.1 Business segments

Trading and sales

It includes fixed income, equity, foreign exchanges, commodities, credit, funding, own position securities, lending and repos, and brokerage debt.

Retail banking

It includes retail lending and deposits, banking services, private lending and deposits, trust and estates investment advice, merchant / commercial and private labels and retail.

Commercial banking

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

Payment and settlement

It includes payments and collections, funds transfer, clearing and settlement.

Agency service

It includes depository receipts, securities lending (customers), issuer and paying agents.

6.19.2 Geographical segments

The Bank operates only in Pakistan.

6.20 New accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2014

Amendments to IAS 32 Financial Instruments
- Presentation - Offsetting financial assets and financial liabilities

Effective from accounting period beginning on or after January 1, 2014

IFAS 3 Profit and Loss sharing on Deposits

Effective from accounting period beginning on or after January 1, 2014

New accounting standards and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. The Bank considers that the following standards and interpretations are either not relevant or will not have any material impact on its financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosures in the financial statements provided that such changes do not conflict with the format of financial statements prescribed by the SBP for banks.

Standard or Interpretations	Effective date (accounting periods beginning on or after)	
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation	January 01, 2016
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants	January 01, 2016
Amendments to IAS 19	Employee Benefits – Employee Contributions	July 01, 2014
IAS 27 (Revised 2011)	Separate Financial Statements	January 01, 2015
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures	January 01, 2015
IFRS 10	Consolidated Financial Statements	January 01, 2015
IFRS 11	Joint Arrangements	January 01, 2015
IFRS 12	Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13	Fair Value Measurement	January 01, 2015

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the SECP;

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 9	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers

	Note	2014 Rupees in '000'	2013
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
- Local currency	7.1	4,325,393	4,300,888
- Foreign currencies		640,574	681,826
		4,965,967	4,982,714
With State Bank of Pakistan (SBP) in:			
- Local currency current account	7.2	10,362,611	12,369,181
- Foreign currency deposit account:	7.3		
- Non remunerative		353,701	297,542
- Remunerative	7.4	1,060,609	893,182
		11,776,921	13,559,905
With National Bank of Pakistan in:			
- Local currency current account		6,879,523	5,278,245
- Local currency deposit account		-	-
		6,879,523	5,278,245
		23,622,411	23,820,864

7.1 This includes National Prize Bonds of Rs. 38,305 thousand (2013: Rs. 33,027 thousand)

7.2 This represents current account maintained with the SBP under the requirements of section 22 "Cash Reserve Requirement" of the Banking Companies Ordinance, 1962.

7.3 These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.

7.4 This carries mark-up as announced by the SBP on monthly basis.

	Note	2014 Rupees in '000'	2013
8. BALANCES WITH OTHER BANKS			
In Pakistan:			
- On current accounts		1,884,942	2,057,116
- On deposit accounts	8.1	82,586	159,100
		1,967,528	2,216,216
Outside Pakistan:			
- On current accounts		106,226	418,359
- On deposit account	8.2	165,416	1,630,721
		271,642	2,049,080
		2,239,170	4,265,296
8.1 These carry mark-up at rates ranging from 6.50% to 7.50% per annum (2013: 6.0% to 7.15% per annum).			
8.2 This carries mark-up at 0.05% per annum (2013: 0.05% per annum).			
9. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings		600,000	800,000
Reverse repurchase agreement lendings	9.2	27,719,623	10,030,448
Certificate of investments		300,000	-
Placements	9.3	4,129,000	577,000
		32,748,623	11,407,448
9.1 Particulars of lendings			
In local currency		32,748,623	11,407,448
In foreign currency		-	-
		32,748,623	11,407,448

9.2 Securities held as collateral against lendings to financial institutions

	2014			2013		
	Rupees in '000			Rupees in '000		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
Market treasury bills	62,787	-	62,787	9,530,448	-	9,530,448
Pakistan investment bonds	27,656,836	-	27,656,836	500,000	-	500,000
	27,719,623	-	27,719,623	10,030,448	-	10,030,448

Market value of securities held as collateral as at December 31, 2014 amounted to Rs. 29,291,585 thousand (2013: Rs. 10,037,115 thousand). These carry mark-up at rate ranging from 9.70% to 11.50% per annum (2013: 9.45% to 11.00% per annum).

9.3 These carry profit at rate ranging from 7.50% to 9.70% per annum (2013: 6.00% to 10.00% per annum) with maturities upto March 26, 2015.

10. INVESTMENTS - NET	Note	2014			2013		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
		Rupees in '000'					

10.1 Investments by types:

Held for trading securities:

Ordinary shares of listed companies	Annex II - 1	45,932	-	45,932	22,456	-	22,456
Market treasury bills	10.4	-	-	-	9,829,190	-	9,829,190
		45,932	-	45,932	9,851,646	-	9,851,646

Available for sale securities:

Market treasury bills	10.4	52,979,483	33,804,515	86,783,998	89,161,279	14,759,734	103,921,013
Pakistan investment bonds	10.4	44,708,426	-	44,708,426	4,161,633	-	4,161,633
Ordinary shares / certificates of listed companies and modarabas	Annex II - 1	1,293,905	-	1,293,905	1,267,226	-	1,267,226
Preference shares of listed companies	Annex II - 2	495,451	-	495,451	495,451	-	495,451
Ordinary shares of unlisted company	Annex II - 3	25,000	-	25,000	25,000	-	25,000
Mutual funds units	Annex II - 4	373,802	-	373,802	1,123,087	-	1,123,087
Government of Pakistan ijara sukuk bonds		1,706,588	-	1,706,588	701,442	-	701,442
Listed term finance certificates	Annex II - 5	736,008	-	736,008	297,057	-	297,057
Unlisted term finance certificates	Annex II - 6	3,644,013	-	3,644,013	3,941,162	-	3,941,162
		105,962,676	33,804,515	139,767,191	101,173,337	14,759,734	115,933,071

Note	2014			2013			
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total	
Rupees in '000'							
Held to maturity securities:							
Pakistan investment bonds	10.5	15,090,774	-	15,090,774	1,262,832	-	1,262,832
WAPDA bonds		400	-	400	400	-	400
		15,091,174	-	15,091,174	1,263,232	-	1,263,232
Subsidiary							
Punjab modaraba services (private) limited	Annex II - 7	164,945	-	164,945	164,945	-	164,945
Total investments at cost							
Provision for diminution in the value of investments - net	10.3	(3,114,422)	-	(3,114,422)	(3,166,697)	-	(3,166,697)
Investments - net of provisions							
		118,150,305	33,804,515	151,954,820	109,286,463	14,759,734	124,046,197
Surplus / (Deficit) on revaluation of available for sale securities	25.2	2,920,591	-	2,920,591	(85,758)	-	(85,758)
Deficit on revaluation of held for trading securities	10.7	(654)	-	(654)	(4,296)	-	(4,296)
Total investments at market value							
		121,070,242	33,804,515	154,874,757	109,196,409	14,759,734	123,956,143

Note	2014			2013			
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total	
Rupees in '000'							
10.2 Investments by segments:							
Federal government securities:							
Market treasury bills	10.4	52,979,483	33,804,515	86,783,998	98,990,469	14,759,734	113,750,203
Pakistan investment bonds	10.4	59,799,200	-	59,799,200	5,424,465	-	5,424,465
Government of Pakistan ijara sukuk bonds		1,706,588	-	1,706,588	701,442	-	701,442
Ordinary shares/certificates:							
Listed companies and modarabas	Annex II - 1	1,339,837	-	1,339,837	1,289,682	-	1,289,682
Unlisted company	Annex II - 3	25,000	-	25,000	25,000	-	25,000
Unlisted subsidiary company	Annex II - 7	164,945	-	164,945	164,945	-	164,945
Mutual funds units	Annex II - 4	373,802	-	373,802	1,123,087	-	1,123,087
Preference shares - listed companies	Annex II - 2	495,451	-	495,451	495,451	-	495,451
Term finance certificates and bonds:							
Listed term finance certificates	Annex II - 5	736,008	-	736,008	297,057	-	297,057
Unlisted term finance certificates	Annex II - 6	3,644,013	-	3,644,013	3,941,162	-	3,941,162
WAPDA bonds		400	-	400	400	-	400
Total investments at cost							
Provision for diminution in the value of investments - net	10.3	(3,114,422)	-	(3,114,422)	(3,166,697)	-	(3,166,697)
Investments - net of provisions							
		118,150,305	33,804,515	151,954,820	109,286,463	14,759,734	124,046,197
Surplus / (Deficit) on revaluation of available for sale securities	25.2	2,920,591	-	2,920,591	(85,758)	-	(85,758)
Deficit on revaluation of held for trading securities	10.7	(654)	-	(654)	(4,296)	-	(4,296)
Total investments at market value							
		121,070,242	33,804,515	154,874,757	109,196,409	14,759,734	123,956,143

	Note	2014 Rupees in '000'	2013
10.3 Provision for diminution in the value of investments - net			
Opening balance		3,166,697	3,660,023
Charge for the year		227,134	7,787
Reversal during the year		(116,253)	(1,144)
		110,881	6,643
		3,277,578	3,666,666
Adjustment during the year	10.3.1	-	306,120
Reversal on disposal		(163,156)	(806,089)
Closing balance	10.3.2	3,114,422	3,166,697
10.3.1 This represents impairment on term finance certificates acquired in settlement of certain investments.			
10.3.2 Particulars of provision in respect of type and segment			
Available for sale securities:			
Ordinary shares of listed companies		422,503	506,951
Preference shares		270,302	107,804
Ordinary shares of unlisted company		11,949	11,831
Mutual funds units		74,388	104,719
Term finance certificates		2,169,935	2,270,047
		2,949,077	3,001,352
Held to maturity securities:			
WAPDA bonds		400	400
Subsidiary company		164,945	164,945
		3,114,422	3,166,697

10.4 Market treasury bills and Pakistan investment bonds are eligible for re-discounting with SBP.

10.5 Market value of held to maturity investments amounted to Rs. 15,612,502 thousand (2013: Rs. 1,210,098 thousand).

10.6 Certain approved / Government securities are kept with the SBP to meet statutory liquidity requirements calculated on the basis of domestic demand and time liabilities.

	Note	2014 Rupees in '000'	2013
10.7 Unrealized loss on revaluation of investments classified as held for trading			
Ordinary shares of listed companies		(654)	524
Market treasury bills		-	(4,820)
		<u>(654)</u>	<u>(4,296)</u>
11. ADVANCES - NET			
Loans, cash credits, running finances etc.			
- In Pakistan		173,992,109	164,196,576
- Outside Pakistan		-	-
		173,992,109	164,196,576
Net book value of assets in ijarah under IFAS 2 - In Pakistan	11.2	217,559	-
Islamic financing and related assets		1,381,515	385,000
Net investment in finance lease			
- In Pakistan	11.3	17,372,840	14,060,985
- Outside Pakistan		-	-
		17,372,840	14,060,985
Bills discounted and purchased (excluding market treasury bills)			
- Payable in Pakistan		2,187,991	1,747,073
- Payable outside Pakistan		1,970,349	2,571,223
		4,158,340	4,318,296
Advances - (gross)	11.1	197,122,363	182,960,857
Less: Provision for non-performing loans and advances			
- Specific	11.4 & 11.5	(26,702,645)	(25,633,504)
- General	11.5	(107,125)	(41,755)
		(26,809,770)	(25,675,259)
Advances - net of provision		<u>170,312,593</u>	<u>157,285,598</u>

	2014	2013
	Rupees in '000'	
11.1 Particulars of advances (gross)		
11.1.1 In local currency	196,315,309	182,533,447
In foreign currencies	807,054	427,410
	<u>197,122,363</u>	<u>182,960,857</u>
11.1.2 Short-term advances upto one year	101,013,414	99,864,862
Long-term advances for over one year	96,108,949	83,095,995
	<u>197,122,363</u>	<u>182,960,857</u>

11.2 Net book value of assets in Ijarah under IFAS 2 - In Pakistan

	2014				2013			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	(Rupees in '000)				(Rupees in '000)			
Assets acquired under ijarah	-	245,778	-	245,778	-	-	-	-
Accumulated depreciation on ijarah	-	28,219	-	28,219	-	-	-	-
Net investment in ijarah	<u>-</u>	<u>217,559</u>	<u>-</u>	<u>217,559</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
11.3 Net investment in finance lease								
Lease rentals receivable	2,865,370	13,097,404	-	15,962,774	4,356,076	9,121,711	-	13,477,787
Add: Guaranteed residual value	49,460	3,877,037	-	3,926,497	9,383	3,027,003	-	3,036,386
Minimum lease payments	<u>2,914,830</u>	<u>16,974,441</u>	<u>-</u>	<u>19,889,271</u>	<u>4,365,459</u>	<u>12,148,714</u>	<u>-</u>	<u>16,514,173</u>
Less: Finance charge for future periods	776,232	1,740,199	-	2,516,431	1,099,846	1,353,342	-	2,453,188
Present value of minimum lease payments	<u>2,138,598</u>	<u>15,234,242</u>	<u>-</u>	<u>17,372,840</u>	<u>3,265,613</u>	<u>10,795,372</u>	<u>-</u>	<u>14,060,985</u>

11.4 Advances include Rs. 55,650,453 thousand (2013: Rs. 59,960,726 thousand) which have been placed under non-performing status as detailed below :-

2014									
Rupees in '000'									
Category of classification	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Other Assets Especially Mentioned	68,097	-	68,097	415	-	415	415	-	415
Substandard	8,429,852	-	8,429,852	2,070,332	-	2,070,332	2,070,332	-	2,070,332
Doubtful	743,240	-	743,240	284,398	-	284,398	284,398	-	284,398
Loss	46,409,264	-	46,409,264	24,347,500	-	24,347,500	24,347,500	-	24,347,500
	<u>55,650,453</u>	<u>-</u>	<u>55,650,453</u>	<u>26,702,645</u>	<u>-</u>	<u>26,702,645</u>	<u>26,702,645</u>	<u>-</u>	<u>26,702,645</u>

2013									
Rupees in '000'									
Category of classification	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Other Assets Especially Mentioned	52,936	-	52,936	2,388	-	2,388	2,388	-	2,388
Substandard	8,552,333	-	8,552,333	2,041,981	-	2,041,981	2,041,981	-	2,041,981
Doubtful	707,666	-	707,666	300,763	-	300,763	300,763	-	300,763
Loss	50,647,791	-	50,647,791	23,288,372	-	23,288,372	23,288,372	-	23,288,372
	<u>59,960,726</u>	<u>-</u>	<u>59,960,726</u>	<u>25,633,504</u>	<u>-</u>	<u>25,633,504</u>	<u>25,633,504</u>	<u>-</u>	<u>25,633,504</u>

11.4.1 Provision against certain net advances amounting to Rs. 21,681,471 thousand (2013: Rs.26,185,925 thousand) requiring additional provision of Rs. 20,689,119 thousand (2013: Rs. 24,348,207 thousand) has not been considered necessary in these unconsolidated financial statements on the basis of undertaking given by GoPb as stated in Note 1.2. However, during the year, in order to meet staggering requirement of 15%, an additional provision net off recoveries amounting to Rs. 1,609,841 thousand has been recognized.

11.5 Particulars of provisions against non-performing loans and advances

Note	2014			2013		
	Specific	General	Total	Specific	General	Total
	Rupees in '000'			Rupees in '000'		
11.5.1 Opening balance	25,633,504	41,755	25,675,259	26,299,268	14,893	26,314,161
Charge for the year	3,548,257	65,370	3,613,627	3,710,768	26,862	3,737,630
Reversals for the year	(2,479,116)	-	(2,479,116)	(4,375,336)	-	(4,375,336)
11.5.5 Amounts written off	1,069,141	65,370	1,134,511	(664,568)	26,862	(637,706)
11.6 Closing balance	-	-	-	(1,196)	-	(1,196)
	<u>26,702,645</u>	<u>107,125</u>	<u>26,809,770</u>	<u>25,633,504</u>	<u>41,755</u>	<u>25,675,259</u>
11.5.2 In local currency	26,702,645	107,125	26,809,770	25,633,504	41,755	25,675,259
In foreign currencies	-	-	-	-	-	-
	<u>26,702,645</u>	<u>107,125</u>	<u>26,809,770</u>	<u>25,633,504</u>	<u>41,755</u>	<u>25,675,259</u>

11.5.3 General provision represents provision against consumer financing portfolio as required by Prudential Regulations issued by the SBP.

11.5.4 The SBP amended the prudential regulations vide BSD Circular No.1 of 2011 dated October 21, 2011 in relation to provision for loans and advances; there by allowing benefit of Forced Sale Value (FSV) of pledged stocks, mortgaged residential, commercial and industrial properties (land and buildings only) and plant and machinery under charge held as collateral against non-performing advances. The FSV benefit availed in last years have been reduced by Rs. 1,865,014 thousand (net of FSV benefit availed during the period), which has resulted in increased charge for specific provision for the year by the same amount. The FSV benefit is not available for cash or stock dividend. Had the FSV benefit not recognized, before and after tax profits for the year would have been higher by Rs. 1,865,014 thousand (2013: higher by Rs. 1,982,039 thousand) and Rs. 1,034,941 thousand (2013: higher by Rs. 1,288,325 thousand) respectively.

	Note	2014 Rupees in '000'	2013
11.5.5 Reversal of provisions against non-performing loans and advances - charge to profit and loss account			
Reversal of provision against non-performing loans and advances-net	11.5.1	1,134,511	(637,706)
Transfer from restructuring reserve	23.2	(15,906)	(35,375)
		<u>1,118,605</u>	<u>(673,081)</u>
11.6 Particulars of write offs:			
11.6.1 Against provisions	11.5.1	-	1,196
Directly charged to profit and loss account		-	241
		-	<u>1,437</u>
11.6.2 Write Offs of Rs. 500,000 and above	11.7	-	1,196
Write Offs of below Rs. 500,000		-	241
		-	<u>1,437</u>
11.7 Details of loan write off of Rs. 500,000/- and above			
In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 2014 is given in Annexure-III.			
11.8 Particulars of loans and advances to executives, subsidiary & associated companies, etc.			
Debts due by executives or officers of the Bank or any of them either severally or jointly with any other persons :			
Balance at beginning of year		1,899,915	1,477,182
Loans granted during the year		482,328	694,398
Repayments received during the year		(436,465)	(271,665)
Balance at end of year	11.8.1	<u>1,945,778</u>	<u>1,899,915</u>
Debts due by subsidiary company and managed modaraba :			
Balance at beginning of year		1,091,975	1,069,513
Loans granted during the year		649,808	1,726,892
Repayments received during the year		(981,662)	(1,704,430)
Balance at end of year		<u>760,121</u>	<u>1,091,975</u>
		<u>2,705,899</u>	<u>2,991,890</u>
11.8.1 These represent staff loans given to executives and officers in accordance with their terms of employment and advances given under consumer finance schemes of the Bank.			
12. OPERATING FIXED ASSETS			
Capital work in progress	12.1	114,993	129,034
Property and equipment	12.2	5,367,132	3,377,005
Intangible assets	12.3	7,996	8,762
		<u>5,490,121</u>	<u>3,514,801</u>
12.1 Capital work in progress			
Civil works		35,684	102,654
Softwares		79,309	26,380
		<u>114,993</u>	<u>129,034</u>

	Note	2014 Rupees in '000'	2013
13 DEFERRED TAX ASSETS - NET			
Taxable temporary differences:			
- Surplus on revaluation of operating fixed assets	25.1	(622,003)	(107,558)
- Surplus on available for sale securities	25.2	(967,031)	-
- Accelerated tax depreciation		(225,573)	(216,786)
Deductible temporary differences:			
- Deficit on available for sale securities	25.2	-	99,049
- Loan loss provision		8,026,320	8,026,320
- Business loss	13.1	3,633,713	4,826,327
		<u>9,845,426</u>	<u>12,627,352</u>

13.1 The management has prepared a business plan on the basis of the arrangements as disclosed in Note 1.2. The business plan includes certain key assumptions such as deposit composition, growth of deposits and advances, investment returns, potential provision against assets, branch expansion plan etc. Any significant change in the key assumptions may have an impact on the projections, however, the management believes that it is probable that the Bank will be able to achieve the projections as per the business plan and future taxable income would be sufficient to allow the benefit of the deductible temporary differences.

13.2 Reconciliation of deferred tax

	Balance as at January 01, 2013	Recognized in profit and loss account	Recognized in equity	Balance as at December 31, 2013	Recognized in profit and loss account	Recognized in equity	Balance as at December 31, 2014
	Rupees in '000						
Taxable temporary differences:							
-Surplus on revaluation of operating fixed assets	(115,222)	5,574	2,090	(107,558)	5,308	(519,753)	(622,003)
-Surplus on available for sale securities	(240,635)	-	240,635	-	-	(967,031)	(967,031)
-Accelerated tax depreciation	(219,673)	2,887	-	(216,786)	(8,787)	-	(225,573)
Deductible temporary differences:							
-Deficit on available for sale securities	-	-	99,049	99,049	-	(99,049)	-
-Loan loss provision	8,026,320	-	-	8,026,320	-	-	8,026,320
-Business loss	5,619,824	(793,497)	-	4,826,327	(1,192,614)	-	3,633,713
	<u>13,070,614</u>	<u>(785,036)</u>	<u>341,774</u>	<u>12,627,352</u>	<u>(1,196,093)</u>	<u>(1,585,833)</u>	<u>9,845,426</u>

	Note	2014 Rupees in '000'	2013
14 OTHER ASSETS - NET			
Income/mark-up accrued in local currency		8,349,647	4,044,229
Profit paid in advance on pehlay munafa scheme		67,100	63,533
Advances, deposits, advance rent and other prepayments		268,302	229,253
Advance taxation (payments less provisions)		2,189,361	2,276,004
Non-banking assets acquired in satisfaction of claims	14.1	9,903,230	9,028,894
Branch adjustment account		328,017	87,231
Stock of stationery		43,703	28,409
Suspense account		1,897	577
Zakat recoverable from NITL	14.2	36,790	36,790
Claim for recovery of shares		-	18,570
Unrealized gain on revaluation of foreign contracts		-	51,159
Fraud and forgeries		36,062	44,871
Others		256,155	178,226
		<u>21,480,264</u>	<u>16,087,746</u>
Less provision against:			
Non-banking assets acquired in satisfaction of claims		(196,909)	(196,909)
Zakat recoverable from NITL		(36,790)	(36,790)
Claim for recovery of shares		-	(18,570)
Fraud and forgeries		(9,478)	(14,834)
	14.3	<u>(243,177)</u>	<u>(267,103)</u>
Other assets - net of provision		<u>21,237,087</u>	<u>15,820,643</u>

20 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2014			2013		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	Rupees	in '000'		Rupees	in '000'	
Not later than one year	1,149	21	1,128	1,298	148	1,150
Later than one year and not later than five years	-	-	-	1,265	29	1,236
	<u>1,149</u>	<u>21</u>	<u>1,128</u>	<u>2,563</u>	<u>177</u>	<u>2,386</u>

20.1 Financial charges, included in the lease rentals, are determined on the basis of discount factors applied at the rates ranging from 11.88% to 12.43% per annum (2013: 11.63% to 12.40% per annum). The Bank has an option to purchase the assets upon completion of lease term and has the intention to exercise the option.

20.2 The amount of future payments of the lease and the period in which these payments will become due are as follows:

	Note	2014 Rupees in '000'	2013 Rupees in '000'
Years:			
2014		-	1,298
2015		1,149	1,265
		<u>1,149</u>	<u>2,563</u>
Less: Financial charges for future periods		21	177
		<u>1,128</u>	<u>2,386</u>
21. OTHER LIABILITIES			
Mark-up/ return/ interest payable in local currency		4,850,510	4,102,574
Mark-up/ return/ interest payable in foreign currencies		55,911	16,219
Compensation payable on share deposit money		9,219	56,931
Mark-up payable on sub-ordinated loan from GoPb		1,562	-
Sundry creditors and accrued expenses		402,829	240,610
Unclaimed dividends		2,655	2,671
Payable to gratuity fund	38.1.1	76,390	71,470
Provision for employees compensated absences	38.1.3	223,672	209,961
Provision against off-balance sheet obligations	21.1	515,577	497,702
Deficit on revaluation of deposits and foreign bills purchased		26,204	21,028
Unrealized loss on revaluation of foreign contracts		37,290	-
Lease key money		3,926,497	3,036,386
Others		152,919	89,325
		<u>10,281,235</u>	<u>8,344,877</u>
21.1 Provision against off balance sheet obligations			
Opening balance		497,702	497,377
Charge for the year		17,875	325
Reversal during the year		-	-
		<u>17,875</u>	<u>325</u>
Closing balance		<u>515,577</u>	<u>497,702</u>

The above provision has been made against letters of guarantee issued by the Bank.

- 14.1** The market value of properties acquired in satisfaction of claims approximates their carrying value (net of provision).
- 14.2** This represents zakat deducted on dividends by NIT. The Bank has filed suit against NIT for recovery of the amount. The case was decided in favour of the Bank in 1993 and intra court appeal was filed by the Zakat and Ushr Department against the decision which is still pending. As a matter of prudence, though without prejudice to the Bank's claim against NIT at the court of law, the claim amount has been fully provided for.

	Note	2014 Rupees in '000'	2013
14.3 Provision against other assets			
Opening balance		267,103	234,683
Charge for the year		1,174	34,113
Reversal during the year		(3,590)	(1,168)
		(2,416)	32,945
Amount written off		(21,510)	(525)
Closing balance		243,177	267,103
15. CONTINGENT ASSETS			
Contingent assets		Nil	Nil
16. BILLS PAYABLE			
In Pakistan		1,727,731	1,506,335
Outside Pakistan		-	-
		1,727,731	1,506,335
17. BORROWINGS			
In Pakistan		44,649,243	22,771,002
Outside Pakistan		93,381	31,480
	17.1	44,742,624	22,802,482
17.1 Particulars of borrowings with respect to currencies			
In local currency		44,649,243	22,771,002
In foreign currencies		93,381	31,480
		44,742,624	22,802,482
17.2 Details of borrowings			
Secured			
Borrowings from SBP:			
- Export refinance (ERF)	17.2.1	9,581,230	6,722,490
- Long term financing - export oriented projects (LTF-EOP)	17.2.2	54,872	154,401
- Long term financing facility (LTFF)	17.2.2	1,404,893	1,161,695
Repurchase agreement borrowings	17.2.3	33,608,248	14,732,416
		44,649,243	22,771,002
Unsecured			
Overdrawn nostro accounts		93,381	31,480
		44,742,624	22,802,482

17.2.1 These are secured against the Bank's cash and security balances held with the SBP. Mark-up on these borrowings is payable quarterly at rates ranging from 5.50% to 6.50% per annum. (2013: 8.40% per annum). Maturity of the borrowing is upto June 29, 2015.

17.2.2 This amount is due to the SBP and have been obtained for providing long term finance to customers. As per the agreements with the SBP, the Bank has granted the SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with the SBP. Mark-up on these borrowings is payable quarterly at rates ranging from 5.00% to 10.10% (2013: 5.00% to 11.00%) per annum with maturity upto September 29, 2021.

17.2.3 These are secured against market treasury bills and carry mark-up at rates ranging from 9.40% to 10.00% per annum (2013: 9.85% to 10.05% per annum) maturing on various dates latest by February 27, 2015.

	2014	2013
	Rupees in '000'	
18. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	120,193,692	125,857,124
Savings deposits	132,651,725	110,019,779
Current accounts - non-remunerative	77,060,744	60,096,297
Sundry deposits, margin accounts, etc.	8,223,503	2,320,299
	338,129,664	298,293,499
Financial institutions		
Remunerative deposits	2,845,709	7,227,752
Non-remunerative deposits	1,315,390	1,039,516
	4,161,099	8,267,268
	342,290,763	306,560,767
18.1 Particulars of deposits		
In local currency	335,644,581	300,587,802
In foreign currencies	6,646,182	5,972,965
	342,290,763	306,560,767
19 SUB-ORDINATED LOAN		
Loan from the GoPb	2,000,000	-

The GoPb has extended loan of Rs. 2,000,000 thousand (2013: Nil) to support capital structure of the Bank for the purpose of the regulatory capital requirement. The loan is unsecured and sub-ordinated to all other indebtedness including deposits. The salient features of the loan are as follows:

Tenor:	07 Years.
Profit payment & frequency:	Profit payable on half yearly basis in arrears on the outstanding principal amount.
Profit rate:	Average SBP discount rate. (Average shall be calculated on daily basis)
Conversion option:	May be converted, subject to consent of the parties and necessary regulatory approvals, after a period of five years into ordinary shares at the rate of Rs. 15 per share.
Repayment:	Bullet repayment after lapse of 07 years.
Call / Put option:	Callable after a period of 05 years. However no put option is available to GoPb.

22. SHARE CAPITAL

22.1 Authorized Capital

2014 Number	2013 Number		2014 Rupees in '000'	2013 Rupees in '000'
<u>5,000,000,000</u>	<u>5,000,000,000</u>	Ordinary / Preference shares of Rs. 10 each	<u>50,000,000</u>	<u>50,000,000</u>

The authorized capital of the Bank is fifty thousand million rupees divided into five thousand million ordinary or preference shares of ten rupees each.

22.2 Issued, subscribed and paid up share capital

2014 Number	2013 Number	Ordinary shares	2014 Rupees in '000'	2013 Rupees in '000'
19,333,340	19,333,340	Opening balance Ordinary shares of Rs. 10 each paid in cash	193,333	193,333
526,315,789	-	Ordinary shares of Rs. 10 each issued at discount	5,263,158	-
509,464,036	509,464,036	Issued as bonus shares	5,094,641	5,094,641
<u>1,055,113,165</u>	<u>528,797,376</u>		<u>10,551,132</u>	<u>5,287,974</u>
500,000,000	-	Issuance of right shares at par value	5,000,000	-
-	526,315,789	Issuance of right shares at discount	-	5,263,158
<u>500,000,000</u>	<u>526,315,789</u>		<u>5,000,000</u>	<u>5,263,158</u>
519,333,340	19,333,340	Closing balance Ordinary shares of Rs. 10 each paid in cash	5,193,333	193,333
526,315,789	526,315,789	Ordinary shares of Rs. 10 issued at discount	5,263,158	5,263,158
509,464,036	509,464,036	Issued as bonus shares	5,094,641	5,094,641
<u>1,555,113,165</u>	<u>1,055,113,165</u>		<u>15,551,132</u>	<u>10,551,132</u>

22.3 GOPb held 57.47% shares in the Bank as at December 31, 2014 (2013: 52.67 %).

	Note	2014 Rupees in '000'	2013
23. RESERVES			
Statutory reserve	23.1	1,341,455	783,965
Share premium reserve		37,882	37,882
Restructuring reserve	23.2	701,906	717,812
		<u>2,081,243</u>	<u>1,539,659</u>
23.1	In accordance with the Banking Companies Ordinance, 1962, the Bank is required to transfer twenty percent of its profits each year to statutory reserve fund until the amount in such fund equals to the paid up share capital of the Bank.		
23.2	This represents the effect of the up-gradation of category of classification by one category upon rescheduling / restructuring of classified loans and advances in accordance with the BSD Circular No. 10 dated 20 October 2009.		
Opening balance		717,812	753,187
Transfer to profit and loss account	11.5.5	(15,906)	(35,375)
Closing balance		<u>701,906</u>	<u>717,812</u>
24. SHARE DEPOSIT MONEY			
Share deposit money - I		-	5,000,000
Share deposit money - II		7,000,000	7,000,000
	24.1 & 24.2	<u>7,000,000</u>	<u>12,000,000</u>
24.1 Reconciliation of share deposit money			
Opening balance		12,000,000	17,000,000
Right shares issued during the year		(5,000,000)	(5,000,000)
Closing balance		<u>7,000,000</u>	<u>12,000,000</u>
24.2	During the year, in 2nd phase, the Bank has issued 500,000,000 right shares at par as explained in Note 1.2.		
25. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus / (Deficit) on revaluation of :			
Operating fixed assets - net of tax	25.1	2,117,084	891,259
Available for sale securities - net of tax	25.2	1,953,560	13,291
		<u>4,070,644</u>	<u>904,550</u>

	Note	2014 Rupees in '000'	2013
25.1 Surplus on revaluation of operating fixed assets - net of tax			
As on January 01		1,097,482	1,098,296
- (Deficit) / Surplus on revaluation realized during the year		980	(814)
- Surplus on revaluation during the year		1,754,456	-
		2,852,918	1,097,482
Incremental depreciation:			
- Opening balance		(98,665)	(82,739)
- Transferred to accumulated losses in respect of incremental depreciation charge during the year - net of tax		(9,858)	(10,352)
- Related deferred tax liability		(5,308)	(5,574)
Accumulated incremental depreciation		(113,831)	(98,665)
As on December 31		2,739,087	998,817
Less: Related deferred tax liability			
- Opening balance		(107,558)	(115,222)
- Deferred tax on revaluation during the year		(522,548)	-
- Adjustment during the year		-	1,908
- Deferred tax on surplus realized during the year		2,795	182
- Deferred tax recorded during the year		5,308	5,574
- Closing balance	13	(622,003)	(107,558)
		2,117,084	891,259
25.2 Surplus / (Deficit) on revaluation of available for sale securities - net of tax			
Federal government securities		2,672,965	(383,041)
Quoted securities		177,234	220,157
Mutual funds units		76,261	66,543
Term finance certificates		(5,869)	10,583
		2,920,591	(85,758)
Less: Related deferred tax (liability) / asset	13	(967,031)	99,049
		1,953,560	13,291
26. CONTINGENCIES AND COMMITMENTS			
26.1 Direct credit substitutes			
These include general guarantees of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favour of:			
- Government		-	-
- Financial institutions		-	-
- Others		996,208	1,176,561
		996,208	1,176,561

	2014	2013
	Rupees in '000'	
26.2 Transaction-related contingent liabilities		
These include performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credit related to particular transactions issued in favour of:		
- Government	508,758	298,272
- Financial institutions	14,469	33,872
- Others	15,823,674	12,729,479
	<u>16,346,901</u>	<u>13,061,623</u>
26.3 Trade-related contingent liabilities		
These include letters of credit issued in favour of:		
- Government	9,540,901	970,207
- Financial institutions	-	-
- Others	11,199,942	7,420,631
	<u>20,740,843</u>	<u>8,390,838</u>

26.4 Income tax related contingency

For the tax years 2010, 2011 & 2012 Income Tax Department has amended the assessment orders on the issues of separate taxation of dividend income and turnover tax against which the Bank have filed appeals before Commissioner Inland Revenue Appeals. The expected tax liability in respect of aforesaid tax years amounts to Rs 162,772 thousand and minimum tax under section 113 amounts to Rs 257,967 thousand. The management of the Bank, as per the opinion of its tax consultant, is confident that the appeal filed for the aforementioned tax years will be decided in Bank's favour.

	2014	2013
	Rupees in '000'	
26.5 Other contingencies		
Claims against the Bank not acknowledged as debts	<u>35,192,352</u>	<u>40,353,802</u>

The amount involved in the claims filed against the Bank are yet to be adjudicated by the concern Courts as the same have been filed as outburst to our recovery suits. Uptill now, in no case, any claim has been adjudicated, determined or decreed by the Courts against the Bank. Moreover, there is no likelihood of decreeing the suits against the Bank because, the claims are frivolous.

26.6 Commitments to extend credit

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

	2014	2013
	Rupees in '000'	
26.7 Commitments in respect of forward exchange contracts		
Purchase	5,314,736	4,433,928
Sale	3,658,932	5,382,084
	<u>8,973,668</u>	<u>9,816,012</u>
26.8 Commitments for the acquisition of operating fixed assets	<u>63,278</u>	<u>18,199</u>

	Note	2014 Rupees in '000'	2013
27. MARK-UP/RETURN/INTEREST EARNED			
a) On loans and advances to:			
i) Customers		14,765,975	13,406,595
ii) Financial institutions		36,523	18,693
b) On investments in:			
i) Available for sale securities		12,105,586	9,198,639
ii) Held for trading securities		393,062	647,946
iii) Held to maturity securities		1,365,808	127,322
c) On deposits with financial institutions		10,941	10,698
d) On securities purchased under resale agreements		715,080	741,050
e) On certificates of investment		38,236	7,666
f) On letters of placement		90,508	36,594
		<u>29,521,719</u>	<u>24,195,203</u>
28. MARK-UP/RETURN/INTEREST EXPENSED			
Deposits		21,150,452	18,851,135
Securities sold under repurchase agreements		1,434,759	959,046
Return on share deposit money	28.1	(2,061,626)	365,909
Mark-up on subordinated loan from GoPb		1,562	-
Call borrowings		636	79
		<u>20,525,783</u>	<u>20,176,169</u>
28.1	This includes refund of Rs. 2,128,772 thousand (2013: Nil) received from GoPb on account of markup on share deposit money charged during the period 2009-2012.		
29. GAIN ON SALE AND REDEMPTION OF SECURITIES - NET			
Federal government securities :			
Market treasury bills		124,036	103,531
Pakistan investment bonds		328,759	323,382
Ijara sukuk		-	45
Shares - listed		135,530	549,926
Term finance certificates		12,310	63,073
Mutual funds		66,687	351,917
		<u>667,322</u>	<u>1,391,874</u>
30. OTHER INCOME			
Rent on lockers		30,587	27,353
Net profit on sale of property and equipment		21,459	59,167
Net profit on sale of non banking assets acquired in satisfaction of claims		82,652	527,751
Service charges		233,991	188,755
Loan processing and arrangement charges		369,104	130,303
Online transaction charges		12,510	14,729
ATM transactions		145,457	112,294
Cheque return charges		15,676	14,436
Miscellaneous earnings		88,744	73,309
		<u>1,000,180</u>	<u>1,148,097</u>

	Note	2014 Rupees in '000'	2013
31. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		3,212,184	2,682,292
Contribution to defined contribution plans		93,347	80,832
Provision for gratuity	38.1.1	78,904	79,861
Provision for compensated absences	38.1.3	14,105	16,558
Non-executive directors' fees	39	2,625	3,475
Taxes, insurance, electricity, etc.		319,546	215,402
Legal and professional charges		42,149	43,891
Communications		116,689	102,313
Repairs and maintenance		133,901	111,238
Rent for bank premises	31.1	406,003	330,283
Finance charge on leased assets		152	275
Stationery and printing		160,361	104,233
Advertisement and publicity		136,571	71,514
Auditors' remuneration	31.2	8,050	5,210
Depreciation	12.2	369,642	328,857
Depreciation on ijarah assets under IFAS - 2	11.2	28,219	-
Amortization on intangible assets	12.3	4,561	2,622
Traveling		68,485	57,429
Fuel expenses		274,737	268,856
Cash remittance charges		85,243	74,506
Entertainment expenses		56,746	52,263
Bank charges		81,720	92,034
Online connectivity charges		105,662	70,980
Fuel for generator		125,777	144,286
Commission and brokerage		82,747	68,240
Branch License fee		10,031	14,188
Miscellaneous expenses		196,874	178,144
		6,215,031	5,199,782
31.1 Operating lease			
Operating lease rentals are charged in profit and loss account on a time proportion basis over the term of lease agreements.			
31.2 Auditors' remuneration			
Audit fee		2,000	1,750
Special certifications, half yearly review and others		5,275	2,610
Out-of-pocket expenses		775	850
		8,050	5,210
32. OTHER CHARGES			
Penalties imposed by SBP		19,727	39,623
Others		-	7,500
		19,727	47,123
33. TAXATION			
For the year			
Current		323,121	278,239
Deferred		1,196,093	785,036
		1,519,214	1,063,275
Prior years			
Current		-	-
Deferred		-	-
		1,519,214	1,063,275
33.1			
Due to carry forward business losses, numerical reconciliation between tax expense and accounting profit has not been presented. However, current liability for taxation represents minimum tax under section 113 of the Income Tax Ordinance, 2001.			

	Note	2014 Rupees in '000'	2013
34. BASIC EARNINGS PER SHARE			
Profit for the year - Rupees in thousand		2,787,449	1,938,007
Weighted average ordinary shares - Number		1,439,655,027	828,714,275
Basic earnings per share - after tax - Rupees		1.94	2.34
Earnings per share for the year ended December 31, 2013 has been restated to give effect of bonus element included in issuance of right shares made during the year.			
35. DILUTED EARNINGS PER SHARE			
There is no dilution effect on basic earnings per share.			
36. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	7	23,622,411	23,820,864
Balance with other banks	8	2,239,170	4,265,296
Call money lendings	9	600,000	800,000
Overdrawn nostro accounts	17.2	(93,381)	(31,480)
		26,368,200	28,854,680
		Number	
37. STAFF STRENGTH			
Permanent		3,566	3,622
Temporary/on contractual basis		1,513	1,405
Daily wagers		389	384
Bank's own staff strength at the end of the year		5,468	5,411
Outsourced		712	681
Total Staff Strength		6,180	6,092

38. EMPLOYEE BENEFITS

38.1 Defined benefit plans

38.1.1 Gratuity

The Bank operates a funded gratuity scheme for all its permanent employees. The benefits under the scheme are payable on retirement which is equal to one month's last drawn basic salary for each year of eligible service or part thereof, with effect from January 01, 2008, subject to minimum of five years of service. The Bank makes annual provision in the financial statements for its liabilities on the basis of actuarial valuation.

Principal actuarial assumptions

The most recent valuation was carried out at December 31, 2014 using the "Projected Unit Credit Method". The principal assumptions used in the valuation at December 31, 2014 were as follows:

	2014	2013
Discount rate	11.00%	13.00%
Expected rate of eligible salary increase in future years	10.00%	12.00%
Interest income for the year 2015	11.00%	13.00%
Average expected remaining working life (years)	7	10

	2014	2013
	Rupees in '000'	
Reconciliation of payable to defined benefit plan		
Present value of defined benefit obligation	420,106	343,541
Fair value of plan assets	(358,518)	(283,186)
Benefit payments payable	14,802	11,115
	<u>76,390</u>	<u>71,470</u>
Movement in payable to defined benefit plan		
Opening balance	71,470	87,331
Charge for the year	78,904	79,861
Remeasurement chargeable in other comprehensive income	(2,514)	(8,391)
Contributions made by the Bank during the year	(71,470)	(87,331)
Closing balance	<u>76,390</u>	<u>71,470</u>
Changes in present value of defined benefit obligations		
Opening balance	343,541	268,612
Current service cost	75,454	71,249
Interest cost	43,119	29,547
Benefits due but not paid during the year	(7,525)	(11,115)
Benefit paid	(23,717)	(6,783)
Actuarial loss / (gain)	(10,766)	(7,969)
	<u>420,106</u>	<u>343,541</u>
<p>The effect of increase of one percent and the effect of decrease of one percent in the discount rate on the present value of defined benefit obligation at December 31, 2014 would be Rs. 386,905 thousand (2013: Rs. 311,067 thousand) and Rs. 449,269 thousand (2013: Rs. 381,792 thousand) respectively.</p>		
Changes in fair value of plan assets		
Opening balance	283,186	190,322
Interest income for the year	39,669	20,935
Contributions made	71,470	87,331
Benefits paid	(27,554)	(15,824)
Actuarial gain / (loss)	(8,253)	422
	<u>358,518</u>	<u>283,186</u>
Charge for defined benefit plan		
Current service cost	75,454	71,249
Interest cost	43,119	29,547
Interest income for the year	(39,669)	(20,935)
	<u>78,904</u>	<u>79,861</u>
Actual return on plan assets	<u>31,416</u>	<u>21,357</u>
Composition of fair value of plan assets		
NIT Government Bond Fund	-	36,884
Cash at bank	358,518	246,302
	<u>358,518</u>	<u>283,186</u>

38.1.2 Reconciliation of net liability recognized for gratuity for the five years are as follows:

	2014	2013	2012	2011	2010
	Rupees in '000'				
Present value of defined benefit obligation	420,106	343,541	268,612	181,818	129,422
Fair value of plan assets	(358,518)	(283,186)	(190,322)	(39,580)	(38,463)
Benefit payments payable	14,802	11,115	9,041	6,963	4,411
	<u>76,390</u>	<u>71,470</u>	<u>87,331</u>	<u>149,201</u>	<u>95,370</u>
Actuarial gains / (losses) on obligation	10,766	7,969	(17,849)	14,777	13,140
Actuarial gains / (losses) on assets	(8,253)	422	8,017	(583)	(1,205)

38.1.3 Compensated absences

The Bank makes annual provision in the financial statements for its liabilities towards vested compensated absences accumulated by its employees on the basis of actuarial valuation. The actuary has used "Projected Unit Credit Method" for calculations. The employees of the Bank are entitled to take the leave as Leave Preparatory to Retirement (LPR) immediately before retirement. These leaves are subject to retirees' un-utilized privilege leave balance with an upper limit of 180 days. Alternatively, the retiree may receive a lump-sum cash amount equal to 180 days gross salary at the time of retirement in lieu of LPR of 180 days. Privilege leave accrues at the rate of 30 days per year. Moreover, any unutilized privilege leaves over 180 days are ignored.

Principal actuarial assumptions

The most recent valuation was carried out at December 31, 2014 using the "Projected Unit Credit Method". The principal assumptions used in the valuation at December 31, 2014 were as follows:

	2014	2013
Discount rate	11.00%	13.00%
Expected rate of eligible salary increase in future years	10.00%	12.00%
Average number of leaves accumulated per annum by the employees (days)	10	7

	2014	2013
	Rupees in '000'	
Present value of defined benefit obligation	<u>223,672</u>	<u>209,961</u>
Movement in payable to defined benefit plan		
Opening balance	209,961	193,464
Charge for the year	14,105	16,558
Benefit paid	(394)	(61)
Closing balance	<u>223,672</u>	<u>209,961</u>
The effect of increase of one percent and the effect of decrease of one percent in the discount rate on the present value of defined benefit obligation at December 31, 2014 would be Rs. 201,373 thousand (2013: Rs. 189,522 thousand) and Rs. 249,761 thousand (2013: Rs. 233,640 thousand) respectively.		
Charge for defined benefit plan		
Current service cost	19,874	18,966
Interest cost	27,269	21,281
Actuarial gains recognized	(33,037)	(23,689)
	<u>14,106</u>	<u>16,558</u>

38.1.4 Reconciliation of net liability recognized for compensated absences for the five years are as follows:

	2014	2013	2012	2011	2010
	Rupees in '000'				
Opening net liability	209,961	193,464	186,799	184,041	164,352
Net charge for the year	13,711	16,497	6,665	2,758	19,689
	<u>223,672</u>	<u>209,961</u>	<u>193,464</u>	<u>186,799</u>	<u>184,041</u>
Actuarial gains on obligation	<u>33,037</u>	<u>23,689</u>	<u>33,894</u>	<u>37,036</u>	<u>14,429</u>

39. COMPENSATION OF DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for remuneration, including benefits to the Chairman, President/Chief Executive Officer, Directors and Executives of the Bank was as follows:

	Chairman		President / Chief Executive		Directors		Executives	
	2014	2013	2014	2013	2014	2013	2014	2013
	Rupees in '000							
Fees	275	350	-	-	2,350 *	3,125 *	-	-
Managerial remuneration	-	-	29,688	25,816	-	-	376,534	350,549
Bonus	-	-	11,402	4,303	-	-	120,553	57,558
Rent and house maintenance	-	-	2,290	1,991	-	-	142,877	133,492
Utilities	125	114	2,063	1,794	-	-	36,712	34,236
Medical	314	989	-	-	-	-	35,224	32,942
Other allowances	1,668	1,670	2,348	3,820	-	-	168,556	53,036
	<u>2,382</u>	<u>3,123</u>	<u>47,791</u>	<u>37,724</u>	<u>2,350</u>	<u>3,125</u>	<u>880,456</u>	<u>661,813</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>7</u>	<u>9</u>	<u>420</u>	<u>400</u>

* This represents fee paid to non-executive directors for attending the Board and its committees meetings.

Chairman, President/Chief Executive Officer and Executives are provided with free use of the Bank's maintained cars.

In addition to the above, contribution to defined contribution and benefit plans have been made in accordance with the Bank's policy. Further, executives are entitled to certain additional benefits in accordance with the Bank's policy.

Executive means officers, other than the chief executive and directors, whose basic salary exceeds five hundred thousand rupees in the financial year.

40. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Underlying the definition of fair value is the presumption that the Bank is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

	2014		2013	
	Book value	Fair value	Book value	Fair value
	Rupees in '000'		Rupees in '000'	
On balance sheet financial instruments				
Assets				
Cash and balances with treasury banks	23,622,411	23,622,411	23,820,864	23,820,864
Balances with other banks	2,239,170	2,239,170	4,265,296	4,265,296
Lendings to financial institutions	32,748,623	32,748,623	11,407,448	11,407,448
Investments - net	154,874,757	155,396,085	123,956,143	123,903,009
Advances - net	170,312,593	170,312,593	157,285,598	157,285,598
Other assets	8,763,494	8,763,494	4,178,623	4,178,623
	<u>392,561,048</u>	<u>393,082,376</u>	<u>324,913,972</u>	<u>324,860,838</u>
Liabilities				
Bills payable	1,727,731	1,727,731	1,506,335	1,506,335
Borrowings	44,742,624	44,742,624	22,802,482	22,802,482
Deposits and other accounts	342,290,763	342,290,763	306,560,767	306,560,767
Sub-ordinated loan	2,000,000	2,000,000	-	-
Liabilities against assets subject to finance lease	1,128	1,128	2,386	2,386
Other liabilities	9,765,658	9,765,658	7,847,175	7,847,175
	<u>400,527,904</u>	<u>400,527,904</u>	<u>338,719,145</u>	<u>338,719,145</u>
Off balance sheet financial instruments				
Forward purchase of foreign exchange contracts	5,314,736	5,227,803	4,433,928	4,387,467
Forward sale of foreign exchange contracts	3,658,932	3,609,289	5,382,084	5,260,228

Investments

All quoted investments have been stated at their market values except securities classified as held to maturity, which have been valued at their amortized cost. These held to maturity securities have market value of Rs. 15,612,502 thousand (2013: Rs. 1,210,098 thousand). All unquoted investments have been stated at cost less provision for impairment if any, being their estimated fair values.

Advances

Fair value of advances can not be determined with reasonable accuracy due to absence of current and active market. Advances are repriced frequently at market rates and are reduced for any impairment against non-performing advances determined in accordance with Prudential Regulations by the SBP.

Deposits and other accounts

The fair value of long term fixed deposits of over one year can not be calculated with sufficient reliability due to non-availability of relevant active market. Carrying values of deposits other than long term fixed deposits approximate their fair values as they are short term in nature or are frequently repriced.

Other financial instruments

The fair value of all other on-balance sheet financial instruments are considered to approximate their book value as they are short-term in nature.

41. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
	Rupees in '000'					
2014						
Total income	15,671,975	2,836,518	13,292,084	428,915	82,657	32,312,149
Total expenses	1,668,312	4,201,905	22,135,269	-	-	28,005,486
Inter segment revenue / (cost) transfer	(11,583,730)	1,737,639	9,846,091	-	-	-
Income taxes	-	-	-	-	-	1,519,214
Net income / (loss)	<u>2,419,933</u>	<u>372,252</u>	<u>1,002,906</u>	<u>428,915</u>	<u>82,657</u>	<u>2,787,449</u>
Segment assets (gross)	<u>215,679,904</u>	<u>22,209,794</u>	<u>197,693,135</u>	<u>-</u>	<u>-</u>	<u>435,582,833</u>
Segment non performing loans / investments	<u>3,255,415</u>	<u>2,132,875</u>	<u>53,517,578</u>	<u>-</u>	<u>-</u>	<u>58,905,868</u>
Segment provision required	<u>3,114,422</u>	<u>1,836,563</u>	<u>24,973,207</u>	<u>-</u>	<u>-</u>	<u>29,924,192</u>
Segment liabilities	<u>35,854,983</u>	<u>54,958,655</u>	<u>310,229,843</u>	<u>-</u>	<u>-</u>	<u>401,043,481</u>
Segment return on net assets (ROA) (%)	<u>11.26%</u>	<u>16.33%</u>	<u>13.04%</u>			
Segment cost of funds (%)	<u>9.25%</u>	<u>8.83%</u>	<u>8.00%</u>			
2013						
Total income	12,470,229	2,142,616	12,690,621	410,874	77,089	27,791,429
Total expenses	1,367,281	3,543,463	19,879,403	-	-	24,790,147
Inter segment (cost) / revenue transfer	(8,931,287)	1,369,198	7,562,089	-	-	-
Income taxes	-	-	-	-	-	1,063,275
Net income / (loss)	<u>2,171,661</u>	<u>(31,649)</u>	<u>373,307</u>	<u>410,874</u>	<u>77,089</u>	<u>1,938,007</u>
Segment assets (gross)	<u>165,052,006</u>	<u>19,077,427</u>	<u>182,864,469</u>	<u>-</u>	<u>-</u>	<u>366,993,902</u>
Segment non performing loans / investments	<u>3,188,591</u>	<u>2,144,610</u>	<u>57,816,116</u>	<u>-</u>	<u>-</u>	<u>63,149,317</u>
Segment provision required	<u>3,166,697</u>	<u>1,734,626</u>	<u>23,940,633</u>	<u>-</u>	<u>-</u>	<u>28,841,956</u>
Segment liabilities	<u>16,457,701</u>	<u>48,824,821</u>	<u>273,934,325</u>	<u>-</u>	<u>-</u>	<u>339,216,847</u>
Segment return on net assets (ROA) (%)	<u>10.83%</u>	<u>15.08%</u>	<u>15.39%</u>			
Segment cost of funds (%)	<u>9.34%</u>	<u>9.02%</u>	<u>8.84%</u>			

42. RELATED PARTY TRANSACTIONS

Related parties comprise subsidiary, key management personnel and entities in which key management personnel are office holders / members. The Bank in the normal course of business carries out transactions with various related parties on an arm's length basis. Amounts due from and due to related parties are shown under receivables and payables. Amounts due from key management personnel are shown under receivables and remuneration of key management personnel is disclosed in Note 11.8 and Note 39 respectively. In addition key management personnel are paid terminal and short-term terminal benefits.

	2014				2013			
	Key management personnel	Subsidiary company and managed modaraba	Employee funds	Others	Key management personnel	Subsidiary company and managed modaraba	Employee funds	Others
	Rupees in '000'				Rupees in '000'			
Advances								
Opening balance	86,027	1,091,975	-	52,591	95,070	1,069,513	-	58,567
Loans granted during the year	70,710	649,808	-	267,235	22,983	1,726,892	-	274,687
Repayments received during the year	(35,681)	(981,662)	-	(257,952)	(32,026)	(1,704,430)	-	(280,663)
Closing balance	121,056	760,121	-	61,874	86,027	1,091,975	-	52,591
Deposits								
Opening balance	25,092	26,195	805,346	29,657	39,996	2,369	1,627,249	288
Placements made during the year	279,029	790,050	6,566,043	70,317	213,027	1,130,239	1,454,256	62,850
Withdrawals during the year	(288,944)	(795,838)	(5,295,349)	(53,429)	(227,931)	(1,106,412)	(2,276,159)	(33,481)
Closing balance	15,177	20,407	2,076,040	46,545	25,092	26,196	805,346	29,657
Placements								
	-	100,000	-	-	-	100,000	-	-
Lease liability								
	-	1,129	-	-	-	2,386	-	-
Transactions during the year :								
Mark-up/return earned	10,196	78,927	-	7,082	7,359	122,099	-	7,317
Mark-up/interest expensed	443	-	183,257	2,663	656	-	129,585	866
Contribution to employees funds	-	-	69,900	-	-	-	56,805	-

42.1 Balances pertaining to parties that were related at the beginning of the year but ceased to be so related during any part of the current year are not reflected as part of the closing balance. The same are accounted for through movement presented above.

42.2 The GoPb holds controlling interest (57.47% shareholding) in the Bank and therefore entities which are owned and / or controlled by the GoPb, or where the GoPb may exercise significant influence, are related parties of the Bank.

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

As at Statement of Financial Position date the loans and advances, deposits and contingencies relating to Government related entities amounted to Rs. 23,818,185 thousand, Rs.146,442,712 thousand and Rs. 10,179,293 thousand respectively.

43. CAPITAL ADEQUACY

43.1 Scope of application

The Bank is the only entity in the Group to which Basel framework is applicable. The Bank has only one subsidiary, Punjab Modaraba Services (Private) Limited, whose financial statements are included in the consolidated financial statements.

43.2 Capital adequacy

The Basel Framework for a capital adequacy is applicable to the Bank both at the consolidated level (including the subsidiary) and on a stand alone basis. The Bank's policy is to maintain strong capital base so as to maintain, investor, creditor and market confidence and to sustain future business developments. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the SBP. The ratio compares the amount of eligible capital with the total of risk-weighted assets. The Bank monitors and reports its capital ratios under SBP rules, which ultimately determine the regulatory capital required to be maintained by Banks and DFIs.

In addition, the SBP requires that the paid up capital of locally incorporated banks should be raised to Rs. 10 billion by December 31, 2013 in a phased manner. The Bank plans to increase its paid up share capital, through right issue, to comply with the aforesaid requirement. The paid-up capital requirement (net of losses) as at December 31, 2014 is Rs.10.0 billion. The paid-up capital, reserves (net of losses) and share deposit money of the Bank amounts to Rs. 15,256,063 thousand.

The SBP requires that banks doing business in Pakistan should maintain regulatory capital for credit, market, and operational risks, the amount of which should at least be equal to 10% of their risk weighted assets. The Bank's capital adequacy ratio as at December 31, 2014 under Basel III is 10.20%.

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

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

Sr. No.	Ratio	Year end						As of
		2013	2014	2015	2016	2017	2018	December 2019
1	CET1	5.00%	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%
2	ADT-1	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
3	Tier-1	6.50%	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%
4	Total capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
5	CCB (consisting of CET1 only)	0.00%	0.00%	0.25%	0.65%	1.275%	1.90%	2.50%
6	Total capital plus CCB	10.00%	10.00%	10.25%	11.25%	11.875%	12.50%	12.50%

The SBP's regulatory capital as managed by the Bank is analyzed into following tiers:

- Tier I capital (CET1), which comprises of highest quality capital element and include fully paid up capital, share premium, reserve for bonus shares, general reserves and accumulated losses.
- Additional Tier I capital (ADT-I), which includes perpetual non-cumulative preference shares and its premium after all regulatory adjustments applicable on ADT-I.
- Tier II capital, which includes subordinated debt / instruments and its premium, general reserve for loan losses (up to a maximum of 1.25% of CRWA), net of tax revaluation reserves up to a maximum of 45% of the balance, exchange translation reserves after all regulatory adjustments applicable on Tier-2.
- Tier III capital, which includes short term sub-ordinated debts. This capital is solely for the purpose of meeting a proportion of the capital requirements for market risk.

Various limits are applied to elements of the capital base. Qualifying Tier II and Tier III capital cannot exceed the Tier I capital. Revaluation reserves are eligible upto 45 % for treatment as Tier II capital. There is also restriction on the amount of general reserve for loan losses upto 1.25 % of total risk weighted assets. Sub-ordinated debts cannot exceed 50 % of Tier I capital. Further tier III capital cannot exceed 250 % of Tier I capital.

The Bank calculates capital requirement as per regulatory framework, using the following approaches:

Credit risk	Standardized Approach
Market risk	Standardized Approach
Operational risk	Basic Indicator Approach

Basel-III Framework enables a more risk-sensitive regulatory capital calculation to promote long term viability of the Bank.

	Note	2014 Rupees in '000'	2013
43.3 Capital adequacy return			
Common Equity Tier 1 capital (CET1): Instruments and reserves			
1		15,551,132	10,551,132
2		7,037,882	12,037,882
3		-	-
4		(263,158)	(263,158)
5		2,043,361	1,501,777
6		-	-
7		(9,113,154)	(11,250,885)
8		-	-
		-	-
9 CET 1 before Regulatory Adjustments		15,256,063	12,576,748
10	43.3.1	1,841,555	41,437
11 Common Equity Tier 1		13,414,508	12,535,311
Additional Tier 1 (AT 1) Capital			
12		-	-
13		-	-
14		-	-
15		-	-
16		-	-
17 AT1 before regulatory adjustments		-	-
18	43.3.2	59,635	-
19		-	-
20		59,635	-
21 Tier 1 Capital (CET1 + admissible AT1) (11+20)		13,354,873	12,535,311
Tier 2 Capital			
22		2,000,000	-
23 Tier 2 capital instruments subject to phase-out arrangement issued under pre-Basel 3 rules		-	-

	Note	2014 Rupees in '000'	2013
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		107,125	41,755
27 Revaluation reserves (net of taxes)		2,279,561	407,048
28 of which: Revaluation reserves on fixed assets		1,185,567	401,067
29 of which: Unrealized gains/losses on AFS		1,093,994	5,981
30 Foreign Exchange Translation Reserves		-	-
31 Undisclosed/Other Reserves (if any)		-	-
32 T2 before regulatory adjustments		4,386,686	448,803
33 Total regulatory adjustment applied to T2 capital	43.3.3	-	-
34 Tier 2 capital (T2) after regulatory adjustments		-	-
35 Tier 2 capital recognized for capital adequacy		-	-
36 Portion of Additional Tier 1 capital recognized in Tier 2 capital		-	-
37 Total Tier 2 capital admissible for capital adequacy		4,386,686	448,803
38 TOTAL CAPITAL (T1 + admissible T2) (21+37)		17,741,559	12,984,114
39 Total Risk Weighted Assets (RWA)	43.6	173,985,098	144,887,602
Capital Ratios and buffers (in percentage of risk weighted assets)			
40 CET1 to total RWA		7.71%	8.65%
41 Tier-1 capital to total RWA		7.68%	8.65%
42 Total capital to total RWA		10.20%	8.96%
43 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)			
44 of which: capital conservation buffer requirement			
45 of which: countercyclical buffer requirement			
46 of which: D-SIB or G-SIB buffer requirement			
47 CET1 available to meet buffers (as a percentage of risk weighted assets)			
National minimum capital requirements prescribed by SBP			
48 CET1 minimum ratio		5.50%	5.00%
49 Tier 1 minimum ratio		7.00%	6.50%
50 Total capital minimum ratio		10.00%	10.00%

		2014	2013	
		Rupees in '000'		
		Amount	Amounts subject to Pre- Basel III treatment *	
Regulatory Adjustments and Additional Information				
43.3.1 Common Equity Tier 1 capital: Regulatory adjustments				
1	Goodwill (net of related deferred tax liability)	79,309	-	26,380
2	All other intangibles (net of any associated deferred tax liability)	7,996	-	8,762
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)	726,743	3,628,933	-
5	Defined-benefit pension fund net assets			
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	13,244	-	4,597
7	Cash flow hedge reserve			
8	Investment in own shares/ CET1 instruments	-	-	1,698
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)	-	-	-
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	1,011,907	5,059,533	
15	Amount exceeding 15% threshold			
16	of which: significant investments in the common stocks of financial entities	-	-	-
17	of which: deferred tax assets arising from temporary differences	2,356	11,780	-
18	National specific regulatory adjustments applied to CET1 capital	-	-	-
19	Investments in TFCs of other banks exceeding the prescribed limit	-	-	-
20	Any other deduction specified by SBP (mention details)	-	-	-
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-	-
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	<u>1,841,555</u>		<u>41,437</u>

		2014	2013*
		Rupees in '000'	
		Amount	Amounts subject to Pre- Basel III treatment *
43.3.2 Additional Tier-1 & Tier-1 Capital: regulatory adjustments			
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	59,635	-
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)	-	-
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 additional tier-1 capital	-	-
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	<u>59,635</u>	<u>-</u>
43.3.3 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)	-	-
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)	<u>-</u>	<u>-</u>

2014 2013
Rupees in '000'

		Amount	Amounts subject to Pre- Basel III treatment *
43.3.4 Additional Information			
Risk weighted assets subject to pre-Basel III treatment			
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)		
(i)	of which: deferred tax assets	2,906,970	3,633,713
(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	-	-
(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)	5,197,450	6,211,713
	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	-	-

43.4 Capital structure reconciliation

43.4.1 Step 1

	Balance sheet of the published financial statements	Under regulatory scope of consolidation
	2014	2014
	Rupees in '000'	
Cash and balances with treasury banks	23,622,411	23,622,411
Balances with other banks	2,239,170	2,239,170
Lendings to financial institutions	32,748,623	32,748,623
Investments - net	154,874,757	154,874,757
Advances - net	170,312,593	170,312,593
Operating fixed assets	5,490,121	5,490,121
Deferred tax assets - net	9,845,426	9,845,426
Other assets - net	21,237,087	21,237,087
Total assets	420,370,188	420,370,188
Liabilities & Equity		
Bills payable	1,727,731	1,727,731
Borrowings	44,742,624	44,742,624
Deposits and other accounts	342,290,763	342,290,763
Sub-ordinated loan	2,000,000	2,000,000
Liabilities against assets subject to finance lease	1,128	1,128
Deferred tax liabilities - net	-	-
Other liabilities	10,281,235	10,281,235
Total liabilities	401,043,481	401,043,481
Share capital	22,325,856	22,325,856
Reserves	2,043,361	2,043,361
Accumulated losses	(9,113,154)	(9,113,154)
Minority Interest	-	-
Surplus on revaluation of assets - net of tax	4,070,644	4,070,644
Total equity	19,326,707	19,326,707
Total liabilities & equity	420,370,188	420,370,188

43.4.2 Step 2

	Balance sheet as in published financial statements 2014	Under regulatory scope of consolidation 2014	Reference
	Rupees in '000'		
Assets			
Cash and balances with treasury banks	23,622,411	23,622,411	
Balances with other banks	2,239,170	2,239,170	
Lending to financial institutions	32,748,623	32,748,623	
Investments	154,874,757	154,874,757	
of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	-	-	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	59,635	59,635	c
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	13,244	13,244	d
of which: others (mention details)			e
Advances	170,312,593	170,312,593	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB			f
general provisions reflected in Tier 2 capital	71,977	71,977	g
Fixed Assets	5,490,121	5,490,121	
Deferred Tax Assets	9,845,426	9,845,426	
of which: DTAs that rely on future profitability excluding those arising from temporary differences	3,633,713	3,633,713	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	6,211,713	6,211,713	i
Other assets	21,237,087	21,237,087	
of which: Goodwill	79,309	79,309	j
of which: Intangibles	7,996	7,996	k
of which: Defined-benefit pension fund net assets			l
Total assets	420,370,188	420,370,188	
Liabilities & Equity			
Bills payable	1,727,731	1,727,731	
Borrowings	44,742,624	44,742,624	
Deposits and other accounts	342,290,763	342,290,763	
Sub-ordinated loans	2,000,000	2,000,000	
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier 2	2,000,000	2,000,000	n
Liabilities against assets subject to finance lease	1,128	1,128	
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	10,281,235	10,281,235	
Total liabilities	401,043,481	401,043,481	

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	2014	2014	
	Rupees in '000'		
Share capital	22,325,856	22,325,856	
of which: amount eligible for CET1	22,325,856	22,325,856	s
of which: amount eligible for AT1	-	-	t
Reserves	2,043,361	2,043,361	
of which: portion eligible for inclusion in CET1(provide breakup)	2,043,361	2,043,361	u
of which: portion eligible for inclusion in Tier 2			v
Unappropriated profit/ (losses)	(9,113,154)	(9,113,154)	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	4,070,644	4,070,644	
of which: Revaluation reserves on Fixed Assets	2,117,084	2,117,084	aa
of which: Unrealized Gains/Losses on AFS	1,953,560	1,953,560	
In case of Deficit on revaluation (deduction from CET1)			ab
Total liabilities & Equity	420,370,188	420,370,188	

43.4.3 Step 3

	Component of regulatory capital reported by bank	Source based on reference number from step 2
	2014	2014
	Rupees in '000	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully paid-up capital/ capital deposited with SBP	15,551,132	
2 Balance in share premium account, share deposit money and discount on issue of shares	6,774,724	(s)
3 Reserve for issue of bonus shares		
4 General/ Statutory reserves	2,043,361	
5 Gain/(Losses) on derivatives held as Cash Flow Hedge		(u)
6 Accumulated losses	(9,113,154)	(w)
7 Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)
8 CET 1 before Regulatory Adjustments	15,256,063	
Common Equity Tier 1 capital: Regulatory adjustments		
9 Goodwill (net of related deferred tax liability)	79,309	(j) - (o)
10 All other intangibles (net of any associated deferred tax liability)	7,996	(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)	726,743	{{(h) - (r) * x%

		Component of regulatory capital reported by bank 2014	Source based on reference number from step 2 2014
		Rupees in '000'	
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)	-	(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	-	
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	59,635	
48	Tier 1 Capital (CET1 + admissible AT1) (31+47)	13,354,873	
	Tier 2 Capital		
49	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	2,000,000	
50	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	(n)
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	107,125	(g)
54	Revaluation Reserves	2,279,561	
55	of which: Revaluation reserves on fixed assets	1,185,567	portion of (aa)
56	of which: Unrealized Gains/Losses on AFS	1,093,994	
57	Foreign Exchange Translation Reserves	-	(v)
58	Undisclosed/Other Reserves (if any)	-	
59	T2 before regulatory adjustments	4,386,686	
	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)	-	(ae)

64	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation
65	Amount of Regulatory Adjustment applied to T2 capital (sum of 60 to 64)
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)

Component of regulatory capital reported by bank	Source based on reference number from step 2
2014	2014

Rupees in '000'

-	(af)
-	
-	
-	
-	
4,386,686	
17,741,559	

43.5 Main features template of regulatory capital instruments

Sr. No.	Main Features	Common Shares	Sub-ordinated Loan
1	Issuer	The Bank of Punjab	The Bank of Punjab
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	BOP	BOP
3	Governing law(s) of the instrument	Capital Market Law	Relevant rules and regulations
Regulatory treatment			
4	Transitional Basel III rules	Common equity Tier 1	Tier 2 Capital Instruments
5	Post-transitional Basel III rules	Common equity Tier 1	Tier 2 Capital Instruments
6	Eligible at solo/ group/ group & solo	Standalone and group	Standalone and group
7	Instrument type	Common shares	Debt
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	22,551,132	2,000,000
9	Par value of instrument	PKR 10	Not applicable
10	Accounting classification	Shareholder equity	Sub-ordinated Loan
11	Original date of issuance	1990	2014
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	No maturity	07 years from date of disbursement
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates and redemption amount	Not applicable	After 5 years
16	Subsequent call dates, if applicable	Not applicable	Not applicable
Coupons / dividends			
17	Fixed or floating dividend/ coupon	Not applicable	Floating
18	Coupon rate and any related index/ benchmark	Not applicable	Average SBP discount rate
19	Existence of a dividend / coupon stopper	No	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Not applicable	No
23	Convertible or non-convertible	Non-convertible	May be converted subject to consent of parties and necessary regulatory approvals.
24	If convertible, conversion trigger (s)	Not applicable	At the option of issuer after 05 years
25	If convertible, fully or partially	Not applicable	Fully
26	If convertible, conversion rate	Not applicable	Rs. 15 per share
27	If convertible, mandatory or optional conversion	Not applicable	Optional
28	If convertible, specify instrument type convertible into	Not applicable	Ordinary shares
29	If convertible, specify issuer of instrument it converts into	Not applicable	BOP common shares
30	Write-down feature	Not applicable	Yes
31	If write-down, write-down trigger(s)	Not applicable	Not applicable
32	If write-down, full or partial	Not applicable	Not applicable
33	If write-down, permanent or temporary	Not applicable	Permanent
34	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable	Ranked inferior to all other debts of the Bank including deposits
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	Not applicable	Not applicable

43.6 Risk Weighted Assets

The capital requirements for the banking group as per the major risk categories should be indicated in the manner given below:-

	Capital Requirements		Risk Weighted Assets	
	2014	2013	2014	2013
	Rupees in '000			
Credit Risk				
On-Balance sheet				
<u>Portfolios subject to standardized approach (Comprehensive)</u>				
Cash & cash equivalents	-	-	-	-
Sovereign	-	-	-	-
Public Sector entities	276,893	70,032	2,768,925	700,320
Banks	276,213	221,425	2,762,133	2,214,253
Corporate	8,614,564	7,014,770	86,145,644	70,147,704
Retail	1,247,499	1,181,651	12,474,993	11,816,513
Residential Mortgages	62,734	66,465	627,342	664,653
Past Due loans	907,930	1,067,525	9,079,296	10,675,247
Deffered Tax Assets	287,456	-	2,874,560	-
Operating Fixed Assets	540,282	347,966	5,402,816	3,479,657
Other assets	2,819,168	2,844,799	28,191,684	28,447,993
	15,032,739	12,814,633	150,327,393	128,146,340
Off-Balance sheet				
Non-market related				
Financial guarantees, acceptances, performance related commitments, trade related etc.				
	738,873	676,017	7,388,725	6,760,171
Market related				
Foreign Exchange contracts/ derivatives etc.				
	4,364	3,971	43,641	39,705
	743,237	679,988	7,432,366	6,799,876
Equity Exposure Risk in the Banking Book				
Under simple risk weight method				
Listed, Unlisted				
	75,023	33,990	750,226	339,898
Under Internal models approach				
	75,023	33,990	750,226	339,898
Market Risk				
<u>Capital Requirement for portfolios subject to Standardized Approach</u>				
Interest rate risk	2,667	24,367	33,343	304,589
Equity position risk	172,907	172,048	2,161,338	2,150,606
Foreign Exchange risk	3,625	3,098	45,313	38,725
	179,199	199,513	2,239,994	2,493,920
<u>Capital Requirement for portfolios subject to Basic Indicator Approach</u>				
Operational Risk				
<u>Capital Requirement for operational risks</u>				
	1,058,810	568,605	13,235,119	7,107,568
TOTAL	17,089,008	14,296,729	173,985,098	144,887,602
Capital Adequacy Ratios				
	2014	2014	2013	2013
	Required	Actual	Required	Actual
CET1 to total RWA	5.50%	7.71%	5.00%	8.65%
Tier-1 capital to total RWA	7.00%	7.68%	6.50%	8.65%
Total capital to total RWA	10.00%	10.20%	10.00%	8.96%

44. RISK MANAGEMENT

The principal risks associated with the Banking business are credit risk, market risk, liquidity risk and operational risk.

44.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligations and cause the other party to incur a financial loss. The Bank manages its exposure to credit risk by pursuing credit policy approved by the Board of Directors and undertaking all lending activities in accordance with standard practices and procedures as laid down in the Credit Policy Manual. The Bank's credit process currently entails assessment of credit worthiness of potential customers, pre-sanction evaluation of credit proposal, adequacy and quality checks over collateral and examination of charge documents before disbursements. The Bank will also continue to keep its focus on expansion through diversified exposure. Further, to strengthen the portfolio and as a matter of prudence, adequate provisions against non-performing advances are accounted for in accordance with the requirements of the Prudential Regulations issued by the SBP.

44.1.1 Segments by class of business

	Advances (gross)				Deposits				Contingencies and commitments			
	2014		2013		2014		2013		2014		2013	
	Rupees in '000'	Percent	Rupees in '000'	Percent	Rupees in '000'	Percent	Rupees in '000'	Percent	Rupees in '000'	Percent	Rupees in '000'	Percent
Agribusiness	7,992,425	4.05	5,633,609	3.08	13,658,453	3.99	13,704,976	4.47	-	-	-	-
Textile and ginning	52,827,475	26.80	53,812,485	29.41	1,979,204	0.58	2,030,577	0.66	3,230,090	8.48	3,549,974	16.00
Cement	4,279,741	2.17	4,366,488	2.39	537,488	0.16	435,506	0.14	473,570	1.24	212,410	1.00
Sugar	9,971,494	5.06	8,230,577	4.50	429,192	0.13	820,423	0.27	208,221	0.55	259,130	1.00
Financial	2,919,346	1.48	2,221,317	1.21	4,161,099	1.22	8,267,268	2.70	14,469	0.04	33,872	-
Construction and real estate	6,625,675	3.36	4,795,416	2.62	9,435,697	2.76	10,152,028	3.31	6,319,441	16.59	4,609,806	20.00
Oil and gas	2,541,999	1.29	691,536	0.38	5,882,581	1.72	5,335,328	1.74	1,772,103	4.65	1,401,882	6.00
Auto and allied	2,104,633	1.07	1,642,423	0.90	131,683	0.04	38,298	0.01	130,336	0.34	227,497	1.00
Food and allied	10,600,946	5.38	9,036,454	4.94	1,998,027	0.58	1,556,817	0.51	1,213,137	3.19	939,326	4.00
Chemical and pharmaceuticals	4,980,148	2.53	3,262,785	1.78	1,798,205	0.53	592,282	0.19	1,264,307	3.32	1,418,027	6.00
Fertilizers	3,788,684	1.92	4,650,324	2.54	2,090,896	0.61	5,529,907	1.80	1,442,956	3.79	867,891	4.00
Cable, electrical and engineering	8,046,126	4.08	8,763,761	4.79	2,393,791	0.70	984,102	0.32	2,854,202	7.49	2,409,038	11.00
Production and transmission of energy	8,081,013	4.10	3,362,408	1.84	425,525	0.12	367,855	0.12	1,388,319	3.65	538,807	2.00
Transport, storage and communication	4,910,662	2.49	2,974,449	1.63	1,159,002	0.34	3,373,506	1.10	1,554,007	4.08	629,155	3.00
Government:												
- Public sector enterprises	2,453,883	1.24	2,259,486	1.23	23,202,628	6.78	19,683,983	6.42	2,493,655	6.55	2,008,200	9.00
- Federal and Provincial Governments	21,754,560	11.04	22,224,417	12.15	160,031,502	46.75	133,931,178	43.69	10,049,659	26.39	1,268,479	6.00
Individuals	14,579,794	7.40	12,643,662	6.91	91,514,685	26.74	71,162,036	23.21	-	-	-	-
Trading and commerce	13,128,467	6.66	13,267,508	7.25	5,114,127	1.49	4,717,470	1.54	1,271,162	3.34	534,690	2.00
Services	4,968,705	2.52	6,927,940	3.79	6,865,577	2.01	8,245,355	2.69	197,035	0.52	198,127	1.00
Others	10,566,587	5.36	12,193,812	6.66	9,481,401	2.75	15,631,872	5.11	2,207,283	5.79	1,522,711	7.00
	197,122,363	100.00	182,960,857	100.00	342,290,763	100.00	306,560,767	100.00	38,083,952	100.00	22,629,022	100.00

44.1.2 Segment by sector

	2014					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public Sector / Government	24,208,443	12.28	183,234,130	53.53	12,543,314	32.94
Private	172,913,920	87.72	159,056,633	46.47	25,540,638	67.06
	197,122,363	100.00	342,290,763	100.00	38,083,952	100.00

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

	2014		2013	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
Agribusiness	1,385,722	1,166,724	1,464,981	1,158,029
Textile and ginning	24,559,164	9,071,646	25,317,145	9,265,043
Cement	1,240,580	1,133,649	2,366,649	2,236,923
Sugar	936,665	344,557	99,828	49,914
Financial	1,074,738	9,669	1,367,388	-
Construction and real estate	2,943,015	2,270,212	3,113,631	2,160,876
Oil and gas	163,511	80,738	167,207	79,215
Auto and allied	2,004,784	1,546,715	1,634,925	520,553
Food and allied	2,700,709	1,402,038	2,495,922	1,387,456
Chemical and pharmaceuticals	586,838	532,985	552,199	433,089
Fertilizers	60,978	35,245	61,072	31,305
Cable, electrical and engineering	2,143,757	203,003	4,033,163	540,210
Production and transmission of energy	1,541,637	505,094	1,541,080	454,909
Transport, storage and communication	283,801	238,303	557,414	309,065
Government:				
- Public sector enterprises	-	-	-	-
- Federal and Provincial Governments	-	-	-	-
Individuals	565,632	420,865	502,996	410,313
Trading and commerce	7,858,931	4,484,273	9,112,225	4,031,904
Services	2,751,803	1,635,075	2,481,270	914,194
Others	2,848,188	1,621,854	3,091,631	1,650,506
	55,650,453	26,702,645	59,960,726	25,633,504

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

Public Sector / Government	-	-	-	-
Private	55,650,453	26,702,645	59,960,726	25,633,504
	55,650,453	26,702,645	59,960,726	25,633,504

44.1.5 Geographical segment analysis

A geographical segment analysis has not been presented since the Bank's operations are restricted to Pakistan only.

44.1.6 Credit risk - general disclosures

The Bank follows the standardized approach for its credit risk exposures, which sets out fixed risk weights corresponding to external credit rating or type of exposure, whichever is applicable.

Under standardized approach, the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. Bank utilizes, wherever available, the credit ratings assigned by the SBP recognized ECAIs, viz. PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company– Vital Information Systems), Fitch Moody's and Standard & Poors. Credit rating data for advances is obtained from recognized ECAIs and then mapped to SBP's rating grades.

Type of exposures & ECAIs used

Exposures	JCR-VIS	PACRA	S&P	Moody's	Fitch
Corporate	√	√			
Banks	√	√	√	√	√
Sovereigns		√			
PSEs	√	√			
SMEs	√	√			

Mapping to SBP rating grades

For all credit exposures, the selected ratings are translated to the standard rating grades given by the SBP. The mapping tables used for converting ECAI ratings to SBP rating grades are given below:

Long term ratings grades mapping

SBP rating grade	Fitch	Moody's	S & P	PACRA	JCR-VIS	ECA Scores
1	AAA AA+ AA AA-	Aaa Aa1 Aa2 Aa3	AAA AA+ AA AA-	AAA AA+ AA AA-	AAA AA+ AA AA-	0 1
2	A+ A A-	A1 A2 A3	A+ A A-	A+ A A-	A+ A A-	2
3	BBB+ BBB BBB-	Baa1 Baa2 Baa3	BBB+ BBB BBB-	BBB+ BBB BBB-	BBB+ BBB BBB-	3
4	BB+ BB BB-	Ba1 Ba2 Ba3	BB+ BB BB-	BB+ BB BB-	BB+ BB BB-	4
5	B+ B B-	B1 B2 B3	B+ B B-	B+ B B-	B+ B B-	5 6
6	CCC+ and below	Caa1 and below	CCC+ and below	CCC+ and below	CCC+ and below	7

Short term rating grades mapping

SBP rating grade	Fitch	Moody's	S & P	PACRA	JCR-VIS
S1	F1	P-1	A-1+	A-1+	A-1+
S1	F1	P-1	A-1	A-1	A-1
S2	F2	P-2	A-2	A-2	A-2
S3	F3	P-3	A-3	A-3	A-3
S4	Others	Others	Others	Others	Others

Credit exposures subject to standardized approach

Exposures	Rating	2014			2013		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
Rupees in '000'							
Corporate	1	6,672,192	(1,888,668)	4,783,524	4,325,675	(1,304,271)	3,021,404
	2	9,394,717	(30,186)	9,364,531	9,062,412	-	9,062,412
	3,4	1,714,246	(9,738)	1,704,508	1,767,661	(15,236)	1,752,425
	5,6	-	-	-	735,908	-	735,908
	Unrated-1	54,510,365	(2,218,603)	52,291,762	65,382,027	(3,226,097)	62,155,930
	Unrated-2	23,052,526	-	23,052,526	-	-	-
Bank	1	39,577,506	(25,830,690)	13,746,816	19,481,265	(8,664,070)	10,817,195
	2,3	25,539	-	25,539	101,626	-	101,626
	4,5	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
	Public sector enterprises in Pakistan	1	-	-	-	-	-
2,3		-	-	-	-	-	-
4,5		-	-	-	-	-	-
6		-	-	-	-	-	-
Unrated		7,615,744	(2,077,895)	5,537,849	3,183,171	(1,782,532)	1,400,639
Sovereigns and on Government of Pakistan or Provisional Government or SBP or Cash		0	188,966,331	-	188,966,331	150,706,366	-
	1	-	-	-	-	-	-
	2	-	-	-	-	-	-
	3	-	-	-	-	-	-
	4,5	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
Listed equity investments	100%	730,649	-	730,649	233,753	-	233,753
Un-listed equity Investments	150%	13,051	-	13,051	70,764	-	70,764
Non performing loans	150%	18,093,570	(15,888,566)	2,205,004	20,935,605	(18,103,276)	2,832,329
	100%	8,899,968	(3,410,075)	5,489,893	11,572,459	(5,690,726)	5,881,733
	50%	1,954,272	(1,390,478)	563,794	1,819,156	(729,120)	1,090,036
Mortgage	35%	1,792,406	-	1,792,406	1,899,010	-	1,899,010
Retail	75%	19,738,047	(3,104,723)	16,633,324	18,594,281	(2,838,931)	15,755,350
Fixed assets	100%	5,402,816	-	5,402,816	3,479,657	-	3,479,657
Deferred tax assets	100%	6,954,595	-	6,954,595	12,627,352	-	12,627,352
Deferred tax assets	250%	1,149,824	-	1,149,824	-	-	-
Others	100%	21,237,089	-	21,237,089	15,820,643	-	15,820,643
Total		417,495,453	(55,849,622)	361,645,831	341,798,791	(42,354,259)	299,444,532

44.1.7 Credit risk: Disclosures with respect to credit risk mitigation for standardized approach

The Bank has adopted comprehensive approach of credit risk mitigation for banking book. Under this approach cash, lien on deposits, government securities, and eligible securities etc. are consolidated as eligible collateral. Where the Bank's exposure to an obligor is secured by eligible collaterals, the Bank reduces its exposure for the calculation of the capital requirement by the realizable amount of the collateral, adjusted for any applicable haircuts..

44.1.7.1 Credit risk: Disclosures for portfolio subject to the standardized approach

No credit risk mitigation benefit is taken in the trading book. For each asset class, the risk weights as specified by the SBP or corresponding to the SBP rating grades are applied to the net amount for the calculation of risk weighted assets.

44.1.7.2 Equity position risk in the banking book

The Bank takes proprietary equity positions for both short term and long term trading purposes. As of December 31, 2014 the composition of equity investments, is as follows:

	Held for trading	Available for sale	Total
	Rs. In '000'		
Ordinary shares (listed) - net of impairment held	45,277	1,048,637	1,093,914
Ordinary shares (un-listed) - net of impairment held	-	13,051	13,051
Preference shares - net of impairment held	-	225,148	225,148
Total	45,277	1,286,836	1,332,113

The Bank classify its equity investment portfolio in accordance with the directives of the SBP as follows:

- Investments - Held for trading
- Investments – Available for Sale
- Investments in subsidiaries

44.2 Market risk

Market risk is the risk that the value of 'on' or 'off' balance sheet positions will be adversely affected by movements in equity and interest rate markets, currency exchange rates and commodity prices.

The Bank is exposed to market risk primarily through its trading activities, which are centered in the Treasury and Equity Capital Markets. Market risk exposure also arises from market-making, facilitation of client business and proprietary positions in equities, fixed income and interest rate products and foreign exchange, which exposes bank to interest rate risk, foreign exchange risk and equity price risk.

The Bank's market risk management structure consists of Board Risk Management Committee, ALCO, Market Risk Management Committee and independent Enterprise Risk Management unit (ERM). Market risk is an independent risk management function that works in close partnership with the business segments to identify and monitor market risks throughout the Bank and to define market risk policies and procedures. ERM unit seeks to facilitate efficient risk/return decisions, reduce volatility in operating performance and provide transparency in reporting the Bank's market risk profile to the senior management, the Board of Directors and the SBP.

44.2.1

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Bank is exposed to yield/interest rate risk for its investing and/or financing activities where any major fluctuation in the market interest rate/yield can affect both the value of the financial instrument as well as the profitability of the Bank. To minimize this risk the Bank's Assets and Liabilities Committee (ALCO) keeps a constant watch on the interest rate scenario in the country and on regular intervals reviews pricing mechanism for assets and liabilities of the Bank.

44.2.1.1 Mismatch of interest rate sensitive assets and liabilities

	Effective yield / interest rate	2014								Non-interest bearing financial instruments		
		Exposed to yield/ interest risk										
		Total	Upto 1 month	Over 1 and upto 3 months	Over 3 and upto 6 months	Over 6 months and upto 1 year	Over 1 and upto 2 years	Over 2 and upto 3 years	Over 3 and upto 5 years	Over 5 and upto 10 years	Above 10 years	
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		23,622,411	1,060,611	-	-	-	-	-	-	-	-	22,561,800
Balances with other banks	6.95%	2,239,170	248,002	-	-	-	-	-	-	-	-	1,991,168
Lending to financial institutions	9.63%	32,748,623	24,504,623	8,244,000	-	-	-	-	-	-	-	-
Investments - net	10.40%	154,874,757	965,560	13,109,882	52,138,746	24,417,905	37,135,692	1,550,859	1,140,689	22,949,753	-	1,465,671
Advances - net	8.01%	170,312,593	59,749,717	110,554,157	-	-	-	-	-	-	-	8,719
Other assets		8,763,494	-	-	-	-	-	-	-	-	-	8,763,494
		392,561,048	86,528,513	131,908,039	52,138,746	24,417,905	37,135,692	1,550,859	1,140,689	22,949,753	-	34,790,852
Liabilities												
Bills payable		1,727,731	-	-	-	-	-	-	-	-	-	1,727,731
Borrowings	9.80%	44,742,624	29,144,048	11,684,738	2,890,427	42,411	38,472	7,000	112,315	729,832	-	93,381
Deposits and other accounts	6.80%	342,290,763	16,939,250	179,505,362	25,572,548	29,825,954	1,423,917	329,772	2,094,473	-	-	86,599,487
Sub-ordinated loan	9.50%	2,000,000	2,000,000	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	11.88%	1,128	93	1,035	-	-	-	-	-	-	-	-
Other liabilities		9,765,658	-	-	-	-	-	-	-	-	-	9,765,658
		400,527,904	48,083,391	191,191,135	28,462,975	29,868,365	1,462,389	336,772	2,206,788	729,832	-	98,186,257
On-balance sheet gap		(7,966,856)	38,445,122	(59,283,096)	23,675,771	(5,450,460)	35,673,303	1,214,087	(1,066,099)	22,219,921	-	(63,395,405)
Off-balance sheet financial instruments												
Forward foreign exchange contracts												
- purchase		5,314,736	3,152,219	1,892,231	270,286	-	-	-	-	-	-	-
- sale		3,658,932	1,183,288	2,475,644	-	-	-	-	-	-	-	-
Off-balance sheet gap		1,655,804	1,968,931	(583,413)	270,286	-	-	-	-	-	-	-
Total yield/interest risk sensitivity gap		40,414,053	(59,866,509)	23,946,057	23,946,057	(5,450,460)	35,673,303	1,214,087	(1,066,099)	22,219,921	-	(63,395,405)
Cumulative yield/interest risk sensitivity gap		40,414,053	(19,452,456)	4,493,601	4,493,601	(956,859)	34,716,444	35,930,531	34,864,432	57,084,353	57,084,353	(6,311,052)

44.2.2 Foreign exchange risk management

The Bank's foreign exchange exposure comprises of forward contracts, purchases of foreign bills, foreign currency cash in hand, balances with banks abroad, foreign currency placements with foreign commercial banks and foreign currency deposits. The Bank manages its foreign exchange exposure by matching foreign currency assets and liabilities. The net open position and nostro balances are managed within the statutory limits, as fixed by the SBP. Counter parties limits are also fixed to limit risk concentration.

	2014			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency
	Rupees in '000'			
Pakistan Rupee	417,877,182	394,303,918	(1,655,804)	21,917,460
United States Dollar	2,386,780	4,959,625	470,729	(2,102,116)
Great Britain Pound	28,318	849,112	629,022	(191,772)
Japanese Yen	-	573	1,678	1,105
Euro	34,587	930,036	570,959	(324,490)
Others	43,321	217	(16,584)	26,520
	<u>420,370,188</u>	<u>401,043,481</u>	<u>-</u>	<u>19,326,707</u>

44.2.3 Equity position risk

Equity position risk arises from exposure to securities that represent an ownership interest in a company in the form of ordinary shares or other equity-linked instruments. The instruments held by the Bank that would lead to this exposure include, but are not limited to, the following:

- Shares of listed and unlisted companies
- Preference shares falling on equity criteria
- Equity-based mutual funds

These investments are carried at fair market value with regular revaluations. The Bank prefers to hold long-term exposures for securities held in 'available for sale' category to avoid seasonal or cyclical downturns in the prices of such securities.

2014

	Total	Upto 1 month	Over 1 and upto 3 months	Over 3 and upto 6 months	Over 6 months and upto 1 year	Over 1 and upto 2 years	Over 2 and upto 3 years	Over 3 and upto 5 years	Over 5 and upto 10 years	Over 10 years
Rupees in '000'										
Assets										
Cast and balances with treasury banks	23,622,411	23,622,411	-	-	-	-	-	-	-	-
Balances with other banks	2,239,170	2,239,170	-	-	-	-	-	-	-	-
Lendings to financial institutions	32,748,623	24,504,623	8,244,000	-	-	-	-	-	-	-
Investments - net	154,874,757	923,021	12,408,453	51,696,142	24,485,943	37,253,393	1,681,573	2,766,195	23,660,037	-
Advances - net	170,312,593	59,749,717	30,066,618	8,152,752	11,913,436	3,217,200	9,391,263	30,508,619	13,923,787	3,389,201
Operating fixed assets	5,490,121	31,184	62,368	93,552	187,104	374,208	374,208	748,416	1,871,040	1,748,041
Deferred tax assets - net	9,845,426	127,917	255,834	383,751	767,502	1,965,000	1,945,000	4,400,422	-	-
Other assets	21,237,087	8,987,272	115,379	72,949	12,061,487	-	-	-	-	-
Liabilities										
Bills payable	420,370,188	120,185,315	51,152,652	60,399,146	49,415,472	42,809,801	13,392,044	38,423,652	39,454,864	5,137,242
Borrowings	1,727,731	1,727,731	-	-	-	-	-	-	-	-
Deposits and other accounts	44,742,624	29,237,429	11,684,738	2,890,427	42,411	38,472	7,000	112,315	729,832	-
Sub-ordinated loan	342,290,763	239,017,572	39,465,538	26,962,881	32,518,835	1,858,030	339,133	2,128,774	-	-
Liabilities against assets subject to finance lease	2,000,000	-	-	-	-	-	-	-	2,000,000	-
Deferred tax liabilities	1,128	93	189	846	-	-	-	-	-	-
Other liabilities	10,281,235	5,544,770	6,153	13,896	539,316	236,615	2,023,477	1,917,008	-	-
Net assets	401,043,481	275,527,595	51,156,618	29,868,050	33,100,562	2,133,117	2,369,610	4,158,097	2,729,892	-
Share capital	19,326,707	(155,342,280)	(3,966)	30,531,096	16,314,910	40,676,684	11,022,434	34,265,555	36,725,032	5,137,242
Discount on issue of shares	15,551,132	-	-	-	-	-	-	-	-	-
Reserves	(263,158)	-	-	-	-	-	-	-	-	-
Share deposit money	2,081,243	-	-	-	-	-	-	-	-	-
Accumulated losses	7,000,000	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	(9,113,154)	-	-	-	-	-	-	-	-	-
	15,256,063	-	-	-	-	-	-	-	-	-
	4,070,644	-	-	-	-	-	-	-	-	-
	<u>19,326,707</u>									

44.4 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage operational risk. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and appraisal procedures, including the use of internal audit. The Bank has established a comprehensive business continuity plan to deal with the risk of financial loss and damage to reputation arising from operational risk factors.

45 DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated financial statements were authorized for issue on March 27, 2015 by the Board of Directors of the Bank.

46 GENERAL

46.1 These unconsolidated financial statements have been prepared in accordance with the revised forms of annual financial statements of commercial banks issued by SBP vide BSD Circular No. 04 dated 17 February 2006 and other circulars issued from time to time.

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

46.3 Corresponding figures have been re-arranged and re-classified wherever necessary, for the purpose of comparison.

<u>Re-classified from</u>	<u>Re-classified to</u>	<u>Amount</u> Rupees in '000'
Other Assets - other	Other Assets - Income/mark-up accrued in local currency	171,755
Mark-up/return/interest expensed - other short term borrowings	Mark-up/return/interest earned - on investments in :	
	- Available for sale	27,444
	- Held for maturity securities	5,074

Chairman

President

Director

Director

Islamic Banking Business

The Bank has started Islamic banking operations in the year ended December 31, 2013. As at close of the December 31, 2014, 37 Islamic banking branches were operating.

Statement of Financial Position

as at December 31, 2014

	Note	2014 Rupees in '000'	2013
ASSETS			
Cash and balances with treasury banks		869,772	157,253
Balances with other banks		150,225	19,239
Due from financial institutions		4,029,000	477,000
Investments		1,627,737	631,876
Islamic financing and related services	A-I.1	1,599,074	385,000
Operating fixed assets		100,407	31,218
Deferred tax assets		-	-
Other assets		125,329	40,200
TOTAL ASSETS		8,501,544	1,741,786
LIABILITIES			
Bills payable		63,129	1,422
Due to financial institutions		264	-
Deposit and other accounts			
- Current accounts		3,250,964	660,556
- Saving accounts		3,916,827	425,985
- Term deposits		284,189	7,100
- Others		129,835	12,846
- Deposits from financial institutions - remunerative		-	-
- Deposits from financial institutions - non-remunerative		-	-
Due to head office		275,970	109,565
Other liabilities		28,781	5,784
		7,949,959	1,223,258
NET ASSETS		551,585	518,528
REPRESENTED BY			
Islamic banking fund		500,000	500,000
Reserves		-	-
Unappropriated profit		55,436	13,095
		555,436	513,095
Surplus on revaluation of assets		(3,851)	5,433
		551,585	518,528
Remuneration to shariah advisor / board		2,054	2,126
CHARITY FUND			
Opening balance		19	-
Additions during the year		1	19
Payments / utilization during the year		(20)	-
Closing balance		-	19

Islamic Banking Business-Profit and Loss Account for the year ended December 31, 2014

Annexure I

	2014	2013
	Rupees in '000'	
Profit/return earned on financing, investment and placements	266,747	100,647
Return on deposits and other dues expensed	81,147	33,082
Net spread earned	185,600	67,565
Provision against non-performing advances	-	-
Provision against consumer financings	-	-
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	-	-
Income after provisions	185,600	67,565
Other Income		
Fee, commission and brokerage income	17,997	2,486
Dividend income	-	-
Income from dealing in foreign currencies	132	2,377
Gain on sale and redemption of securities	-	-
Unrealized (loss) / gain on revaluation of investments classified as held for trading	-	-
Other income	31,662	1,276
Total other income	49,791	6,139
	235,391	73,704
Other expenses		
Administrative expenses	193,050	60,609
Other provisions/write offs/reversals	-	-
Other charges	-	-
Total other expenses	193,050	60,609
	42,341	13,095
Extra ordinary / unusual items	-	-
Profit before taxation	42,341	13,095

Notes to the Annexure I

Annexure I

	2014	2013
	Rupees in '000'	
A-I.1 Islamic financing and related assets		
Against murabaha	180,439	135,000
Against diminishing musharaka	1,009,628	250,000
Against ijarah	409,007	-
	<u>1,599,074</u>	<u>385,000</u>
A-I.1.1 Islamic mode of financing		
Financings/Investments/Receivables	633,744	-
Advances	965,330	385,000
Assets/Inventories	-	-
Others	-	-
	<u>1,599,074</u>	<u>385,000</u>
A-I.1.2 Against murabaha		
Financings/Investments/Receivables	173,439	-
Advances	7,000	135,000
Assets/Inventories	-	-
Others	-	-
	<u>180,439</u>	<u>135,000</u>
A-I.1.3 Diminishing musharakah		
Financings/Investments/Receivables	242,745	-
Advances	766,883	250,000
Assets/Inventories	-	-
Others	-	-
	<u>1,009,628</u>	<u>250,000</u>
A-I.1.4 Against ijarah		
Financings/Investments/Receivables	217,560	-
Advances	191,447	-
Assets/Inventories	-	-
Others	-	-
	<u>409,007</u>	<u>-</u>

A-I.2 BOP Islamic Banking Division is maintaining a General Pool for profit declaration and distribution.

a) General Pool

The General Pool comprises deposits from depositors, funds from Equity inclusive of Current Account Holders and Mudaraba Placements from BOP Head Office. The Bank acts as Manager (Mudarib) and invests the funds in Shariah Compliant modes of financings, Investments and Placements. The profit of the Pool is calculated on all the remunerative assets booked by the Bank and is shared amongst the members of the pool on pre-defined mechanism based on weightages announced before the profit calculation period.

The distributable profit of the pool is finalized after deduction of direct expenses only while indirect expenses including administrative and general expenses are borne by BOP-IBD as Mudarib.

b) Weightages for distribution of profit in general pool

Return on saving accounts and deposit is paid on the basis of daily products and weightages average system. Different weightages are assigned to different types of accounts.

While considering weightages emphasis is given to the quantum, type and the period of risk assessed by following factors:

- Contracted period, nature and type of deposit/ fund.
- Payment cycle of profit on such deposit/ fund, i.e. monthly, quarterly or on maturity
- Magnitude of risk

c) Identification and allocation of pool related income & expenses

The distributable profit of the pool is finalized after deduction of direct expenses only while indirect expenses including administrative and general expenses are borne by BOP-IBD as Mudarib.

d) Parameters associated with risk and rewards

Following are the consideration attached with risk & reward of general pool:

- Period, return, safety, security and liquidity of investment
- Financing proposals under process at various stages and likely to be extended in the near future.
- Expected withdrawals of deposits according to the maturities affecting the deposit base.
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah compliant organizations as regulated in Pakistan.
- Element of Risk attached to various types of investments.
- SBP rules & Shariah Clearance.

A-1.3 Avenues / Sectors of economy/business where Mudaraba based deposits have been deployed:

	2014	2013
	Rupees in '000'	
Federal and provincial governments	126,000	136,443
GOP ijara sukuk	1,621,149	630,443
Transport, storage, logistics and communication	472,529	250,000
Manufacturing and Trading of food items	21,312	-
Manufacture of pesticides and other agro-chemical product	20,128	-
Power Generation	737,423	-
Manufacture of paper, paperboard and products thereof	150,000	-
Consumer Car Ijarah	10,257	-
Others	4,240,650	496,239
	<u>7,399,448</u>	<u>1,513,125</u>

A-I.4 Charging expenses

The direct expenses are being charged to the pool, while indirect expenses including the establishment cost is being borne by BOP IBD as Mudarib. The direct expenses to be charged to the pool may include cost of sales of inventories, insurance / Takaful expenses of pool assets, stamp fee or documentation charges, brokerage fee for purchase of securities/commodities etc.

Provisions

No provision was made in the year 2014.

A-I.5 Mudarib share (in amount and percentage of distributable income):

	2014		2013	
	Rupees in '000'	Percentage %	Rupees in '000'	Percentage %
Rabbul Mal	74,156	68%	11,509	59%
Mudarib	35,542	32%	7,996	41%
Distributable income	109,698	100%	19,505	100%

	2014	2013
	Rupees in '000	
A-I.6 Amount & percentage of mudarib share transferred to depositors through Hiba:		
Mudarib share	35,542	7,996
Hiba	8,337	620
Hiba percentage of mudarib share	23.46%	7.75%
This is not a special Hiba as such. This Hiba has been distributed across the board to all the investment account holders.		

Profit rate earned vs profit rate distributed to the depositors during the year:

	2014	2013
Profit rate earned	9.39%	8.90%
Profit rates distributed to depositors	5.09%	5.10%

1 Ordinary shares / certificates of listed companies and modarabas

Name of company/modaraba	Number of shares		Cost		Market Value		Rating (where available)		
	2014	2013	2014	2013	2014	2013	2014	2013	
			Rupees in '000'						
	200,000	50,142	10,125	1,467	9,892	1,874	A	AA	
	35,000	-	3,971	-	3,975	-	AA+,A1+	-	
	10,000	-	1,975	-	1,877	-	AA,A1+	-	
	-	200,000	-	16,934	-	17,145	-	-	
	25,000	25,000	5,512	4,055	5,538	3,960	AA-,A1+	A, A1	
	50,000	-	900	-	910	-	AA,A1+	AA+,A1+	
	25,000	-	9,129	-	8,948	-	AA+,A1+	-	
	80,000	-	14,320	-	14,138	-	AA+,A-1+	-	
			45,932	22,456	45,278	22,979			
			Rupees in '000'						
	70,500	70,500	16	16	-	-	-	-	
	5,559,627	-	28,079	-	59,432	-	-	-	
	98,000	98,000	59	59	-	-	-	-	
	-	100,758	-	3,619	-	3,765	-	AA	
	9,010,917	8,526,106	315,381	298,413	69,834	108,026	D	D	
	243,841	243,841	10,158	10,158	2,926	3,950	-	-	
	2,000,000	-	220,000	-	227,160	-	AA+,A1+	AA+,A1+	
	4,500	4,500	2	2	-	-	-	-	
	109,000	175,000	283	455	1,134	4,244	-	-	
	80,000	50,000	17,023	10,574	15,022	10,384	AA,A1+	AA,A1+	
	167,500	167,500	184	184	-	-	-	-	
	-	25,000	-	1,022	-	1,039	-	AA+, A1+	
	230,000	280,000	11,166	13,613	13,970	11,536	-	-	
	371	371	5	5	12	15	-	-	
	200,000	200,000	250	250	816	504	-	-	
	15,000	15,000	26	26	-	-	-	-	
	50,000	50,000	21	21	25	25	-	-	
	45,000	62,500	200	278	182	251	-	-	
	151,339	151,339	168	168	-	-	-	-	
	-	40,000	-	6,513	-	6,335	-	A, A1	
	4,900	170,000	-	17,950	-	17,755	-	A+	
	4,975	4,975	29	29	-	-	-	-	
	-	750,900	1,741	1,741	-	-	-	-	
	98	98	39	39	59	84,071	-	-	
	-	305,299	-	760	-	611	-	-	
	-	15,000	-	402	-	791	-	-	
	-	100,014	-	6,739	-	13,623	-	-	

Held for trading:

Adamejee Insurance Company Limited
 Allied Bank Limited
 Attock Refinery Limited
 D.G.Khan Cement Company Limited
 Engro Corporation Limited
 Faysal Bank Limited
 Pakistan State Oil Company Limited
 United Bank Limited

Available for sale:

(Colony) Sarhad Textile Mills Limited
 Abdulllah Shah Ghazi Sugar Mills Limited
 Accord Textile Mills Limited
 Adamejee Insurance Company Limited
 Agritech Limited
 Al-Abid Silk Mills Limited
 Allied Bank Limited
 Amazai Textile Mills Limited *
 Asim Textile Mills Limited
 Attock Refinery Limited
 Baluchistan Particle Board Limited
 Bank Al-Habib Limited
 Burshane LPG (Pakistan) Limited
 Crescent Fibers Limited
 Dadabhooy Construction Technology Limited
 Data Textile Limited
 Emco Industries Limited
 English Leasing Limited
 Engro Corporation Limited
 Engro Foods Limited
 Fateh Industries Limited
 Fateh Textile Mills Limited
 Fauji Fertilizer Company Limited
 Fazzal Textile Mills Limited
 First IBL Modaraba
 General Tyre And Rubber Company Of Pakistan Limited
 GlaxoSmithKline (Pakistan) Limited

	Number of shares		Name of company/Intradaba	Cost		Market Value		Rating (where available)	
	2014	2013		2014	2013	2014	2013	2014	2013
				Rupees in '000'	Rupees in '000'	Rupees in '000'	Rupees in '000'		
	14,500	14,500	Globe Textile Mills Limited	239	239	-	-	-	-
	277,500	277,500	Gulistan Spinning Mills Limited	2,067	2,067	708	1,424	-	-
	470,000	470,000	Gulistan Textile Mills Limited	11,650	11,650	7,050	7,520	-	-
	400,021	21	Habib Metropolitan Bank Limited	15,180	-	14,921	1	AA+ A1+	AA+, A1+
	90,000	90,000	Hajira Textile Mills Limited	57	57	-	-	-	-
	55,500	55,500	Hakim Textile Mills Limited	49	49	-	-	-	-
	34,500	34,500	Hashmi Can Company Limited	207	207	-	-	-	-
	-	590,000	Hub Power Company Limited	-	36,686	-	35,825	AA+ A1+	AA+, A1+
	-	746,256	International Industries Limited	-	38,649	-	34,604	-	-
	35,500	35,500	Itefaq Textile Mills Limited *	34	34	-	-	-	-
	17,435	17,435	J. A. Textile Mills Limited	48	48	103	173	-	-
	361,097	361,097	Javed Omer Vohra And Company Limited	2,820	2,820	-	-	-	-
	34,700	34,700	Kaytex (Saleem Denim Industries Limited)*	35	35	-	-	-	-
	-	130,000	Kohnoor Mills Limited	-	433	-	2,288	-	-
	1,800,000	-	Lafarge Pakistan Cement Limited	30,050	-	31,230	-	-	-
	-	40,500	Land Mark Spinning Industries Limited	-	109	-	370	-	-
	4,837	4,837	Leiner Pak Gelatine Limited	121	121	-	-	-	-
	-	2,719,875	Lotte Pakistan PTA Limited	-	42,663	-	19,964	-	-
	-	10,000	Lucky Cement Limited	-	3,023	-	2,999	-	-
	-	50,000	Maple Leaf Cement Factory Limited	-	1,340	-	1,372	-	BB B
	-	10,000	Mari Petroleum Limited	-	2,429	-	2,127	-	-
	-	60,000	MCB Bank Limited	-	17,440	-	16,870	-	AAA, A1+
	63,000	63,000	Medi Glass Limited	43	43	-	-	-	-
	-	213,305	Mirpurkhas Sugar Mills Limited	-	8,158	-	8,745	-	-
	20,500	20,500	Moonlite (Pak) Limited	227	227	451	245	-	-
	325,000	75,000	National Bank Of Pakistan Limited	21,423	4,204	22,575	4,354	AAA, A-1+	AAA, A-1+
	-	300,000	Netsol Technology Limited	-	13,767	-	13,209	-	-
	670,000	-	Nishat (Chunian) Limited	34,114	-	33,199	-	A-, A-2	A-, A-2
	-	50,000	Nishat Mills Limited	-	6,185	-	6,362	-	-
	133,500	-	National Refinery Limited	31,045	-	24,677	-	AA+ A1+	-
	90,100	20,000	Oil 8 Gas Development Company Limited	20,913	5,585	18,549	5,527	AAA, A-1+	AAA, A-1+
	2,613,000	2,935,789	Pak Gen Power Limited	59,453	71,915	70,629	63,736	AA, A1+	AA, A1+
	12,500	12,500	Pak Ghee Industries Limited	2	2	-	-	-	-
	20,000	50,000	Pak Petroleum Limited	3,740	10,729	3,530	10,698	-	-
	11,850	25,050	Pakistan Oilfield Limited	4,822	12,099	4,495	12,468	-	-
	-	220,200	Pakistan Refinery Limited	-	21,551	-	16,766	-	A-A2
	-	45,000	Pakistan Reinsurance Company Limited	-	1,321	-	1,280	-	AA
	26	26	Pakistan Services Limited	3	3	13	7	-	-
	-	35,000	Pakistan State Oil Company Limited	-	11,685	-	11,628	-	AA+, A1+
	-	725,000	Pakistan Telecommunication Company Limited	-	22,155	-	20,619	-	-
	300	300	Pakistan Tobacco Company Limited	33	33	318	169	-	-
	100,365	100,365	Pangro Sugar Mills Limited	602	602	302	297	-	-
	167,500	167,500	Redco Textiles Limited	159	159	752	-	-	-

Name of company/modaraba	Number of shares		Cost		Market Value		Rating (where available)	
	2014	2013	2014	2013	2014	2013	2014	2013
Ruby Textile Mills Limited	169	15,169	2	166	1	223	-	-
Saudi Pak Leasing Company Limited	885	885	1	1	2	2	-	-
Security Paper Limited	-	170,033	-	6,687	-	11,953	-	AAA, A-1+
Service Industries Textile Limited	35,000	35,000	26	26	-	-	-	-
Service Fabrics Limited	289,000	289,000	72	72	-	-	-	-
Service Industries Limited	17,000	95,000	5,285	29,524	16,568	51,732	-	-
Shabbir Tiles And Ceramics Limited	-	47,845	-	5,200	-	4,235	-	-
Shahmurad Sugar Mills Limited	-	190,180	-	1,991	-	3,756	-	BBB+, A-2
Shahpur Textile Mills Limited	74,900	74,900	22	22	13	13	-	-
Shahhaj Sugar Mills Limited	166,546	166,546	13,157	13,157	12,086	14,323	-	-
Shakerganj Mills Limited	143	143	1	1	2	3	-	-
Siemens Pakistan Engineering Company Limited	193,021	197,521	260,408	266,478	215,139	270,406	-	-
Siftaq International Limited	23,500	23,500	24	24	-	-	-	-
Sindh Fine Textile Mills Limited	16,500	16,500	148	148	-	-	-	-
Sunshine Cloth Limited	94,300	94,300	29	-	-	-	-	-
Soneri Bank Limited	201	201	1	1	2	2	AA-, A1+	AA-, A1+
Sunshine Cotton Mills Limited	91,500	91,500	-	29	-	-	-	-
Taj Textile Mills Limited	301,500	301,500	139	139	-	-	-	-
Tristar Polyester Limited	70,063	70,063	80	80	105	169	-	-
Trust Investment Bank Limited	-	2,700,037	-	69,497	-	4,293	-	-
Trust Modaraba	500	500	6	6	2	2	-	-
United Bank Limited	825,000	150,000	130,570	19,502	145,839	19,883	AA+, A-1+	AA+, A-1+
Wah-Nobel Chemicals Limited	-	90,000	-	4,491	-	5,580	-	-
Yousuf Weaving Mills Limited	-	90,000	-	190	-	472	-	-
Zephyr Textiles Limited	4,296,556	4,296,556	39,968	39,967	34,803	57,272	-	-
			1,283,905	1,267,225	1,048,636	1,012,931		
			1,339,837	1,289,681	1,093,914	1,035,910		

* Shares of companies with book value of Rs. Nil and having delisted status, have not been presented.

2 Preference shares of listed companies

Name of company	Number of shares		Cost		Market Value		Rating (where available)	
	2014	2013	2014	2013	2014	2013	2014	2013
Azgard Nine Limited	1,545,397	1,545,397	15,454	15,454	-	-	-	-
Pak Elektron Limited	8,263,509	8,263,509	80,000	80,000	40,000	40,000	-	-
Shakerganj Mills Limited	7,500,000	7,500,000	75,000	75,000	22,650	22,650	-	-
Agritech Limited**	32,499,661	32,499,661	324,997	324,997	162,499	292,497	-	-
			495,451	495,451	225,149	355,147		

** Strategic investment

Other particulars of preference shares are as follows:

Particulars	Nominal value per share	Profit rate per annum	Profit payment	Redemption terms
Azgard Nine Limited	10	Fixed dividend at 8.95% per annum to be declared within 3-months of close of financial year on a cumulative basis.	Annually	50% of the issue amount at the end of 5th year of issuance/ allotment and remaining 50% at the end of 6th year subject to the provisions of Section 85 of the Companies Ordinance, 1984.
Pak Elektron Limited (PEL)	10	Fixed dividend of 9.50% per annum payable if and when declared by the Company on a cumulative basis	Annually	Call option subject to maximum of 75% of the total issue within 90 days from the end of each financial year commencing from 3rd year and ending on 5th year and 100% of the issue size within 90 days of the end of each financial year commencing from 5th year by giving a notice of 30 days. 25% investment convertible at the option of investor exercisable after the 5th year in accordance with the formula mentioned in the prospectus.
Shakarganj Mills Limited	10	Preferred right of dividend at 8.50% per annum on a cumulative basis.	Annually	Principal will be redeemed at the end of 5th year from the issue date. Conversion option is exercisable at the end of every financial year from the date of issue at the option of holder in whole or in part or convertible by the Company in whole or part through tender. Conversion is set in the ratio of 167 ordinary shares for every 1,000 preference shares at face value of Rs. 10 each.
Agrietch Limited	10	Fixed dividend of 11.00 % per annum on annual basis by the company on a cumulative basis.	Annually	The company will have the option to redeem the preference shares in full or in part with in ninety days after the expiry of the each anniversary of the completion date by giving at least thirty days notice. Preference shares can be converted in to ordinary shares from the fifth anniversary of the completion date.

3 Ordinary shares of unlisted company

Number of shares		Name of company		Cost		Break up Value		Rating (where available)	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
2,000,000	2,000,000	Bank Al Baraka (Formerly: Emirates Global Islamic Bank) (Chief Executive Officer: Shaqqaat Ahmed)		25,000	25,000	13,051	13,169	AA1	-

4 Mutual funds units

Name of fund	Number of Units		Cost		Market Value		Rating (where available)	
	2014	2013	2014	2013	2014	2013	2014	2013
	Rupees in '000'							
Open ended mutual funds								
United Growth & Income Fund (Income)	3,506,071	3,023,871	290,481	249,808	BBB+(f)	BBB+(f)		
IGI Aggressive Income Fund	1,973,884	18,442,660	85,194	791,745	A-(f)	A-(f)		
Close ended mutual funds								
NAMCO Balance Fund	-	6,680,054	-	43,353	-	-	-	-
PICIC Investment Fund	-	424	-	5	-	-	-	-
	373,802	1,123,087	375,675	1,084,911				

5 Listed term finance certificates

Name of company/modaraba	Number of certificates		Nominal value per certificate		Market Value		Rating (where available)	
	2014	2013	2014	2013	2014	2013	2014	2013
	Rupees in '000'							
Askari Bank Limited - 3rd issue	10,000	10,000	5	49,920	48,939	50,664	AA-	AA-
Askari Bank Limited - 5th issue	60,000	-	5	-	300,000	-	AA-	-
Azgard Nine Limited (TFC - II)	7,369	7,369	5	10,362	-	-	D	D
Bank AL Habib Limited	35,000	35,000	5	174,370	-	183,089	AA	AA
Engro Chemical Pak Limited	10,000	10,000	5	48,756	-	49,875	AA-	A
Financial Receivables Securities Company Class B	13,886	13,886	5	5,784	-	5,784	-	-
NIB Bank Limited	50,000	-	5	-	246,409	-	A+	A+
Summit Bank Limited	1,000	-	5	-	3,392	-	-	-
Bank Al-Falah Limited	14,200	-	5	-	71,305	-	AA-	AA
Engro Fertilizer Limited	5,000	-	5	-	17,046	-	AA-	-
Jahangir Siddiqui & Company	5,500	5,500	5	24,062	-	24,821	-	-
World Call Telecom Limited	5,000	5,000	5	7,865	-	7,866	-	D
	736,008	297,057	711,912	297,278				

Other particulars of listed TFCs are as follows:

Particulars	Mark-up payment	Redemption terms
Askari Bank Limited - 3rd issue	Semi-annually	0.32% of principal in the first 96 months and remaining principal in four equal semi-annual instalment of 24.92% each starting from the 102nd from issue date.
Askari Bank Limited - 5th issue	Semi-annually	Eighteen semi-annual instalments of Rs.60,000 and remaining principal in two semi-annual instalments.
Azgard Nine Limited	Semi-annually	In nine unequal semi-annual instalments starting from September 20, 2013 and ending on September 20, 2017.

Particulars	Mark-up rate per annum	Mark-up payment	Redemption terms
Bank AL Habib Limited	15.50% for the first five years and 16.00% for the next three years without any floor or cap	Quarterly	0.56% of principal in the first 84 months and remaining principal in four equal quarterly installments of 24.86% each starting from 87th month from issue date
Engro Chemical Pak Limited	6 months KIBOR + 1.55 % without any floor or cap	Semi-annually	0.28% of principal in the first 84 months and remaining principal in two equal semi-annual installments of 49.86% starting from 90th month.
Financial Receivables Securities Company	6 months KIBOR + 2.00% with a Floor of 8.00% . and Cap of 16.00%	Semi-annually	In 12 equal semi-annual installments starting from 18th month.
NIB Bank Limited	6 months KIBOR + 1.15%	Semi-annually	Fifteen semi annual installments of Rs.40,000 and remaining principal in one semi annual installment.
Summit Bank Limited	6 months KIBOR + 3.25%	Semi-annually	Thirteen semi annual installments of Rs. 1,154 and remaining principal in one semi annual installment.
Bank Al-Falah Limited	6 months KIBOR + 1.25%	Semi-annually	Fifteen semi annual installments of Rs.14,200 and remaining principal in one semi annual installment.
Engro Fertilizer Limited	6 months KIBOR + 2.40%	Semi-annually	0.40% of principal in the first 72th month and remaining principal in two equal semi-annual installments of 30.% each starting from 78th month from the issue date.
Jahangir Siddiqui & Company	6 months KIBOR +1.7%	Semi-annually	TFC has a tenor of six years i.e-2007-2013 with a call option exercisable by the company any time after one year on a coupon date by giving 30 days notice at a premium of 1.00% on the outstanding face value.
World Call Telecom Limited	Floating rate of return at Base Rate+1.60% p.a. with no floor and cap.	Semi-annually	Principal repayments of PKR 547,910,302/- each on October 07, 2014; April 07, 2015; and October 07, 2015.

6 Unlisted term finance certificates

Number of certificates	Nominal value per certificate	Name of company	Cost		Carrying Value		Rating (where available)	
			2014	2013	2014	2013	2014	2013
			Rupees in '000'		Rupees in '000'			
293,000	293,000	AgriTech Limited - PPTFC	1,430,767	1,430,767	-	-	D	D
8,516	8,516	AgriTech Limited - Sukuk	38,449	38,449	-	-	D	D
32,000	32,000	Arzoo Textile Mills Limited	160,000	160,000	-	-	-	-
106,000	106,000	Azgard Nine Limited TFC-IV	229,798	246,766	-	-	D	D
36,428	36,428	Azgard Nine Limited PPTFC-VI	182,140	182,140	-	9,860	D	D
10,000	10,000	Bank Alfalah Limited	49,900	49,920	49,900	49,920	AA-	AA-
30,000	30,000	Eden Housing (Sukuk)	46,502	72,753	46,502	72,753	-	A
12,521	12,521	Engro Chemical Pakistan Limited	48,832	48,832	48,832	48,832	-	A
-	80,000	JDW Sugar Mills Limited	-	44,444	-	44,444	-	A+
-	6,114	Financial Receivables Securities Company	-	3,817	-	3,817	-	-
23,951	23,951	Maple Leaf Cement Factory Limited	52,886	92,555	52,886	92,555	A-	BB+
-	40,000	Martindow Pharmaceuticals Pakistan Limited	-	18,400	-	18,400	-	A
8,000	8,000	Pak Elektron Limited - Sukuk (1st Issue)	15,483	15,483	15,483	15,483	A-	-
106,000	106,000	Pak Elektron Limited - Sukuk (2nd Issue)	520,743	520,743	520,743	520,743	A-	-
50,000	50,000	Pak Elektron Limited - PPTFC	202,381	202,381	202,381	202,381	A-	-
21,000	21,000	Pakistan International Airlines (PIA)	74,312	74,312	74,312	74,312	-	-
10,000	10,000	Security Leasing - Sukuk (2nd Issue)	11,893	12,908	8,920	9,681	-	-
15,000	15,000	Security Leasing - Sukuk (1st Issue)	15,014	16,284	11,260	12,212	-	-
-	24,711	Syed Bhai (Pvt) Limited	-	100,299	-	-	-	-
60,000	60,000	Wapda Hydroelectric (Neelum Jhelum)	300,000	300,000	300,000	300,000	-	AAA
30,000	40,000	Independent Media Corporation	150,000	190,000	150,000	190,000	A-	A+
6,000	6,000	Al-Abbas Sugar Mills Limited	53	53	53	53	-	-
2,000	2,000	Al-Zamin Leasing Corporation Limited	7,500	7,500	-	-	-	-
2,000	2,000	AgriTech Limited - PPTFC V	7,465	7,465	-	-	D	D
7,000	7,000	AgriTech Limited - TFC I	9,569	9,569	-	-	D	D
1,493	1,493	AgriTech Limited - TFC III	31,429	31,429	-	-	D	-
2,000	2,000	Bank Al-Falah-Fixed	10,704	10,708	10,705	10,708	AA-	AA-
-	5,000	Kohat Cement Sukuk	-	4,994	-	4,994	-	-
300	300	Pakistan Mobile Communication Limited	6	6	6	6	-	-
5,500	5,500	Jahangir Siddiqui & Company	323	323	322	323	-	-
18,000	18,000	New Allied Electronics Industries (Pvt) Limited	17,798	17,798	-	-	-	-
64,000	64,000	New Allied Electronics Industries (Pvt) Limited-Sukuk	10,064	10,064	-	-	-	-
8,000	8,000	Dewan Cement Limited (Pre IPO Investment)	20,000	20,000	-	-	-	-
			3,644,013	3,941,162	1,492,305	1,681,477		

Other particulars of unlisted TFCs are as follows:

Particulars	Mark-up rate per annum	Mark-up payment	Redemption terms
AgriTech Limited – PPTFC	6 months KIBOR + 1.75 %	Semi-annually	In 13 unequal semi-annual installments starting from July 14, 2013 and ending on July 14, 2019.
AgriTech Limited – Sukuk	6 months KIBOR + 2.00 % without any floor or cap	Semi-annually	The principal redemption of these certificates is structured to be in 15 unequal semi-annual installments. First two installments were just token payments due on July 31, 2010 and August 31, 2010 which have been paid, remaining installments are starting from August 06, 2013 and ending on August 06, 2019.
Arzoo Textile Mills Limited	6 months KIBOR + 2.00 % for the first two year and 6 months KIBOR + 175 bps for the remaining period without any floor or cap	Quarterly	In ten equal semi-annual installments starting from 18th month from the draw down date.
Azgard Nine Limited TFC-IV	6 months KIBOR + 1.25 %	Semi-annually	In nine semi-annual installments starting from December 04, 2013 and ending on December 04, 2017.
Azgard Nine Limited PPTFC VI	Nil	Nil	In seven unequal semi-annual installments starting from March 31, 2014 and ending on March 31, 2017.
Bank Alrahan Limited	6 months KIBOR + 2.50 % with a Floor of 7.00% . and Cap of 20.00%	Semi-annually	0.56% of principal in the first 84th month and remaining principal in four equal quarterly installments of 24.86% each starting from 87th month from the issue date.
Eden Housing (Sukuk)	6 months KIBOR + 300 bps with a Floor of 12.00% . and Cap of 20.00%	Semi-annually	Not less than 8 consecutive semiannual units, the first such unit falling due not later than 18th months from last drawdown.
Engro Chemical Pakistan Limited	6 months KIBOR + 1.55 % without any floor or cap	Semi-annually	0.28% of principal in the first 84th month and remaining principal in two equal semi-annual installments of 49.86% each starting from 90th month from the issue date.
JDW Sugar Mills Limited	3 months KIBOR + 1.25 % without any floor or cap	Quarterly	In eighteen unequal quarterly installments starting from 21st month of the first drawdown.
Financial Receivables Securities Company	6 months KIBOR + 200 bps with a floor 8% and Cap 16%	Semi-annually	0.2% of principal in the first 60th month and remaining principal in two equal semi-annual installments of 49.9% each starting from 66th month from the issue date.
Meaple Leaf Cement Factory Limited	3 months KIBOR + 1.00 % without any floor or cap	Quarterly	In 36 quarterly installments with first installment due on March 01, 2010.

Particulars	Mark-up rate per annum	Mark-up payment	Redemption terms
Martin Dow Pharmaceuticals Pakistan Limited	3 months KIBOR (ask) + 3.80 % without any floor or cap	Monthly	In sixteen equal quarterly installments starting from 15th month from the issue date.
Pak Elektron Limited - Sukuk (1st Issue)	3 months KIBOR (ask) + 1.25 % with a Floor of 10.00% and Cap of 25.00%	Quarterly	In quarterly installments with first installment due on 28 June 2013.
Pak Elektron Limited - Sukuk (2nd Issue)	3 months KIBOR (ask) + 1.00 % with a Floor of 8.00% and Cap of 16.00%	Quarterly	In quarterly installments with first installment due on 30 June 2013.
Pak Elektron Limited - PPTFC	3 months KIBOR (ask) + 3.00 % without any floor or cap	Semi-annually	In quarterly installments with first installment due on 30 June 2013.
Pakistan International Airlines (PIA)	SBP discount rate + 0.50 % with a Floor of 8.00% and Cap of 12.50%	Semi-annually	15.2% of principal in the first 48th month and remaining principal in six equal semi-annual installments of 14.13% each starting from 54th month from the issue date.
Security Leasing - Sukuk (2nd issue)	Nil	Semi-annually	Up to eight equal semi-annual installment starting from 18th month from first drawdown date.
Security Leasing - Sukuk (1st Issue)	Nil	Semi-annually	In eight equal semi-annual installments starting from 18th month.
Syed Bhai's (Pvt) Limited	3 months KIBOR (ask) + 3.80 % without any floor or cap	Quarterly	In sixteen equal quarterly installments starting from 27th month from the issue date.
Wapda Hydroelectric (Neelum Jhelum)	6 months KIBOR +1.00 %	Semi-annually	Principal to be repaid in 14 equal semi annual installments starting from 27-03-2015.
Independent Media Corporation	3 months KIBOR +3.00 %	Quarterly	Principal to be repaid in 20 quarterly installments starting from 05-11-2013.
Al-Abbas Sugar Mills Limited	6 month KIBOR +1.75%	Semi-annually	TFC will be redeemed in 10 equal bi-annual installments of Rs.75 million each commencing from May 2009.
Al-Zamin Leasing Corporation Limited	Floating cut-off yield of last successful SBP auction of 5-year PIBs+200 bps.Floor 12% & Cap 15.75%	Semi-annually	Principal to be redeemed in 10 equal semi-annual installments commencing from the 6th month of issue date. Callable anytime in full after 18th month of issue.
AgriTech Limited - PPTFC V	11 % per annum	Semi-annually	A bullet repayment of principal at the maturity of PPTFCs which is due on January 01, 2017.

Particulars	Mark-up rate per annum	Mark-up payment	Redemption terms
Agritech Limited - TFC I	6 month KIBOR +1.75%	Semi-annually	In 13 unequal installments starting from November 29, 2013 and ending on November 29, 2019.
Agritech Limited - TFC III	3 months KIBOR + 3.25%	Quarterly	In 26 unequal installments starting from September 01, 2013 and ending on December 01, 2019.
Bank Al-Falah - Fixed	Floating rate of return at Base Rate (6 months KIBOR)+2.50% p.a.	Semi-annually	3- equal semi annual installments commencing 84th month after the issue date.
Kohat Cement Sukuk	3 months KIBOR + 1.5%	Quarterly	Principal to be redeemed in eight (8) equal quarterly installments commencing 20 September, 2012.
Pakistan Mobile Communication Limited	6 months KIBOR + 2.85 %	Semi-annually	0.02% of principal redeemed semi-annually in the first 48 months and remaining amount in 6 semi annual installments.
Jahangir Siddiqui & Company	6 months KIBOR +1.7%	Semi-annually	TFC has a tenor of six years i.e 2007-2013 with a call option exercisable by the company any time after one year on a coupon date by giving 30 days notice at a premium of 1.00% on the outstanding face value.
New Allied Electronics Industries (Pvt) Limited	3 months Kibor + 2.20 % with floor of 7% and Cap of 20%	Semi-annually	Maturity date is November 01, 2012.
New Allied Electronics Industries (Pvt) Limited Sukuk	3 months Kibor + 2.20 %	Semi-annually	Based on diminishing musharaka mechanism with maturity in December 2012.
Dewan Cement Limited (Pre IPO Investment)	6 months KIBOR + 2 % p.a.	Semi-annually	9- equal semi annual installments starting from the twenty fourth month of the issue.

7 Subsidiary - Punjab Modaraba Services (Private) Limited

16,495,100 (2013: 16,495,100) ordinary shares of Rs. 10 each (Holding: 100% (2013: 100%)). Break up value of investment based on latest audited financial statements is Rs. 1.53 per share (2013: Rs. Nil).

8 Federal government securities

Held for trading:
Market treasury bills

Available for sale:
Market treasury bills
Pakistan investment bonds
Government of Pakistan ijara sukuk bonds

	Cost		Market Value		Rating (where available)	
	2014	2013	2014	2013	2014	2013
	Rupees in '000'					
	-	9,829,190	-	9,824,370	-	-
	-	9,829,190	-	9,824,370	-	-
	86,783,998	103,921,013	86,908,172	103,687,274	-	-
	44,708,426	4,161,633	47,260,903	4,006,339	-	-
	1,706,588	701,442,00	1,702,902	707,663,00	-	-
	133,199,012	108,784,088	135,871,977	108,401,276	-	-
	133,199,012	118,613,278	135,871,977	118,225,646	-	-

Statement showing written - off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2014

Sr.No	Name and address of the borrower	Name of Individuals/Partners/Directors with CNIC No.	Father's/Husband's name	Branch name	Region	Outstanding liabilities at beginning of year				Principal written-off	Interest/Mark-up/Other charges capitalized written-off	Interest/Mark-up/Other charges capitalized	Others	Total	Interest/Mark-up/Other charges capitalized written-off	Interest/Mark-up/Other charges capitalized	Interest/Mark-up/Other charges capitalized written-off	Other financial relief provided	Total
						Principal	Interest/Mark-up/Other charges capitalized	Interest/Mark-up/Other charges capitalized	Others										
1	Aman Developers 76-C-II, Gulberg III, Lahore.	Muhammad Faisal Nazir (35202-6094742-9) Hina Nazir (35201-7885357-4)	Haji Muhammad Nazir Chaudhary Muhammad Nazir	LHR.(MAIN BRANCH)	LHR-Main	50,616		53,251	-	-	103,867	-	27,383	-	27,383	-	-	27,383	
2	Aziz Sons Tractor Corporation (Pvt) Ltd. 8 Km., Sheekhupura Road, Lahore.	Arshad Ali Tahir (31301-3513097-9) Azra Effat (31301-3691558-4) Makhdoom Zulfiqar Hussain (31303-752618-5)	Abdul Aziz Arshad Ali Tahir Makhdoom Iftikhar Hussain	LHR.(MAIN BRANCH)	LHR-Main	41,929		34,693	-	-	76,622	-	24,128	-	24,128	-	-	24,128	
3	UN Enterprise Sher Garh, Tehsil Depalpur, District Okara	Muhammad Javed Iqbal (35301-1920876-3) Saima Zameer (35201-4686000-4)	Haji Farzand Ali Zameer Ahmed	DEPALPUR	Lahore	17,140		13,366	-	-	30,506	-	11,506	-	11,506	-	-	11,506	
4	Tarar Rice Mills Tarar Rice Mill Hafizabad Road, Rasoolpore Tarar Dist. Hafizabad.	Khizar Hayat Tarar (34302-1257204-7) Ahmed Hayat Tarar (34302-1257205-7) Shamim Akhtar Tarar (34302-1205668-0) Raheela Babar Tarar (35202-746642-4)	Ali Muhammad Khizar Hayat Tarar Khazar Hayat Tarar Babar Hayat Tarar	JALALPUR BHATTIAN	Gujranwala	-		13,715	-	-	13,715	-	4,530	-	4,530	-	-	4,530	
5	Ambrosia Chemicals Shaham Plaza, Pulli Dat Wali, D.G. Khan.	Muhammad Yousaf Shahani (32102-0895619-7) Saadullah (32102-3799083-9) Muhammad Bakhtsh Shahani (32102-0998035-9)	Atta Muhammad Shahani Hafiz Wali Muhammad Atta Muhammad	D.G. Khan (Kutchery Road)	Multan	12,139		11,064	-	-	23,203	-	2,357	-	2,357	-	-	2,357	
6	Nenser Drugs (Pvt) Ltd. 23-Civic Centre New Garden Town Lahore.	Muhammad Riaz Malik (221-92-596411) Saleem Ahmad Khan (270-93-156822) Zulfiqar Khalid (35201-7031297-1)	Malik Muhammad Nawaz Khan Sardar Ahmad Khan Chaudhary Muhammad Turfai	LHR(MAIN BOULEVARD GULBERG)	Lahore	3,632		8,268	-	-	11,900	-	2,078	-	2,078	-	-	2,078	
7	Shafiq-Ur-Rehman Bazaar Sarafa, Gujrat	Shafiq-ur-Rehman (34201-3264443-7)	Haji Anayat Ullah	GUJRAT(SHAH DAULA GATE)	Gujranwala	5,086		4,420	-	-	9,506	-	1,666	-	1,666	-	-	1,666	
8	Sheikh Brothers Cotton Ginners Ghalla Mandi Maisi	Akbar Ali (36602-6022608-7)	Sheikh Nawab Ali	MALLSI	Multan	5,071		3,912	-	-	8,983	-	983	-	983	-	-	983	
9	Neuro Care Centre Khurshid Rafiq Hospital, Khanewal Road, Multan	Shahid Rafiq (36302-8488219-5)	Muhammad Rafiq	Multan (M.D.A Chowk)	Multan	2,527		3,569	-	-	6,096	-	924	-	924	-	-	924	
10	Qureshi Traders 114-115, 1st Floor, Mall Plaza Multan 13,31,32 Bamezar-Arcade MDA Multan.	Hasnain Raza Hashmi (32203-0388733-7)	Mushtaq Ahmad Hashmi	Multan(Quid-e-Azam Road)	Multan	-		1,380	-	-	1,380	-	505	-	505	-	-	505	
	Total					138,140		147,638	-	-	285,778	-	76,060	-	76,060	-	-	76,060	

Detail of disposal of property and equipment:

Annexure IV

Particulars	Cost / Revalued amount	Book value	Sale price	Profit	Mode of disposal	Particulars of purchasers
	Rupees in '000'					
Land:						
Defence Housing Authority, Lahore	22,500	22,500	32,100	9,600	Auction	Khalid Nazir
Buildings :						
Liberty Market, Lahore	12,244	10,163	11,000	837	Auction	Sheikh Abdul Rauf
Vehicles :						
Honda Civic	1,310	437	1,300	863	Insurance claim	United Insurance Company Limited
Honda Civic	1,568	-	1,051	1,051	Auction	Mr. Nadeem Yousif
Suzuki Cultus	1,269	-	1,126	1,126	Auction	Mr. Sharjeal Masud - ex-employee
Toyota Corolla	1,269	-	178	178	As per policy	Ghulam Ali - Employee
Suzuki Cultus	985	383	650	267	As per policy	M Usama - Employee
Suzuki Cultus	985	383	661	278	As per policy	M Arbab - Employee
	7,386	1,203	4,966	3,763		
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	59,319	3,669	10,928	7,259		
2014	<u>101,449</u>	<u>37,535</u>	<u>58,994</u>	<u>21,459</u>		
2013	<u>212,368</u>	<u>103,104</u>	<u>153,979</u>	<u>50,875</u>		

CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2014
(The Bank of Punjab & Punjab Modaraba Services (Pvt) Ltd.)



Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising the consolidated statement of financial position of The Bank of Punjab (the Bank) and its subsidiary company (together referred to as group) as at December 31, 2014 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity, together with the notes forming part thereof (here-in-after referred to as the 'consolidated financial statements'), for the year then ended. These consolidated financial statements include unaudited certified returns from branches of the bank, except for 17 branches, which have been audited by us. We have also expressed a separate opinion on the separate financial statements of the Bank. Its subsidiary company, Punjab Modaraba Services (Private) Limited (the company), however, was audited by another firm of Chartered Accountants, whose report has been furnished to us and our opinion in so far as it relates to the amount included for such Company is based, solely on the report of such auditors. The audit opinion refers that the Company has accumulated losses and its current liabilities exceeded its current assets, consequently highlighting the existence of uncertainty which may cast doubt on the Company's ability to continue as a going concern (note 1.1.1).

These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

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

We draw attention to Note 1.2 to the consolidated financial statements in which the matters related to equity injection by the Government of Punjab (GoPb), regulatory capital compliance and relaxations granted by the State Bank of Pakistan (SBP) from provisioning against certain advances based on the undertaking by GoPb in respect of capital injection and enduring support of GoPb have been fully discussed, and also to note 13.1 where in basis for recognizing deferred tax asset have been explained. The preparation of projections involves certain key assumptions by the management and any significant change therein may have an effect on the realisability of deferred tax asset. Our opinion is not qualified in respect of these matters.

M. Yousuf Adil Saleem & Co.

Chartered Accountants

Engagement Partner:

Nadeem Yousuf Adil

Dated: March 27, 2015

Place: Karachi

Member of
Deloitte Touche Tohmatsu Limited

Consolidated Statement of Financial Position

as at December 31, 2014

	Note	2014 Rupees in '000'	2013
ASSETS			
Cash and balances with treasury banks	7	23,622,411	23,820,864
Balances with other banks	8	2,239,170	4,265,296
Lendings to financial institutions	9	32,748,623	11,407,448
Investments - net	10	154,943,890	123,973,891
Advances - net	11	170,273,415	157,239,598
Operating fixed assets	12	5,490,121	3,514,801
Deferred tax assets - net	13	9,845,426	12,627,352
Other assets - net	14	21,237,382	15,825,007
		420,400,438	352,674,257
LIABILITIES			
Bills payable	16	1,727,731	1,506,335
Borrowings	17	44,742,624	22,802,482
Deposits and other accounts	18	342,290,693	306,560,694
Sub-ordinated loan	19	2,000,000	-
Liabilities against assets subject to finance lease	20	1,128	2,386
Deferred tax liabilities - net		-	-
Other liabilities	21	10,281,610	8,345,203
		401,043,786	339,217,100
NET ASSETS		19,356,652	13,457,157
REPRESENTED BY			
Share capital	22	15,551,132	10,551,132
Discount on issue of shares		(263,158)	(263,158)
Reserves	23	2,081,243	1,539,659
Share deposit money	24	7,000,000	12,000,000
Accumulated losses		(9,083,209)	(11,275,026)
		15,286,008	12,552,607
Surplus on revaluation of assets - net of tax	25	4,070,644	904,550
		19,356,652	13,457,157
CONTINGENCIES AND COMMITMENTS	26		

The annexed notes from 1 to 46 and Annexures - I to IV form an integral part of these consolidated financial statements.

Chairman

President

Director

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Consolidated Profit and Loss Account for the year ended December 31, 2014

	Note	2014 Rupees in '000'	2013
Mark-up/return/interest earned	27	29,517,673	24,191,140
Mark-up/return/interest expensed	28	20,525,783	20,176,169
Net mark-up / interest income		8,991,890	4,014,971
Provision / (Reversal of provision) against non-performing loans and advances - net	11.5.5	1,118,605	(673,081)
Provision for diminution in the value of investments - net	10.3	59,494	21,940
Bad debts written off directly	11.6	-	241
		1,178,099	(650,900)
Net mark-up / interest income after provisions		7,813,791	4,665,871
NON MARK-UP/INTEREST INCOME			
Fee, commission and brokerage income		909,596	775,622
Dividend income		39,918	137,512
Income from dealing in foreign currencies		183,830	147,417
Gain on sale and redemption of securities - net	29	667,322	1,391,874
Unrealized loss on revaluation of investments classified as held for trading	10.7	(654)	(4,296)
Other income	30	1,000,173	1,148,797
Total non-markup/interest income		2,800,185	3,596,926
		10,613,976	8,262,797
NON MARK-UP/INTEREST EXPENSES			
Administrative expenses	31	6,217,344	5,204,409
(Reversal) / Charge of Provision against other assets	14.3	(2,416)	32,945
Provision against off balance sheet obligations	21.1	17,875	325
Other charges	32	19,727	47,123
Total non-markup/interest expenses		6,252,530	5,284,802
		4,361,446	2,977,995
Extra ordinary/unusual items		-	-
		4,361,446	2,977,995
PROFIT BEFORE TAXATION			
Taxation - Current year		323,818	278,239
- Prior years		-	-
- Deferred		1,196,093	785,036
	33	1,519,911	1,063,275
		2,841,535	1,914,720
PROFIT AFTER TAXATION			
Accumulated losses brought forward		(11,275,026)	(12,743,218)
Transfer from surplus on revaluation of fixed assets - net of tax		9,858	10,352
Transfer from surplus on revaluation of fixed assets on disposal		(980)	814
Transfer to statutory reserve		(557,490)	(387,601)
Actuarial gains on remeasurement recognized		2,514	8,391
Right shares issue cost		(103,620)	(78,484)
		(11,924,744)	(13,189,746)
Accumulated losses carried forward		(9,083,209)	(11,275,026)
Basic earnings per share - Rupees	34	1.97	2.31
Diluted earnings per share - Rupees	35	1.97	2.31

The annexed notes from 1 to 46 and Annexures - I to IV form an integral part of these consolidated financial statements.

Chairman

President

Director

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Consolidated Statement of Comprehensive Income

for the year ended December 31, 2014

	Note	2014 Rupees in '000'	2013
Profit after taxation for the year		2,841,535	1,914,720
Other comprehensive income not to be reclassified to profit and loss account in subsequent periods:			
Actuarial gains on remeasurement recognized during the year	38.1.1	2,514	8,391
Comprehensive income transferred to equity		2,844,049	1,923,111
Components of comprehensive income not reflected in equity			
Items to be reclassified to profit and loss in subsequent periods:			
Surplus / (deficit) on revaluation of investments - net of tax		1,940,269	(724,834)
Items not to be reclassified to profit and loss in subsequent periods:			
Surplus / (deficit) on revaluation of fixed assets - net of tax		1,234,703	(2,090)
Total comprehensive income for the year		<u>6,019,021</u>	<u>1,196,187</u>

The annexed notes from 1 to 46 and Annexures - I to IV form an integral part of these consolidated financial statements.

Chairman

President

Director

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Consolidated Cash Flow Statement

for the year ended December 31, 2014

	Note	2014 Rupees in '000'	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		4,361,446	2,977,995
Less: Dividend income		(39,918)	(137,512)
		4,321,528	2,840,483
Adjustments for:			
Depreciation on property and equipment	12.2	369,642	328,857
Depreciation on ijarah assets under IFAS - 2	11.2	28,219	-
Amortization on intangible assets	12.3	4,561	2,622
Amortization of (discount) / premium on Government securities		(176,076)	32,518
Unrealized loss on revaluation of investments classified as held for trading	10.7	654	4,296
Provision / (Reversal of provision) against non-performing loans and advances - net	11.5.5	1,118,605	(673,081)
Bad debts written-off directly	11.6	-	241
Provision for diminution in the value of investments - net	10.3	59,494	21,940
Provision for employees compensated absences	38.1.3	14,105	16,558
Provision for gratuity	38.1.1	78,904	79,861
(Reversal) / charge of provision against other assets	14.3	(2,416)	32,945
Provision against off balance sheet obligations	21.1	17,875	325
Net profit on sale of property and equipment	30	(21,459)	(59,167)
Net profit on sale of non-banking assets acquired in satisfaction of claims	30	(82,652)	(527,751)
Gain on sale and redemption of securities - net	29	(667,322)	(1,391,874)
Finance charges on leased assets	31	152	275
		742,286	(2,131,435)
		5,063,814	709,048
(Increase) / Decrease in operating assets:			
Lendings to financial institutions		(21,541,175)	(9,044,502)
Net investments in held for trading securities		9,801,418	3,369,266
Advances - net		(14,196,547)	(7,036,248)
Others assets - net		(6,197,106)	(3,381,856)
		(32,133,410)	(16,093,340)
Increase / (Decrease) in operating liabilities:			
Bills Payable		221,396	5,626
Borrowings		21,878,241	(21,911,655)
Deposits and other accounts		35,729,999	40,504,933
Other liabilities		1,828,037	760,922
		59,657,673	19,359,826
		32,588,077	3,975,534
Financial charges paid on leased assets		(152)	(275)
Income tax paid		(237,144)	(243,650)
Net cash flow from operating activities		32,350,781	3,731,609
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(23,329,952)	1,884,181
Net investments in held to maturity securities		(13,651,866)	593,308
Dividends received		39,543	142,068
Investments in operating fixed assets		(568,653)	(505,963)
Sale proceeds of property and equipment disposed-off		58,994	192,341
Sale proceeds of non-banking assets disposed-off		719,551	2,498,583
Net cash (used in) / flow from investing activities		(36,732,383)	4,804,518
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease obligations		(1,258)	(1,215)
Sub-ordinated loan received from GoPb		2,000,000	-
Right shares issue cost		(103,620)	(78,484)
Net cash flow from / (used in) financing activities		1,895,122	(79,699)
Net (decrease) / increase in cash and cash equivalents		(2,486,480)	8,456,428
Cash and cash equivalents at beginning of the year		28,854,680	20,398,252
Cash and cash equivalents at end of the year	36	26,368,200	28,854,680

The annexed notes from 1 to 46 and Annexures - I to IV form an integral part of these consolidated financial statements.

Chairman

President

Director

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Consolidated Statement of Changes in Equity for the year ended December 31, 2014

	Share capital	Discount on issue of shares	Statutory reserve	Capital reserves		Share deposit money	Revenue reserve	Total
				Share premium	Restructuring reserve		Accumulated losses	
	R u p e e s i n '000'							
Balance as at January 01, 2013	5,287,974	-	396,364	37,882	753,187	17,000,000	(12,743,218)	10,732,189
Transfer from surplus on revaluation of fixed assets to accumulated losses - net of tax	-	-	-	-	-	-	10,352	10,352
Transfer from surplus on revaluation of fixed assets to a cumulated losses on disposal	-	-	-	-	-	-	814	814
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	-	-	1,923,111	1,923,111
Transfer from restructuring reserve against NPLs	-	-	-	-	(35,375)	-	-	(35,375)
Transfer to statutory reserve	-	-	387,601	-	-	-	(387,601)	-
Transaction with owners, recorded directly in equity								
Issue of right shares during the year	5,263,158	-	-	-	-	(5,000,000)	-	263,158
Discount on issue of shares	-	(263,158)	-	-	-	-	-	(263,158)
Right shares issue cost	-	-	-	-	-	-	(78,484)	(78,484)
	5,263,158	(263,158)	-	-	-	(5,000,000)	(78,484)	(78,484)
Balance as at December 31, 2013	10,551,132	(263,158)	783,965	37,882	717,812	12,000,000	(11,275,026)	12,552,607
Transfer from surplus on revaluation of fixed assets to accumulated losses - net of tax	-	-	-	-	-	-	9,858	9,858
Transfer from surplus on revaluation of fixed assets to accumulated losses on disposal	-	-	-	-	-	-	(980)	(980)
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-	-	2,844,049	2,844,049
Transfer from restructuring reserve against NPLs	-	-	-	-	(15,906)	-	-	(15,906)
Transfer to statutory reserve	-	-	557,490	-	-	-	(557,490)	-
Transaction with owners, recorded directly in equity								
Issue of right shares during the year	5,000,000	-	-	-	-	(5,000,000)	-	-
Right shares issue cost	-	-	-	-	-	-	(103,620)	(103,620)
	5,000,000	-	-	-	-	(5,000,000)	(103,620)	(103,620)
Balance as at December 31, 2014	15,551,132	(263,158)	1,341,455	37,882	701,906	7,000,000	(9,083,209)	15,286,008

The annexed notes from 1 to 46 and Annexures - I to IV form an integral part of these consolidated financial statements.

Chairman

President

Director

Director

Notes to the Consolidated Financial Statements

for the year ended December 31, 2014

1. STATUS AND NATURE OF BUSINESS

1.1 The Bank of Punjab Group comprises The Bank of Punjab (the Bank) and Punjab Modaraba Services (Private) limited. The Bank was constituted pursuant to The Bank of Punjab Act, 1989. It was given the status of a scheduled bank by the State Bank of Pakistan (SBP) on September 19, 1994. It is principally engaged in commercial banking and related services with its registered office at BOP Tower, 10-B, Block E-2, Main Boulevard, Gulberg III, Lahore. The Bank has 364 branches including 37 islamic banking branches. (2013: 334 branches including 07 islamic banking branches) in Pakistan and Azad Jammu and Kashmir at the year end. The Bank is listed on Lahore, Karachi and Islamabad Stock Exchanges. The majority shares of the Bank are held by Government of the Punjab (GoPb).

1.1.1 Punjab Modaraba Services (Private) Limited is a wholly owned subsidiary of The Bank of Punjab and is primarily engaged in the business of floating and managing modarabas.

The Punjab Modaraba Services (Private) Limited has accumulated losses and its current liabilities exceed its current assets. These losses are mainly due to drying up of revenue streams. The management fee and dividends are the main sources of revenue. The Punjab Modaraba Services (Private) Limited's financial statements, however have been prepared under the going concern assumption as the management is of the view that by virtue of the continued support of the Bank of Punjab and the business plan of the managed Modaraba, the Modaraba would show better performance resulting in provision of adequate resources to Punjab Modaraba Services (Private) Limited to continue its business in the foreseeable future.

1.2 As on December 31, 2014, paid-up capital, reserves (net of losses) including share deposit money, as allowed by SBP, of the Group amounts to Rs. 15,286,008 thousand. The Capital Adequacy Ratio (CAR), as disclosed in note 43, stood at 10.21 %. As at the close of the year 2014, net advances aggregating to Rs. 21,642,293 thousand (2013: Rs. 26,139,925 thousand) requiring additional provision of Rs. 20,649,941 thousand (2013: Rs. 24,302,207 thousand) there against have not been subjected to provisioning criteria as prescribed in SBP prudential regulations in view of the relaxation provided by SBP vide letter No.OSED/Div-01/SEU-03/010(01)-2015/5065 dated February 27, 2015, on the basis of two Letters of Comfort (LOCs) issued by the GoPb as explained in below paragraph.

The GoPb being the majority shareholder, in order to support the Bank, deposited Rs.10,000,000 thousand and Rs. 7,000,000 thousand as share deposit money in the year 2009 and 2011 respectively against future issue of shares by the Bank. Further, the GoPb vide two LOCs has also undertaken to inject necessary funds to make good the capital shortfall to the satisfaction of SBP up to a maximum amount of Rs. 3,580,000 thousand (net of tax @ 35%) and Rs. 10,570,000 thousand (net of tax @ 35%) within a period of 90 days after close of the year ending December 31, 2018 if the Bank fails to make provision of Rs. 21,770,000 thousand or if there is a shortfall in meeting the prevailing regulatory capital requirements as a result of the said provisioning. In addition, in terms of aforesaid LOCs, the GoPb being majority shareholder and sponsor of the Bank, has also extended its commitment to support and assist the Bank in ensuring that it remains compliant with the regulatory requirements at all times.

During the year 2014, the Bank has issued 500,000,000 right shares (47.39%) for Rs. 5,000,000 thousand at par value against share deposit money of Rs. 10,000,000 thousand deposited by GoPb in year 2009. Accordingly, the entire amount of share deposit money deposited in year 2009 has been converted into paid up capital of the Bank.

During the year 2014, the Bank was required by SBP to record provisioning, against exposure covered under LOCs, in a staggered manner aggregating to 15% by December 31, 2014 which condition has been duly complied with by the Bank. However, during the year 2015, the Bank will be required to record further provisioning in staggered manner against outstanding exposure of borrowers covered under above LOCs i.e. 5% by June 30, 2015 and additional 10% by December 31, 2015 so as to ensure that total staggering by end of the year 2015 would not be less than 15% of the additional provision of Rs. 20,689,119 thousand required as on December 31, 2014. As communicated by BP, going forward, further extension in these relaxations would be considered upon satisfactory compliance of the conditions / requirements of SBP as well as the Bank's future performance based on the Bank's business plan.

On the basis of enduring support of GoPb, the arrangements as outlined above and the business plan prepared by the management which has been approved by the Board of Directors, the Board is of the view that the Bank would have adequate resources to continue its business on a sustainable basis in the foreseeable future.

2. BASIS OF PREPARATION

- 2.1** Subsidiaries are those companies in which the Bank directly or indirectly controls, beneficially owns or hold more than 50% of the shares or otherwise have the power to elect and appoint more than 50% of its directors. The financial statements of the subsidiaries are included in the consolidated financial statements from the date the control commences until the date the control ceases. In preparing consolidated financial statements, the financial statements of the Bank and subsidiaries are combined on a line by line basis by adding together like items of assets, liabilities, income and expenses. Significant intercompany transactions have been eliminated.
- 2.2** These consolidated financial statements of The Bank of Punjab Group include The Bank of Punjab and its wholly owned subsidiary, Punjab Modaraba Services (Private) Limited. The consolidated financial statements have been prepared in accordance with the purchase method.
- 2.3** In accordance with the directives of the Government of Pakistan regarding the conversion of the Banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the Banks from their customers and immediate resale to them at appropriate marked-up price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.
- 2.4** The financial results of Islamic Banking business have been consolidated in these consolidated financial statements for reporting purposes, after eliminating inter-branch transactions / balances. Key financial figures of the Islamic Banking business are disclosed in Annexure-I to these consolidated financial statements.

3. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with the directives issued by the SBP, requirements of The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board and Islamic Financial Accounting standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the directives issued by the SBP and Securities and Exchange Commission of Pakistan (SECP), the Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 differ with the requirements of these standards, the requirements of the said directives, the Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 take precedence.

SBP as per BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standard (IAS) 40, "Investment Property" for banking companies till further instructions. Further, according to the notification of SECP dated April 28, 2008, the IFRS – 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these Standards have not been considered in the preparation of these consolidated financial statements.

IFRS 8, 'Operating Segments' is effective for the Bank'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 Bank believes that as the SBP has defined the segment categorization in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these consolidated financial statements is based on the requirements laid down by the SBP.

SECP has notified IFAS- 3, "Profit and Loss Sharing on Deposits" issued by the Institute of Chartered Accountants of Pakistan. The standard is effective from January 1, 2014 and deals with the accounting for transactions relating to "Profit and Loss Sharing on Deposits" as defined by the standard. The standard may result in the addition of certain new disclosures. However, the SBP vide its BPRD Circular No. 4 dated February 25, 2015 has deferred the disclosure requirements of IFAS - 3 which will be notified in due course.

4. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention, except for revaluation of free hold land and buildings on free hold land, valuation of certain investments and commitments in respect of forward exchange contracts at fair value and certain staff retirement benefits at present value.

These consolidated financial statements are presented in Pak Rupees, which is the Bank's functional and presentation currency.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

5.1 Classification of investments

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

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

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

5.2 Provision against non-performing advances

Apart from the provision determined on the basis of time-based criteria given in Prudential Regulations issued by the SBP, the management also applies the subjective criteria of classification and, accordingly, the classification of advances is downgraded on the basis of credit worthiness of the borrower, its cash flows, operations in account and adequacy of security in order to ensure accurate measurement of the provision.

5.3 Impairment of available for sale investments

The Group considers that available for sale equity investments and mutual funds are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance. As of the statement of financial position date, the management has determined an impairment loss on available for sale securities and held to maturity securities as disclosed in note 10.3.2.

5.4 Depreciation, amortization and revaluation of operating fixed assets

Estimates of useful life of operating fixed assets are based on management's best estimate. In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Group. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the change in pattern. Further, the Group estimates the revalued amount of free hold land and buildings on free hold land on a regular basis. The estimates are based on valuations carried out by an independent valuation expert under the market conditions.

5.5 Income taxes

In making estimates for income taxes currently payable by the Group, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. There are various matters where the Group's view differs with the view taken by the income tax authorities and such amounts are shown as a contingent liability.

5.6 Staff retirement benefits

The amount of provision for gratuity and compensated absences is determined using actuarial valuation. The valuation involves making use of assumptions about discount rates, mortality, expected rate of salary increases, retirement rates, and average leave utilization per year. Due to the degree of subjectivity involved and long-term nature of these plans, such estimates are subject to significant uncertainty.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Change in accounting estimate

During the year the Bank has changed depreciable life of bank owned and leased vehicles from 5 years on straight line basis to 3 years on straight line basis which qualifies as change in accounting estimate in accordance with the requirements of International Accounting Standards 8 – "Accounting Policies, Changes in Accounting Estimates and Errors" and the same is applied on prospective basis with effect from January 01, 2014.

The effect of this change on depreciation expense in current and future periods is as follows:

	Rupees in '000'				
	Year Ended 2014	Year Ending 2015	Year Ending 2016	Year Ending 2017	Year Ending 2018
Increase/ (decrease) in depreciation expense	14,287	(3,321)	(4,654)	(4,706)	(1,606)

6.2 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks, balances with other banks and call money lendings less over drawn nostro accounts and other overdrawn bank accounts.

6.3 Revenue recognition

Revenue is recognized to the extent that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following recognition criteria must be met before revenue is recognized:

6.3.1 Mark-up/return/interest income

Mark-up/return/interest on advances and return on investments are recognized in profit and loss account on an accrual basis, except mark-up on non-performing advances which is recognized when received.

6.3.2 Dividend income

Dividend income is recognized when the Bank's right to receive the dividend is established.

6.3.3 Lease finance income

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease periods so as to produce a constant periodic rate of return on the outstanding net investment in lease. Unrealized lease income is suspended, where necessary, in accordance with the requirements of the SBP. Gain/loss on termination of lease contracts, documentation charges and other lease income are recognized as income when these are realized.

6.3.4 Fees and commission income

Commission income is recognized on time proportion basis.

6.4 Advances including net investment in finance lease

Advances and net investments in finance lease are stated net of provision for doubtful debts. Provision for doubtful debts is made in accordance with the Prudential Regulations prescribed by the SBP and charged to profit and loss account.

Leases where risks and rewards incidental to ownership are substantially transferred to lessee are classified as finance lease. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value.

6.5 Investments

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

All regular way purchase/sale of investment are recognized on the trade date, i.e., the date the Bank commits to purchase/sell the investments. Regular way purchase or sale of investment requires delivery of securities within the time frame generally established by regulation or convention in the market place.

Investment in subsidiary is stated at cost less provision for impairment (if any). Other investments are classified as follows:

- Held for trading – These are securities which are acquired with the intention to trade by taking advantage of short-term market/interest rate movements. These are carried at market value, with the related surplus / (deficit) on revaluation being taken to profit and loss account.
- Held to maturity – These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortized cost.
- Available for sale – These are investments, other than those in subsidiaries and associates, which do not fall under the held for trading or held to maturity categories. These are carried at market value with the surplus/ (deficit) on revaluation taken to 'Surplus/(deficit) on revaluation of assets' shown below equity, except available for sale investments in unquoted shares, debentures, bonds, participation term certificates, term finance certificates, federal, provincial and foreign government securities (except for Treasury Bills and Pakistan Investment Bonds) which are stated at cost less provision for diminution in value of investments, if any.

Provision for diminution in the value of investments is made after considering impairment, if any, in their value and charged to profit and loss account. Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to break-up value. Provision for diminution in value of investments for unquoted debt securities is calculated with reference to the time-based criteria as per the SBP's Prudential Regulations.

Premium or discount on debt securities classified as available for sale and held to maturity securities are amortized using the effective yield method.

On de-recognition or impairment in quoted available for sale securities the cumulative gain or loss previously reported as "Surplus/(Deficit) on revaluation of assets" below equity is included in the profit and loss account for the period.

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

6.6 Lending to/borrowing from financial institutions

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

6.6.1 Sale under repurchase obligations

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings from financial institutions. The differential in sale and repurchase price is accrued using effective yield method and recorded as interest expense over the term of the related repo agreement.

6.6.2 Purchase under resale obligations

Securities purchased under agreement to resell (reverse repo) are not recognized in the financial statements as investments and the amount extended to the counter party is included in lendings to financial institutions. The differential between the contracted price and resale price is amortized over the period of the contract and recorded as interest income.

6.7 Operating fixed assets and depreciation

6.7.1 Owned

Property and equipment, other than free hold land which is not depreciated, are stated at cost or revalued amounts less accumulated depreciation and accumulated impairment losses (if any). Free hold land is carried at revalued amount.

Depreciation on property and equipment is charged to income using the diminishing balance method so as to write off the historical cost / revalued amount of the asset over its estimated useful life, except motor vehicles and computer equipment on which depreciation is charged using the straight line basis. The rates at which the depreciation is charged are given in note 12.2 to these unconsolidated financial statements. Impairment loss or its reversal, if any, is charged to income. When an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount over its estimated useful life.

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed.

Surplus / Deficit arising on revaluation of free hold land and buildings on free hold land is credited to the "Surplus/ (Deficit) on Revaluation of Assets" shown below equity. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of buildings (net of deferred taxation) is transferred directly to un-appropriated profit / accumulated loss.

Gains and losses on sale of operating fixed assets are included in income currently.

Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Normal repairs and maintenance are charged to the profit and loss account as and when incurred.

6.7.2 Leased

Property and equipment subject to finance lease are accounted for by recording the assets and the related liabilities. These are stated at fair value or present value of minimum lease payments whichever is lower at the inception of the lease less accumulated depreciation. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability. The property and equipment acquired under finance leasing contracts is depreciated over the useful life of the assets as per rates given in note 12.2 to these unconsolidated financial statements.

6.7.3 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses (if any). The cost of intangible assets is amortized over their useful lives, using the straight line method as per the rates given in note 12.3 to these unconsolidated financial statements. Amortization on additions is charged from the month the assets are available for use while no amortization is charged in the month in which the assets are disposed.

6.7.4 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses (if any). These are transferred to specific assets as and when assets are available for use.

6.8 Taxation

6.8.1 Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

6.8.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that the taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is charged or credited in income statement, except in the case of items credited or charged to equity in which case it is included in equity.

The Bank also recognizes deferred tax asset/liability on deficit/surplus on revaluation of operating fixed assets and available for sale securities which is adjusted against the related deficit/surplus in accordance with the requirements of International Accounting Standard (IAS)12, 'Income Taxes'.

6.9 Assets acquired in satisfaction of claims

The Group acquires assets in settlement of claims. These are acquired at average value obtained from three independent approved valuers at the time of acquisition.

6.10 Employee retirement and other benefits

6.10.1 Defined contribution plan – Provident Fund

The Group operates an approved Provident Fund Scheme, covering all permanent employees. Contributions are made monthly by the Bank and the employees at the rate of 8.33% of basic salary. Contributions by the Group are charged to income.

6.10.2 Defined benefit plan - Gratuity scheme

The Group operates an approved funded gratuity scheme for all its employees. Contributions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to income. Actuarial gains and losses are charged or credited to other comprehensive income in the year in which they occur.

6.10.3 Employees' compensated absences

The Bank makes annual provision in the financial statements for its liabilities towards vested compensated absences accumulated by its employees on the basis of actuarial valuation. Actuarial gains and losses are charged to income in the year in which they occur.

6.11 Foreign currencies

Transactions in foreign currency are translated to Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities and commitments for letters of credit and acceptances in foreign currencies are translated at the exchange rates prevailing at the statement of financial position date except assets and liabilities for which there are forward contracts which are translated at the contracted rates. Forward exchange contracts and foreign bills purchased are valued at forward rates applicable to their respective maturities.

All exchange differences are charged to profit and loss account.

6.12 Provisions

Provisions are recorded when the Group has a present obligation as a result of a past event when it is probable that it will result in an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

6.13 Provision for off balance sheet obligations

Provision for guarantees, claims and other off balance sheet obligations are made when the Group has legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of amount can be made. Charge to profit and loss account is stated net of expected recoveries.

6.14 Dividend distribution and appropriations

Dividend distributions and appropriation to reserves are recognized as a liability in the financial statements in the period in which these are approved. Transfer to statutory reserve and any of the mandatory appropriations as may be required by law are recognized in the period to which they relate.

6.15 Impairment

The carrying amounts of assets (other than deferred tax assets) are reviewed for impairment at each statement of financial position date whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

6.16 Earnings per share

The Group presents earnings per share (EPS) for its ordinary shares which is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares (if any).

6.17 Share Capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

6.18 Financial instruments

6.18.1 Financial assets and liabilities

Financial instruments carried on the statement of financial position include cash and bank balances, lending to financial institutions, investments, advances, certain receivables, borrowing from financial institutions, deposits and other payables. The particular recognition criteria adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

6.18.2 Offsetting

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

6.19 Segment reporting

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

6.19.1 Business segments

Trading and sales

It includes fixed income, equity, foreign exchanges, commodities, credit, funding, own position securities, lending and repos, and brokerage debt.

Retail banking

It includes retail lending and deposits, banking services, private lending and deposits, trust and estates investment advice, merchant / commercial and private labels and retail.

Commercial banking

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

Payment and settlement

It includes payments and collections, funds transfer, clearing and settlement.

Agency service

It includes depository receipts, securities lending (customers), issuer and paying agents.

6.19.2 Geographical segments

The Group operates only in Pakistan.

6.20 New accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2014

Amendments to IAS 32 Financial Instruments - Presentation - Offsetting financial assets and financial liabilities	Effective from accounting period beginning on or after January 1, 2014
IFAS 3 Profit and Loss sharing on Deposits	Effective from accounting period beginning on or after January 1, 2014

6.21 New accounting standards and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. The Group considers that the following standards and interpretations are either not relevant or will not have any material impact on its financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosures in the financial statements provided that such changes do not conflict with the format of financial statements prescribed by the SBP for banks.

Standard or Interpretations		Effective date (accounting periods beginning on or after)
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation	January 01, 2016
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants	January 01, 2016
Amendments to IAS 19	Employee Benefits – Employee Contributions	July 01, 2014
IAS 27 (Revised 2011)	Separate Financial Statements	January 01, 2015
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures	January 01, 2015
IFRS 10	Consolidated Financial Statements	January 01, 2015
IFRS 11	Joint Arrangements	January 01, 2015
IFRS 12	Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13	Fair Value Measurement	January 01, 2015

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the SECP;

IFRS 1	First time Adoption of International Financial Reporting Standards
IFRS 9	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers

	Note	2014 Rupees in '000'	2013
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
- Local currency	7.1	4,325,393	4,300,888
- Foreign currencies		640,574	681,826
		4,965,967	4,982,714
With State Bank of Pakistan (SBP) in:			
- Local currency current account	7.2	10,362,611	12,369,181
- Foreign currency deposit account:	7.3		
- Non remunerative		353,701	297,542
- Remunerative	7.4	1,060,609	893,182
		11,776,921	13,559,905
With National Bank of Pakistan in:			
- Local currency current account		6,879,523	5,278,245
- Local currency deposit account		-	-
		6,879,523	5,278,245
		<u>23,622,411</u>	<u>23,820,864</u>

7.1 This includes National Prize Bonds of Rs. 38,305 thousand (2013: Rs. 33,027 thousand)

7.2 This represents current account maintained with the SBP under the requirements of section 22 "Cash Reserve Requirement" of the Banking Companies Ordinance, 1962.

7.3 These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.

7.4 This carries mark-up as announced by the SBP on monthly basis.

	Note	2014 Rupees in '000'	2013
8. BALANCES WITH OTHER BANKS			
In Pakistan:			
- On current accounts		1,884,942	2,057,116
- On deposit accounts	8.1	82,586	159,100
		1,967,528	2,216,216
Outside Pakistan:			
- On current accounts		106,226	418,359
- On deposit account	8.2	165,416	1,630,721
		271,642	2,049,080
		2,239,170	4,265,296
8.1 These carry mark-up at rates ranging from 6.50% to 7.50% per annum (2013: 6.0% to 7.15% per annum).			
8.2 This carries mark-up at 0.05% per annum (2013: 0.05% per annum).			
9. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings		600,000	800,000
Reverse repurchase agreement lendings	9.2	27,719,623	10,030,448
Certificate of investments		300,000	-
Placements	9.3	4,129,000	577,000
		32,748,623	11,407,448
9.1 Particulars of lendings			
In local currency		32,748,623	11,407,448
In foreign currency		-	-
		32,748,623	11,407,448

9.2 Securities held as collateral against lendings to financial institutions

	2014			2013		
	Rupees in '000'			Rupees in '000'		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
Market treasury bills	62,787	-	62,787	9,530,448	-	9,530,448
Pakistan investment bonds	27,656,836	-	27,656,836	500,000	-	500,000
	27,719,623	-	27,719,623	10,030,448	-	10,030,448

Market value of securities held as collateral as at December 31, 2014 amounted to Rs. 29,291,585 thousand (2013: Rs. 10,037,115 thousand). These carry mark-up at rate ranging from 9.70% to 11.50% per annum (2013: 9.45% to 11.00% per annum).

9.3 These carry profit at rate ranging from 7.50% to 9.70% per annum (2013: 6.00% to 10.00% per annum) with maturities upto March 26, 2015.

10. INVESTMENTS - NET	Note	2014			2013		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
		Rupees in '000'					
10.1 Investments by types:							
Held for trading securities:							
Ordinary shares of listed companies	Annex II - 1	45,932	-	45,932	22,456	-	22,456
Market treasury bills	10.4	-	-	-	9,829,190	-	9,829,190
		45,932	-	45,932	9,851,646	-	9,851,646
Available for sale securities:							
Market treasury bills	10.4	52,979,483	33,804,515	86,783,998	89,161,279	14,759,734	103,921,013
Pakistan investment bonds	10.4	44,708,426	-	44,708,426	4,161,633	-	4,161,633
Ordinary shares / certificates of listed companies and modarabas	Annex II - 1	1,458,847	-	1,458,847	1,432,169	-	1,432,169
Preference shares of listed companies	Annex II - 2	495,451	-	495,451	495,451	-	495,451
Ordinary shares of unlisted company	Annex II - 3	25,000	-	25,000	25,000	-	25,000
Mutual funds units	Annex II - 4	373,802	-	373,802	1,123,087	-	1,123,087
Government of Pakistan ijara sukuk bonds		1,706,588	-	1,706,588	701,442	-	701,442
Listed term finance certificates	Annex II - 5	736,008	-	736,008	297,057	-	297,057
Unlisted term finance certificates	Annex II - 6	3,644,013	-	3,644,013	3,941,162	-	3,941,162
		106,127,618	33,804,515	139,932,133	101,338,280	14,759,734	116,098,014

Note	2014			2013			
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total	
	Rupees in '000'						
Held to maturity securities:							
Pakistan investment bonds	10.5	15,090,774	-	15,090,774	1,262,832	-	1,262,832
WAPDA bonds		400	-	400	400	-	400
		15,091,174	-	15,091,174	1,263,232	-	1,263,232
Total investments at cost							
Provision for diminution in the value of investments - net	10.3	(3,045,286)	-	(3,045,286)	(3,148,947)	-	(3,148,947)
Investments - net of provisions							
		118,219,438	33,804,515	152,023,953	109,304,211	14,759,734	124,063,945
Surplus / (Deficit) on revaluation of available for sale securities							
	25.2	2,920,591	-	2,920,591	(85,758)	-	(85,758)
Deficit on revaluation of held for trading securities							
	10.7	(654)	-	(654)	(4,296)	-	(4,296)
Total investments at market value							
		121,139,375	33,804,515	154,943,890	109,214,157	14,759,734	123,973,891

10.2 Investments by segments:

Note	2014			2013			
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total	
	Rupees in '000'						
Federal government securities:							
Market treasury bills	10.4	52,979,483	33,804,515	86,783,998	98,990,469	14,759,734	113,750,203
Pakistan investment bonds	10.4	59,799,200	-	59,799,200	5,424,465	-	5,424,465
Government of Pakistan ijara sukuk bonds		1,706,588	-	1,706,588	701,442	-	701,442
Ordinary shares/certificates:							
Listed companies and modarabas	Annex II - 1	1,504,779	-	1,504,779	1,454,625	-	1,454,625
Unlisted company	Annex II - 3	25,000	-	25,000	25,000	-	25,000
Mutual funds units							
	Annex II - 4	373,802	-	373,802	1,123,087	-	1,123,087
Preference shares - listed companies							
	Annex II - 2	495,451	-	495,451	495,451	-	495,451
Term finance certificates and bonds:							
Listed term finance certificates	Annex II - 5	736,008	-	736,008	297,057	-	297,057
Unlisted term finance certificates	Annex II - 6	3,644,013	-	3,644,013	3,941,162	-	3,941,162
WAPDA bonds		400	-	400	400	-	400
Total investments at cost							
Provision for diminution in the value of investments - net	10.3	(3,045,286)	-	(3,045,286)	(3,148,947)	-	(3,148,947)
Investments - net of provisions							
		118,219,438	33,804,515	152,023,953	109,304,211	14,759,734	124,063,945
Surplus / (Deficit) on revaluation of available for sale securities							
	25.2	2,920,591	-	2,920,591	(85,758)	-	(85,758)
Deficit on revaluation of held for trading securities							
	10.7	(654)	-	(654)	(4,296)	-	(4,296)
Total investments at market value							
		121,139,375	33,804,515	154,943,890	109,214,157	14,759,734	123,973,891

	Note	2014 Rupees in '000'	2013
10.3 Provision for diminution in the value of investments - net			
Opening balance		3,148,947	3,626,976
Charge for the year		227,134	23,084
Reversal during the year		(167,640)	(1,144)
		59,494	21,940
		3,208,441	3,648,916
Adjustment during the year	10.3.1	-	306,120
Reversal on disposal		(163,155)	(806,089)
Closing balance	10.3.2	3,045,286	3,148,947
10.3.1 This represents impairment on term finance certificates acquired in settlement of certain investments.			
10.3.2 Particulars of provision in respect of type and segment			
Available for sale securities:			
Ordinary shares of listed companies		518,312	654,146
Preference shares		270,302	107,804
Ordinary shares of unlisted company		11,949	11,831
Mutual funds units		74,388	104,719
Term finance certificates		2,169,935	2,270,047
		3,044,886	3,148,547
Held to maturity securities:			
WAPDA bonds		400	400
		3,045,286	3,148,947

10.4 Market treasury bills and Pakistan investment bonds are eligible for re-discounting with SBP.

10.5 Market value of held to maturity investments amounted to Rs. 15,612,502 thousand (2013: Rs. 1,210,098 thousand).

10.6 Certain approved / Government securities are kept with the SBP to meet statutory liquidity requirements calculated on the basis of domestic demand and time liabilities.

	Note	2014 Rupees in '000'	2013
10.7 Unrealized loss on revaluation of investments classified as held for trading			
Ordinary shares of listed companies		(654)	524
Market treasury bills		-	(4,820)
		<u>(654)</u>	<u>(4,296)</u>
11. ADVANCES - NET			
Loans, cash credits, running finances etc.			
- In Pakistan		173,952,931	164,150,576
- Outside Pakistan		-	-
		173,952,931	164,150,576
Net book value of assets in ijarah under IFAS 2 - In Pakistan	11.2	217,559	-
Islamic financing and related assets		1,381,515	385,000
Net investment in finance lease			
- In Pakistan	11.3	17,372,840	14,060,985
- Outside Pakistan		-	-
		17,372,840	14,060,985
Bills discounted and purchased (excluding market treasury bills)			
- Payable in Pakistan		2,187,991	1,747,073
- Payable outside Pakistan		1,970,349	2,571,223
		4,158,340	4,318,296
Advances - (gross)	11.1	197,083,185	182,914,857
Less: Provision for non-performing loans and advances			
- Specific	11.4 & 11.5	(26,702,645)	(25,633,504)
- General	11.5	(107,125)	(41,755)
		(26,809,770)	(25,675,259)
Advances - net of provision		<u>170,273,415</u>	<u>157,239,598</u>

	Note	2014 Rupees in '000'	2013
11.1 Particulars of advances (gross)			
11.1.1 In local currency		196,276,131	182,487,447
In foreign currencies		807,054	427,410
		<u>197,083,185</u>	<u>182,914,857</u>
11.1.2 Short-term advances upto one year		100,974,236	99,818,862
Long-term advances for over one year		96,108,949	83,095,995
		<u>197,083,185</u>	<u>182,914,857</u>

11.2 Net book value of assets in Ijarah under IFAS 2 - In Pakistan

	2014				2013			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	(Rupees in '000)				(Rupees in '000)			
Assets acquired under ijarah	-	245,778	-	245,778	-	-	-	-
Accumulated depreciation on ijarah	-	28,219	-	28,219	-	-	-	-
Net investment in ijarah	-	217,559	-	217,559	-	-	-	-
11.3 Net investment in finance lease								
Lease rentals receivable	2,865,370	13,097,404	-	15,962,774	4,356,076	9,121,711	-	13,477,787
Add: Guaranteed residual value	49,460	3,877,037	-	3,926,497	9,383	3,027,003	-	3,036,386
Minimum lease payments	2,914,830	16,974,441	-	19,889,271	4,365,459	12,148,714	-	16,514,173
Less: Finance charge for future periods	776,232	1,740,199	-	2,516,431	1,099,846	1,353,342	-	2,453,188
Present value of minimum lease payments	<u>2,138,598</u>	<u>15,234,242</u>	<u>-</u>	<u>17,372,840</u>	<u>3,265,613</u>	<u>10,795,372</u>	<u>-</u>	<u>14,060,985</u>

11.4 Advances include Rs. 55,611,275 thousand (2013: Rs. 59,914,726 thousand) which have been placed under non-performing status as detailed below :-

		2014								
		Rupees in '000'								
		Classified Advances			Provision Required			Provision Held		
		Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
<u>Category of classification</u>										
Other Assets Especially Mentioned		68,097	-	68,097	415	-	415	415	-	415
Substandard		8,429,852	-	8,429,852	2,070,332	-	2,070,332	2,070,332	-	2,070,332
Doubtful		743,240	-	743,240	284,398	-	284,398	284,398	-	284,398
Loss		46,370,086	-	46,370,086	24,347,500	-	24,347,500	24,347,500	-	24,347,500
		<u>55,611,275</u>	<u>-</u>	<u>55,611,275</u>	<u>26,702,645</u>	<u>-</u>	<u>26,702,645</u>	<u>26,702,645</u>	<u>-</u>	<u>26,702,645</u>
		2013								
		Rupees in '000'								
		Classified Advances			Provision Required			Provision Held		
		Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
<u>Category of classification</u>										
Other Assets Especially Mentioned		52,936	-	52,936	2,388	-	2,388	2,388	-	2,388
Substandard		8,552,333	-	8,552,333	2,041,981	-	2,041,981	2,041,981	-	2,041,981
Doubtful		707,666	-	707,666	300,763	-	300,763	300,763	-	300,763
Loss		50,601,791	-	50,601,791	23,288,372	-	23,288,372	23,288,372	-	23,288,372
		<u>59,914,726</u>	<u>-</u>	<u>59,914,726</u>	<u>25,633,504</u>	<u>-</u>	<u>25,633,504</u>	<u>25,633,504</u>	<u>-</u>	<u>25,633,504</u>

11.4.1 Provision against certain net advances amounting to Rs. 21,642,293 thousand (2013: Rs.26,139,925 thousand) requiring additional provision of Rs. 20,649,941 thousand (2013: Rs. 24,302,207 thousand) has not been considered necessary in these consolidated financial statements on the basis of undertaking given by GoPb as stated in Note 1.2. However, during the year, in order to meet staggering requirement of 15%, an additional provision net off recoveries amounting to Rs. 1,609,841 thousand has been recognized.

11.5 Particulars of provisions against non-performing loans and advances

		2014			2013		
		Rupees in '000'			Rupees in '000'		
Note		Specific	General	Total	Specific	General	Total
11.5.1	Opening balance	25,633,504	41,755	25,675,259	26,299,268	14,893	26,314,161
	Charge for the year	3,548,257	65,370	3,613,627	3,710,768	26,862	3,737,630
	Reversals for the year	(2,479,116)	-	(2,479,116)	(4,375,336)	-	(4,375,336)
		1,069,141	65,370	1,134,511	(664,568)	26,862	(637,706)
	Amounts written off	-	-	-	(1,196)	-	(1,196)
	Closing balance	<u>26,702,645</u>	<u>107,125</u>	<u>26,809,770</u>	<u>25,633,504</u>	<u>41,755</u>	<u>25,675,259</u>
11.5.2	In local currency	26,702,645	107,125	26,809,770	25,633,504	41,755	25,675,259
	In foreign currencies	-	-	-	-	-	-
		<u>26,702,645</u>	<u>107,125</u>	<u>26,809,770</u>	<u>25,633,504</u>	<u>41,755</u>	<u>25,675,259</u>

11.5.3 General provision represents provision against consumer financing portfolio as required by Prudential Regulations issued by the SBP.

11.5.4 The SBP amended the prudential regulations vide BSD Circular No.1 of 2011 dated October 21, 2011 in relation to provision for loans and advances; there by allowing benefit of Forced Sale Value (FSV) of pledged stocks, mortgaged residential, commercial and industrial properties (land and buildings only) and plant and machinery under charge held as collateral against non-performing advances. The FSV benefit availed in last years have been reduced by Rs. 1,865,014 thousand (net of FSV benefit availed during the period), which has resulted in increased charge for specific provision for the year by the same amount. The FSV benefit is not available for cash or stock dividend. Had the FSV benefit not recognized, before and after tax profits for the year would have been higher by Rs. 1,865,014 thousand (2013: higher by Rs. 1,982,039 thousand) and Rs. 1,034,941 thousand (2013: higher by Rs. 1,288,325 thousand) respectively.

	Note	2014 Rupees in '000'	2013
11.5.5 Provision / (Reversal of provision) against non-performing loans and advances - charge to profit and loss account			
Provision / (Reversal of provision) against non-performing loans and advances-net	11.5.1	1,134,511	(637,706)
Transfer from restructuring reserve	23.2	(15,906)	(35,375)
		<u>1,118,605</u>	<u>(673,081)</u>
11.6 Particulars of write offs:			
11.6.1 Against provisions	11.5.1	-	1,196
Directly charged to profit and loss account		-	241
		-	<u>1,437</u>
11.6.2 Write Offs of Rs. 500,000 and above	11.7	-	1,196
Write Offs of below Rs. 500,000		-	241
		-	<u>1,437</u>
11.7 Details of loan write off of Rs. 500,000/- and above			
In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 2014 is given in Annexure-III.			
11.8 Particulars of loans and advances to executives, subsidiary & associated companies, etc.			
Debts due by executives or officers of the Bank or any of them either severally or jointly with any other persons :			
Balance at beginning of year		1,899,915	1,480,183
Loans granted during the year		482,328	694,398
Repayments received during the year		(436,742)	(274,666)
Balance at end of year	11.8.1	<u>1,945,501</u>	<u>1,899,915</u>
Debts due by modaraba floated by wholly owned subsidiary of the Bank:			
Balance at beginning of year		1,045,975	1,030,397
Loans granted during the year		647,533	1,720,007
Repayments received during the year		(972,566)	(1,704,429)
Balance at end of year		<u>720,942</u>	<u>1,045,975</u>
		<u>2,666,443</u>	<u>2,945,890</u>
11.8.1 These represent staff loans given to executives and officers in accordance with their terms of employment and advances given under consumer finance schemes of the Bank.			
12. OPERATING FIXED ASSETS			
Capital work in progress	12.1	114,993	129,034
Property and equipment	12.2	5,367,132	3,377,005
Intangible assets	12.3	7,996	8,762
		<u>5,490,121</u>	<u>3,514,801</u>
12.1 Capital work in progress			
Civil works		35,684	102,654
Softwares		79,309	26,380
		<u>114,993</u>	<u>129,034</u>

	Note	2014 Rupees in '000'	2013
13 DEFERRED TAX ASSETS - NET			
Taxable temporary differences:			
- Surplus on revaluation of operating fixed assets	25.1	(622,003)	(107,558)
- Surplus on available for sale securities	25.2	(967,031)	-
- Accelerated tax depreciation		(225,573)	(216,786)
Deductible temporary differences:			
- Deficit on available for sale securities	25.2	-	99,049
- Loan loss provision		8,026,320	8,026,320
- Business loss	13.1	3,633,713	4,826,327
		<u>9,845,426</u>	<u>12,627,352</u>

13.1 The management has prepared a business plan on the basis of the arrangements as disclosed in Note 1.2. The business plan includes certain key assumptions such as deposit composition, growth of deposits and advances, investment returns, potential provision against assets, branch expansion plan etc. Any significant change in the key assumptions may have an impact on the projections, however, the management believes that it is probable that the Bank will be able to achieve the projections as per the business plan and future taxable income would be sufficient to allow the benefit of the deductible temporary differences.

13.2 Reconciliation of deferred tax

	Balance as at January 01, 2013	Recognized in profit and loss account	Recognized in equity	Balance as at December 31, 2013	Recognized in profit and loss account	Recognized in equity	Balance as at December 31, 2014
	Rupees in '000'						
Taxable temporary differences:							
-Surplus on revaluation of operating fixed assets	(115,222)	5,574	2,090	(107,558)	5,308	(519,753)	(622,003)
-Surplus on available for sale securities	(240,635)	-	240,635	-	-	(967,031)	(967,031)
-Accelerated tax depreciation	(219,673)	2,887	-	(216,786)	(8,787)	-	(225,573)
Deductible temporary differences:							
-Deficit on available for sale securities	-	-	99,049	99,049	-	(99,049)	-
-Loan loss provision	8,026,320	-	-	8,026,320	-	-	8,026,320
-Business loss	5,619,824	(793,497)	-	4,826,327	(1,192,614)	-	3,633,713
	<u>13,070,614</u>	<u>(785,036)</u>	<u>341,774</u>	<u>12,627,352</u>	<u>(1,196,093)</u>	<u>(1,585,833)</u>	<u>9,845,426</u>

	Note	2014 Rupees in '000'	2013
14 OTHER ASSETS - NET			
Income/mark-up accrued in local currency		8,343,481	4,042,109
Profit paid in advance on pehlay munafa scheme		67,100	63,533
Advances, deposits, advance rent and other prepayments		268,327	229,270
Advance taxation (payments less provisions)		2,195,797	2,282,471
Non-banking assets acquired in satisfaction of claims	14.1	9,903,230	9,028,894
Branch adjustment account		328,017	87,231
Stock of stationery		43,703	28,409
Suspense account		1,897	577
Zakat recoverable from NITL	14.2	36,790	36,790
Claim for recovery of shares		-	18,570
Unrealized gain on revaluation of foreign contracts		-	51,159
Fraud and forgeries		36,062	44,871
Others		256,155	178,226
		<u>21,480,559</u>	<u>16,092,110</u>
Less provision against:			
Non-banking assets acquired in satisfaction of claims		(196,909)	(196,909)
Zakat recoverable from NITL		(36,790)	(36,790)
Claim for recovery of shares		-	(18,570)
Fraud and forgeries		(9,478)	(14,834)
	14.3	<u>(243,177)</u>	<u>(267,103)</u>
Other assets - net of provision		<u>21,237,382</u>	<u>15,825,007</u>

- 14.1** The market value of properties acquired in satisfaction of claims approximates their carrying value (net of provision).
- 14.2** This represents zakat deducted on dividends by NIT. The Bank has filed suit against NIT for recovery of the amount. The case was decided in favour of the Bank in 1993 and intra court appeal was filed by the Zakat and Ushr Department against the decision which is still pending. As a matter of prudence, though without prejudice to the Bank's claim against NIT at the court of law, the claim amount has been fully provided for.

	Note	2014 Rupees in '000'	2013
14.3 Provision against other assets			
Opening balance		267,103	234,683
Charge for the year		1,174	34,113
Reversal during the year		(3,590)	(1,168)
		(2,416)	32,945
Amount written off		(21,510)	(525)
Closing balance		243,177	267,103
15. CONTINGENT ASSETS			
Contingent assets		Nil	Nil
16. BILLS PAYABLE			
In Pakistan		1,727,731	1,506,335
Outside Pakistan		-	-
		1,727,731	1,506,335
17. BORROWINGS			
In Pakistan		44,649,243	22,771,002
Outside Pakistan		93,381	31,480
	17.1	44,742,624	22,802,482
17.1 Particulars of borrowings with respect to currencies			
In local currency		44,649,243	22,771,002
In foreign currencies		93,381	31,480
		44,742,624	22,802,482
17.2 Details of borrowings			
Secured			
Borrowings from SBP:			
- Export refinance (ERF)	17.2.1	9,581,230	6,722,490
- Long term financing - export oriented projects (LTF-EOP)	17.2.2	54,872	154,401
- Long term financing facility (LTFF)	17.2.2	1,404,893	1,161,695
Repurchase agreement borrowings	17.2.3	33,608,248	14,732,416
		44,649,243	22,771,002
Unsecured			
Overdrawn nostro accounts		93,381	31,480
		44,742,624	22,802,482

17.2.1 These are secured against the Bank's cash and security balances held with the SBP. Mark-up on these borrowings is payable quarterly at rates ranging from 5.50% to 6.50% per annum. (2013: 8.40% per annum). Maturity of the borrowing is upto June 29, 2015.

17.2.2 This amount is due to the SBP and have been obtained for providing long term finance to customers. As per the agreements with the SBP, the Bank has granted the SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with the SBP. Mark-up on these borrowings is payable quarterly at rates ranging from 5.00% to 10.10% (2013: 5.00% to 11.00%) per annum with maturity upto September 29, 2021.

17.2.3 These are secured against market treasury bills and carry mark-up at rates ranging from 9.40% to 10.00% per annum (2013: 9.85% to 10.05% per annum) maturing on various dates latest by February 27, 2015.

	2014	2013
	Rupees in '000'	
18. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	120,193,692	125,857,124
Savings deposits	132,651,725	110,019,779
Current accounts - non-remunerative	77,060,674	60,096,224
Sundry deposits, margin accounts, etc.	8,223,503	2,320,299
	338,129,594	298,293,426
Financial institutions		
Remunerative deposits	2,845,709	7,227,752
Non-remunerative deposits	1,315,390	1,039,516
	4,161,099	8,267,268
	342,290,693	306,560,694
18.1 Particulars of deposits		
In local currency	335,644,511	300,587,729
In foreign currencies	6,646,182	5,972,965
	342,290,693	306,560,694
19 SUB-ORDINATED LOAN		
Loan from the GoPb	2,000,000	-

The GoPb has extended loan of Rs. 2,000,000 thousand (2013: Nil) to support capital structure of the Bank for the purpose of the regulatory capital requirement. The loan is unsecured and sub-ordinated to all other indebtedness including deposits. The salient features of the loan are as follows:

Tenor:	07 Years.
Profit payment & frequency:	Profit payable on half yearly basis in arrears on the outstanding principal amount.
Profit rate:	Average SBP discount rate. (Average shall be calculated on daily basis)
Conversion option:	May be converted, subject to consent of the parties and necessary regulatory approvals, after a period of five years into ordinary shares at the rate of Rs. 15 per share.
Repayment:	Bullet repayment after lapse of 07 years.
Call / Put option:	Callable after a period of 05 years. However no put option is available to GoPb.

20 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2014			2013		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	Rupees	in '000'		Rupees	in '000'	
Not later than one year	1,149	21	1,128	1,298	148	1,150
Later than one year and not later than five years	-	-	-	1,265	29	1,236
	<u>1,149</u>	<u>21</u>	<u>1,128</u>	<u>2,563</u>	<u>177</u>	<u>2,386</u>

20.1 Financial charges, included in the lease rentals, are determined on the basis of discount factors applied at the rates ranging from 11.88% to 12.43% per annum (2013: 11.63% to 12.40% per annum). The Bank has an option to purchase the assets upon completion of lease term and has the intention to exercise the option.

20.2 The amount of future payments of the lease and the period in which these payments will become due are as follows:

	Note	2014 Rupees in '000'	2013 Rupees in '000'
Years:			
2014		-	1,298
2015		1,149	1,265
		<u>1,149</u>	<u>2,563</u>
Less: Financial charges for future periods		21	177
		<u>1,128</u>	<u>2,386</u>
21. OTHER LIABILITIES			
Mark-up/ return/ interest payable in local currency		4,850,510	4,102,574
Mark-up/ return/ interest payable in foreign currencies		55,911	16,219
Compensation payable on share deposit money		9,219	56,931
Mark-up payable on sub-ordinated loan from GoPb		1,562	-
Sundry creditors and accrued expenses		403,204	240,936
Unclaimed dividends		2,655	2,671
Payable to gratuity fund	38.1.1	76,390	71,470
Provision for employees compensated absences	38.1.3	223,672	209,961
Provision against off-balance sheet obligations	21.1	515,577	497,702
Deficit on revaluation of deposits and foreign bills purchased		26,204	21,028
Unrealized loss on revaluation of foreign contracts		37,290	-
Lease key money		3,926,497	3,036,386
Others		152,919	89,325
		<u>10,281,610</u>	<u>8,345,203</u>
21.1 Provision against off balance sheet obligations			
Opening balance		497,702	497,377
Charge for the year		17,875	325
Reversal during the year		-	-
		<u>17,875</u>	<u>325</u>
Closing balance		<u>515,577</u>	<u>497,702</u>

The above provision has been made against letters of guarantee issued by the Bank.

22. SHARE CAPITAL

22.1 Authorized Capital

2014 Number	2013 Number		2014 Rupees in '000'	2013 Rupees in '000'
<u>5,000,000,000</u>	<u>5,000,000,000</u>	Ordinary / Preference shares of Rs. 10 each	<u>50,000,000</u>	<u>50,000,000</u>

The authorized capital of the Bank is fifty thousand million rupees divided into five thousand million ordinary or preference shares of ten rupees each.

22.2 Issued, subscribed and paid up share capital

2014 Number	2013 Number	Ordinary shares	2014 Rupees in '000'	2013 Rupees in '000'
19,333,340	19,333,340	Opening balance Ordinary shares of Rs. 10 each paid in cash	193,333	193,333
526,315,789	-	Ordinary shares of Rs. 10 each issued at discount	5,263,158	-
509,464,036	509,464,036	Issued as bonus shares	5,094,641	5,094,641
<u>1,055,113,165</u>	<u>528,797,376</u>		<u>10,551,132</u>	<u>5,287,974</u>
500,000,000	-	Issuance of right shares at par value	5,000,000	-
-	526,315,789	Issuance of right shares at discount	-	5,263,158
<u>500,000,000</u>	<u>526,315,789</u>		<u>5,000,000</u>	<u>5,263,158</u>
519,333,340	19,333,340	Closing balance Ordinary shares of Rs. 10 each paid in cash	5,193,333	193,333
526,315,789	526,315,789	Ordinary shares of Rs. 10 issued at discount	5,263,158	5,263,158
509,464,036	509,464,036	Issued as bonus shares	5,094,641	5,094,641
<u>1,555,113,165</u>	<u>1,055,113,165</u>		<u>15,551,132</u>	<u>10,551,132</u>

22.3 GOPb held 57.47% shares in the Bank as at December 31, 2014 (2013: 52.67 %).

	Note	2014 Rupees in '000'	2013
23. RESERVES			
Statutory reserve	23.1	1,341,455	783,965
Share premium reserve		37,882	37,882
Restructuring reserve	23.2	701,906	717,812
		<u>2,081,243</u>	<u>1,539,659</u>
23.1	In accordance with the Banking Companies Ordinance, 1962, the Bank is required to transfer twenty percent of its profits each year to statutory reserve fund until the amount in such fund equals to the paid up share capital of the Bank.		
23.2	This represents the effect of the up-gradation of category of classification by one category upon rescheduling / restructuring of classified loans and advances in accordance with the BSD Circular No. 10 dated 20 October 2009.		
Opening balance		717,812	753,187
Transfer to profit and loss account	11.5.5	(15,906)	(35,375)
Closing balance		<u>701,906</u>	<u>717,812</u>
24. SHARE DEPOSIT MONEY			
Share deposit money - I		-	5,000,000
Share deposit money - II		7,000,000	7,000,000
	24.1 & 24.2	<u>7,000,000</u>	<u>12,000,000</u>
24.1 Reconciliation of share deposit money			
Opening balance		12,000,000	17,000,000
Right shares issued during the year		(5,000,000)	(5,000,000)
Closing balance		<u>7,000,000</u>	<u>12,000,000</u>
24.2	During the year, in 2nd phase, the Bank has issued 500,000,000 right shares at par as explained in Note 1.2.		
25. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus / (Deficit) on revaluation of :			
Operating fixed assets - net of tax	25.1	2,117,084	891,259
Available for sale securities - net of tax	25.2	1,953,560	13,291
		<u>4,070,644</u>	<u>904,550</u>

	Note	2014 Rupees in '000'	2013
25.1 Surplus on revaluation of operating fixed assets - net of tax			
As on January 01		1,097,482	1,098,296
- (Deficit) / Surplus on revaluation realized during the year		980	(814)
- Surplus on revaluation during the year		1,754,456	-
		2,852,918	1,097,482
Incremental depreciation:			
- Opening balance		(98,665)	(82,739)
- Transferred to accumulated losses in respect of incremental depreciation charge during the year - net of tax		(9,858)	(10,352)
- Related deferred tax liability		(5,308)	(5,574)
Accumulated incremental depreciation		(113,831)	(98,665)
As on December 31		2,739,087	998,817
Less: Related deferred tax liability			
- Opening balance		(107,558)	(115,222)
- Deferred tax on revaluation during the year		(522,548)	-
- Adjustment during the year		-	1,908
- Deferred tax on surplus realized during the year		2,795	182
- Deferred tax recorded during the year		5,308	5,574
- Closing balance	13	(622,003)	(107,558)
		2,117,084	891,259
25.2 Surplus / (Deficit) on revaluation of available for sale securities - net of tax			
Federal government securities		2,672,965	(383,041)
Quoted securities		177,234	220,157
Mutual funds units		76,261	66,543
Term finance certificates		(5,869)	10,583
		2,920,591	(85,758)
Less: Related deferred tax (liability) / asset	13	(967,031)	99,049
		1,953,560	13,291
26. CONTINGENCIES AND COMMITMENTS			
26.1 Direct credit substitutes			
These include general guarantees of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favour of:			
- Government		-	-
- Financial institutions		-	-
- Others		996,208	1,176,561
		996,208	1,176,561

	2014	2013
	Rupees in '000'	
26.2 Transaction-related contingent liabilities		
These include performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credit related to particular transactions issued in favour of:		
- Government	508,758	298,272
- Financial institutions	14,469	33,872
- Others	15,823,674	12,729,479
	<u>16,346,901</u>	<u>13,061,623</u>
26.3 Trade-related contingent liabilities		
These include letters of credit issued in favour of:		
- Government	9,540,901	970,207
- Financial institutions	-	-
- Others	11,199,942	7,420,631
	<u>20,740,843</u>	<u>8,390,838</u>

26.4 Income tax related contingency

For the tax years 2010, 2011 & 2012 Income Tax Department has amended the assessment orders on the issues of separate taxation of dividend income and turnover tax against which the Bank have filed appeals before Commissioner Inland Revenue Appeals. The expected tax liability in respect of aforesaid tax years amounts to Rs 162,772 thousand and minimum tax under section 113 amounts to Rs 257,967 thousand. The management of the Bank, as per the opinion of its tax consultant, is confident that the appeal filed for the aforementioned tax years will be decided in Bank's favour.

The PMSL Tax Advisors have certified total refunds due from the Tax Department aggregating Rs. 6,333 thousand. Refund applications of the Company for the Tax Years 2007, 2008 and 2009 amounting to Rs 1,648 thousand, Rs 1,863 thousand and Rs 426,000 respectively were rejected by the Deputy Commissioner of Inland Revenue (DCIR). The Company has filed an appeal before the Commissioner of Inland Revenue Appeals (CIR Appeals) against the said order. CIR Appeals vide its order dated June 21, 2011 has vacated the order issued by the DCIR and referred the case back for denovo proceeding which have been initiated and pending for adjudication.

26.5 Corporate compliance

The Registrar Modaraba Companies and Modarabas (the Registrar), vide order dated August 27, 2009, has imposed penalty of Rs. 150 thousand each on the Ex-Chief Executive, one Ex-Director, one existing Director and the PMSL through its Chief Executive due to violation of certain provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 and Modaraba Companies and Modaraba Rules, 1981. The PMSL has filed an appeal before the Appellate Bench Securities and Exchange Commission of Pakistan (SECP), whereby SECP vide its order dated April 23, 2012 upheld the penalty imposed by the Registrar. The PMSL has filed an appeal against the said order before Honourable Lahore High Court, Lahore, which is pending adjudication.

	2014	2013
	Rupees in '000'	
26.5 Other contingencies		
Claims against the Bank not acknowledged as debts	<u>35,192,352</u>	<u>40,353,802</u>

The amount involved in the claims filed against the Bank are yet to be adjudicated by the concern Courts as the same have been filed as outburst to our recovery suits. Uptill now, in no case, any claim has been adjudicated, determined or decreed by the Courts against the Bank. Moreover, there is no likelihood of decreeing the suits against the Bank because, the claims are frivolous..

26.6 Commitments to extend credit

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

	2014	2013
	Rupees in '000'	
26.7 Commitments in respect of forward exchange contracts		
Purchase	5,314,736	4,433,928
Sale	3,658,932	5,382,084
	<u>8,973,668</u>	<u>9,816,012</u>
26.8 Commitments for the acquisition of operating fixed assets	<u>63,278</u>	<u>18,199</u>

	Note	2014 Rupees in '000'	2013
27. MARK-UP/RETURN/INTEREST EARNED			
a) On loans and advances to:			
i) Customers		14,761,929	13,402,532
ii) Financial institutions		36,523	18,693
b) On investments in:			
i) Available for sale securities		12,105,586	9,198,639
ii) Held for trading securities		393,062	647,946
iii) Held to maturity securities		1,365,808	127,322
c) On deposits with financial institutions		10,941	10,698
d) On securities purchased under resale agreements		715,080	741,050
e) On certificates of investment		38,236	7,666
f) On letters of placement		90,508	36,594
		<u>29,517,673</u>	<u>24,191,140</u>
28. MARK-UP/RETURN/INTEREST EXPENSED			
Deposits		21,150,452	18,851,135
Securities sold under repurchase agreements		1,434,759	959,046
Return on share deposit money	28.1	(2,061,626)	365,909
Mark-up on subordinated loan from GoPb		1,562	-
Call borrowings		636	79
		<u>20,525,783</u>	<u>20,176,169</u>
28.1	This includes refund of Rs. 2,128,772 thousand (2013: Nil) received from GoPb on account of markup on share deposit money charged during the period 2009-2012.		
29. GAIN ON SALE AND REDEMPTION OF SECURITIES - NET			
Federal government securities :			
Market treasury bills		124,036	103,531
Pakistan investment bonds		328,759	323,382
Ijara sukuk		-	45
Shares - listed		135,530	549,926
Term finance certificates		12,310	63,073
Mutual funds		66,687	351,917
		<u>667,322</u>	<u>1,391,874</u>
30. OTHER INCOME			
Rent on lockers		30,587	27,353
Net profit on sale of property and equipment		21,459	59,167
Net profit on sale of non banking assets acquired in satisfaction of claims		82,652	527,751
Service charges		233,991	188,755
Loan processing and arrangement charges		369,104	130,303
Online transaction charges		12,510	14,729
ATM transactions		145,457	112,294
Cheque return charges		15,676	14,436
Miscellaneous earnings		88,737	74,009
		<u>1,000,173</u>	<u>1,148,797</u>

	Note	2014 Rupees in '000'	2013
31. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		3,214,300	2,682,292
Contribution to defined contribution plans		93,347	80,832
Provision for gratuity	38.1.1	78,904	79,861
Provision for compensated absences	38.1.3	14,105	16,558
Non-executive directors' fees	39	2,625	3,475
Taxes, insurance, electricity, etc.		319,546	215,421
Legal and professional charges		42,268	43,926
Communications		116,689	102,313
Repairs and maintenance		133,901	111,238
Rent for bank premises	31.1	406,003	330,283
Finance charge on leased assets		152	275
Stationery and printing		160,361	104,233
Advertisement and publicity		136,571	71,514
Auditors' remuneration	31.2	8,128	5,286
Depreciation	12.2	369,642	328,857
Depreciation on ijarah assets under IFAS - 2	11.2	28,219	-
Amortization on intangible assets	12.3	4,561	2,622
Traveling		68,485	57,429
Fuel expenses		274,737	268,856
Cash remittance charges		85,243	74,506
Entertainment expenses		56,746	52,263
Bank charges		81,720	92,040
Online connectivity charges		105,662	70,980
Fuel for generator		125,777	144,286
Commission and brokerage		82,747	68,240
Branch License fee		10,031	14,188
Miscellaneous expenses		196,874	178,144
		<u>6,217,344</u>	<u>5,204,409</u>
31.1 Operating lease			
Operating lease rentals are charged in profit and loss account on a time proportion basis over the term of lease agreements.			
31.2 Auditors' remuneration			
Audit fee		2,000	1,750
Fee for audit of subsidiary - Hameed Chaudary & Co.		55	55
Special certifications, half yearly review and others		5,286	2,621
Out-of-pocket expenses		785	860
		<u>8,126</u>	<u>5,286</u>
32. OTHER CHARGES			
Penalties imposed by SBP		19,727	39,623
Others		-	7,500
		<u>19,727</u>	<u>47,123</u>
33. TAXATION			
For the year			
Current		323,818	278,239
Deferred		1,196,093	785,036
		<u>1,519,911</u>	<u>1,063,275</u>
Prior years			
Current		-	-
Deferred		-	-
		<u>-</u>	<u>-</u>
		<u>1,519,911</u>	<u>1,063,275</u>
33.1			
Due to carry forward business losses, numerical reconciliation between tax expense and accounting profit has not been presented. However, current liability for taxation represents minimum tax under section 113 of the Income Tax Ordinance, 2001.			

	Note	2014 Rupees in '000'	2013
34. BASIC EARNINGS PER SHARE			
Profit for the year - Rupees in thousand		2,841,535	1,914,720
Weighted average ordinary shares - Number		1,439,655,027	828,714,275
Basic earnings per share - after tax - Rupees		1.97	2.31
Earnings per share for the year ended December 31, 2013 has been restated to give effect of bonus element included in issuance of right shares made during the year.			
35. DILUTED EARNINGS PER SHARE			
There is no dilution effect on basic earnings per share.			
36. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	7	23,622,411	23,820,864
Balance with other banks	8	2,239,170	4,265,296
Call money lendings	9	600,000	800,000
Overdrawn nostro accounts	17.2	(93,381)	(31,480)
		26,368,200	28,854,680
		Number	
37. STAFF STRENGTH			
Permanent		3,566	3,622
Temporary/on contractual basis		1,514	1,406
Daily wagers		389	384
Bank's own staff strength at the end of the year		5,469	5,412
Outsourced		712	681
Total Staff Strength		6,181	6,093

38. EMPLOYEE BENEFITS

38.1 Defined benefit plans

38.1.1 Gratuity

The Bank operates a funded gratuity scheme for all its permanent employees. The benefits under the scheme are payable on retirement which is equal to one month's last drawn basic salary for each year of eligible service or part thereof, with effect from January 01, 2008, subject to minimum of five years of service. The Bank makes annual provision in the consolidated financial statements for its liabilities on the basis of actuarial valuation.

Principal actuarial assumptions

The most recent valuation was carried out at December 31, 2014 using the "Projected Unit Credit Method". The principal assumptions used in the valuation at December 31, 2014 were as follows:

	2014	2013
Discount rate	11.00%	13.00%
Expected rate of eligible salary increase in future years	10.00%	12.00%
Interest income for the year 2015	11.00%	13.00%
Average expected remaining working life (years)	7	10

	2014	2013
	Rupees in '000'	
Reconciliation of payable to defined benefit plan		
Present value of defined benefit obligation	420,106	343,541
Fair value of plan assets	(358,518)	(283,186)
Benefit payments payable	14,802	11,115
	<u>76,390</u>	<u>71,470</u>
Movement in payable to defined benefit plan		
Opening balance	71,470	87,331
Charge for the year	78,904	79,861
Remeasurement chargeable in other comprehensive income	(2,514)	(8,391)
Contributions made by the Bank during the year	(71,470)	(87,331)
Closing balance	<u>76,390</u>	<u>71,470</u>
Changes in present value of defined benefit obligations		
Opening balance	343,541	268,612
Current service cost	75,454	71,249
Interest cost	43,119	29,547
Benefits due but not paid during the year	(7,525)	(11,115)
Benefit paid	(23,717)	(6,783)
Actuarial loss / (gain)	(10,766)	(7,969)
	<u>420,106</u>	<u>343,541</u>
<p>The effect of increase of one percent and the effect of decrease of one percent in the discount rate on the present value of defined benefit obligation at December 31, 2014 would be Rs. 386,905 thousand (2013: Rs. 311,067 thousand) and Rs. 449,269 thousand (2013: Rs. 381,792 thousand) respectively.</p>		
Changes in fair value of plan assets		
Opening balance	283,186	190,322
Interest income for the year	39,669	20,935
Contributions made	71,470	87,331
Benefits paid	(27,554)	(15,824)
Actuarial gain / (loss)	(8,253)	422
	<u>358,518</u>	<u>283,186</u>
Charge for defined benefit plan		
Current service cost	75,454	71,249
Interest cost	43,119	29,547
Interest income for the year	(39,669)	(20,935)
	<u>78,904</u>	<u>79,861</u>
Actual return on plan assets	<u>31,416</u>	<u>21,357</u>
Composition of fair value of plan assets		
NIT Government Bond Fund	-	36,884
Cash at bank	358,518	246,302
	<u>358,518</u>	<u>283,186</u>

38.1.2 Reconciliation of net liability recognized for gratuity for the five years are as follows:

	2014	2013	2012	2011	2010
	Rupees in '000'				
Present value of defined benefit obligation	420,106	343,541	268,612	181,818	129,422
Fair value of plan assets	(358,518)	(283,186)	(190,322)	(39,580)	(38,463)
Benefit payments payable	14,802	11,115	9,041	6,963	4,411
	<u>76,390</u>	<u>71,470</u>	<u>87,331</u>	<u>149,201</u>	<u>95,370</u>
Actuarial gains / (losses) on obligation	10,766	7,969	(17,849)	14,777	13,140
Actuarial gains / (losses) on assets	(8,253)	422	8,017	(583)	(1,205)

38.1.3 Compensated absences

The Bank makes annual provision in the consolidated financial statements for its liabilities towards vested compensated absences accumulated by its employees on the basis of actuarial valuation. The actuary has used "Projected Unit Credit Method" for calculations. The employees of the Bank are entitled to take the leave as Leave Preparatory to Retirement (LPR) immediately before retirement. These leaves are subject to retirees' un-utilized privilege leave balance with an upper limit of 180 days. Alternatively, the retiree may receive a lump-sum cash amount equal to 180 days gross salary at the time of retirement in lieu of LPR of 180 days. Privilege leave accrues at the rate of 30 days per year. Moreover, any unutilized privilege leaves over 180 days are ignored."

Principal actuarial assumptions

The most recent valuation was carried out at December 31, 2014 using the "Projected Unit Credit Method". The principal assumptions used in the valuation at December 31, 2014 were as follows:

	2014	2013
Discount rate	11.00%	13.00%
Expected rate of eligible salary increase in future years	10.00%	12.00%
Average number of leaves accumulated per annum by the employees (days)	10	7

	2014	2013
	Rupees in '000'	
Present value of defined benefit obligation	<u>223,672</u>	<u>209,961</u>
Movement in payable to defined benefit plan		
Opening balance	209,961	193,464
Charge for the year	14,105	16,558
Benefit paid	(394)	(61)
Closing balance	<u>223,672</u>	<u>209,961</u>

The effect of increase of one percent and the effect of decrease of one percent in the discount rate on the present value of defined benefit obligation at December 31, 2014 would be Rs. 201,373 thousand (2013: Rs. 189,522 thousand) and Rs. 249,761 thousand (2013: Rs. 233,640 thousand) respectively.

Charge for defined benefit plan

Current service cost	19,874	18,966
Interest cost	27,269	21,281
Actuarial gains recognized	(33,037)	(23,689)
	<u>14,106</u>	<u>16,558</u>

38.1.4 Reconciliation of net liability recognized for compensated absences for the five years are as follows:

	2014	2013	2012	2011	2010
	Rupees in '000'				
Opening net liability	209,961	193,464	186,799	184,041	164,352
Net charge for the year	13,711	16,497	6,665	2,758	19,689
	<u>223,672</u>	<u>209,961</u>	<u>193,464</u>	<u>186,799</u>	<u>184,041</u>
Actuarial gains on obligation	<u>33,037</u>	<u>23,689</u>	<u>33,894</u>	<u>37,036</u>	<u>14,429</u>

39. COMPENSATION OF DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for remuneration, including benefits to the Chairman, President/Chief Executive Officer, Directors and Executives of the Bank was as follows:

	Chairman		President / Chief Executive		Directors		Executives	
	2014	2013	2014	2013	2014	2013	2014	2013
	Rupees in '000'							
Fees	275	350	-	-	2,350 *	3,125 *	-	-
Managerial remuneration	-	-	29,688	25,816	-	-	378,000	353,114
Bonus	-	-	11,402	4,303	-	-	120,743	58,014
Rent and house maintenance	-	-	2,290	1,991	-	-	143,184	134,471
Utilities	125	114	2,063	1,794	-	-	36,712	34,236
Medical	314	989	-	-	-	-	35,377	33,432
Other allowances	1,668	1,670	2,348	3,820	-	-	168,556	53,036
	<u>2,382</u>	<u>3,123</u>	<u>47,791</u>	<u>37,724</u>	<u>2,350</u>	<u>3,125</u>	<u>882,572</u>	<u>666,303</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>7</u>	<u>9</u>	<u>421</u>	<u>401</u>

* This represents fee paid to non-executive directors for attending the Board and its committees meetings.

Chairman, President/Chief Executive Officer and Executives are provided with free use of the Bank's maintained cars.

In addition to the above, contribution to defined contribution and benefit plans have been made in accordance with the Bank's policy. Further, executives are entitled to certain additional benefits in accordance with the Bank's policy.

Executive means officers, other than the chief executive and directors, whose basic salary exceeds five hundred thousand rupees in the financial year.

40. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Underlying the definition of fair value is the presumption that the Bank is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

	2014		2013	
	Book value	Fair value	Book value	Fair value
	Rupees in '000'		Rupees in '000'	
On balance sheet financial instruments				
Assets				
Cash and balances with treasury banks	23,622,411	23,622,411	23,820,864	23,820,864
Balances with other banks	2,239,170	2,239,170	4,265,296	4,265,296
Lendings to financial institutions	32,748,623	32,748,623	11,407,448	11,407,448
Investments - net	154,943,890	155,465,218	123,973,891	123,920,757
Advances - net	170,273,415	170,273,415	157,239,598	157,239,598
Other assets	8,757,328	8,757,328	4,176,503	4,176,503
	<u>392,584,837</u>	<u>393,106,165</u>	<u>324,883,600</u>	<u>324,830,466</u>
Liabilities				
Bills payable	1,727,731	1,727,731	1,506,335	1,506,335
Borrowings	44,742,624	44,742,624	22,802,482	22,802,482
Deposits and other accounts	342,290,693	342,290,693	306,560,694	306,560,694
Sub-ordinated loan	2,000,000	2,000,000	-	-
Liabilities against assets subject to finance lease	1,128	1,128	2,386	2,386
Other liabilities	9,766,033	9,766,033	7,847,501	7,847,501
	<u>400,528,209</u>	<u>400,528,209</u>	<u>338,719,398</u>	<u>338,719,398</u>
Off balance sheet financial instruments				
Forward purchase of foreign exchange contracts	5,314,736	5,227,803	4,433,928	4,387,467
Forward sale of foreign exchange contracts	3,658,932	3,609,289	5,382,084	5,260,228

Investments

All quoted investments have been stated at their market values except securities classified as held to maturity, which have been valued at their amortized cost. These held to maturity securities have market value of Rs. 15,612,502 thousand (2013: Rs. 1,210,098 thousand). All unquoted investments have been stated at cost less provision for impairment if any, being their estimated fair values.

Advances

Fair value of advances can not be determined with reasonable accuracy due to absence of current and active market. Advances are repriced frequently at market rates and are reduced for any impairment against non-performing advances determined in accordance with Prudential Regulations by the SBP.

Deposits and other accounts

The fair value of long term fixed deposits of over one year can not be calculated with sufficient reliability due to non-availability of relevant active market. Carrying values of deposits other than long term fixed deposits approximate their fair values as they are short term in nature or are frequently repriced.

Other financial instruments

The fair value of all other on-balance sheet financial instruments are considered to approximate their book value as they are short-term in nature.

41. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
	Rupees in '000'					
2014						
Total income	15,671,975	2,836,518	13,297,793	428,915	82,657	32,317,858
Total expenses	1,616,925	4,201,905	22,137,582	-	-	27,956,412
Inter segment revenue / (cost) transfer	(11,583,730)	1,737,639	9,846,091	-	-	-
Income taxes	-	-	-	-	-	1,519,911
Net income / (loss)	<u>2,471,320</u>	<u>372,252</u>	<u>1,006,302</u>	<u>428,915</u>	<u>82,657</u>	<u>2,841,535</u>
Segment assets (gross)	<u>215,679,904</u>	<u>22,209,794</u>	<u>197,647,813</u>	<u>-</u>	<u>-</u>	<u>435,537,511</u>
Segment non performing loans / investments	<u>3,186,279</u>	<u>2,132,875</u>	<u>53,478,400</u>	<u>-</u>	<u>-</u>	<u>58,797,554</u>
Segment provision required	<u>3,045,286</u>	<u>1,836,563</u>	<u>24,973,207</u>	<u>-</u>	<u>-</u>	<u>29,855,056</u>
Segment liabilities	<u>35,854,983</u>	<u>54,958,655</u>	<u>310,230,148</u>	<u>-</u>	<u>-</u>	<u>401,043,786</u>
Segment return on net assets (ROA) (%)	<u>11.25%</u>	<u>16.33%</u>	<u>13.05%</u>			
Segment cost of funds (%)	<u>8.95%</u>	<u>8.83%</u>	<u>8.00%</u>			
2013						
Total income	12,470,229	2,142,616	12,687,258	410,874	77,089	27,788,066
Total expenses	1,382,578	3,543,463	19,884,030	-	-	24,810,071
Inter segment (cost) / revenue transfer	(8,931,287)	1,369,198	7,562,089	-	-	-
Income taxes	-	-	-	-	-	1,063,275
Net income / (loss)	<u>20,018,938</u>	<u>(2,770,045)</u>	<u>(14,758,861)</u>	<u>410,874</u>	<u>77,089</u>	<u>1,914,720</u>
Segment assets (gross)	<u>165,052,006</u>	<u>19,077,427</u>	<u>182,912,574</u>	<u>-</u>	<u>-</u>	<u>367,042,007</u>
Segment non performing loans / investments	<u>3,170,841</u>	<u>2,144,610</u>	<u>57,770,116</u>	<u>-</u>	<u>-</u>	<u>63,085,567</u>
Segment provision required	<u>3,148,947</u>	<u>1,734,626</u>	<u>23,940,633</u>	<u>-</u>	<u>-</u>	<u>28,824,206</u>
Segment liabilities	<u>16,457,701</u>	<u>48,824,821</u>	<u>273,934,577</u>	<u>-</u>	<u>-</u>	<u>339,217,099</u>
Segment return on net assets (ROA) (%)	<u>10.83%</u>	<u>15.08%</u>	<u>15.39%</u>			
Segment cost of funds (%)	<u>9.34%</u>	<u>9.02%</u>	<u>8.84%</u>			

42. RELATED PARTY TRANSACTIONS

Related parties comprise subsidiary, key management personnel and entities in which key management personnel are office holders / members. The Group in the normal course of business carries out transactions with various related parties on an arm's length basis. Amounts due from and due to related parties are shown under receivables and payables. Amounts due from key management personnel are shown under receivables and remuneration of key management personnel is disclosed in Note 11.8 and Note 39 respectively. In addition key management personnel are paid terminal and short-term terminal benefits.

	2014				2013			
	Key management personnel	Modaraba floated by the wholly owned subsidiary of the Bank	Employee funds	Others	Key management personnel	Modaraba floated by the wholly owned subsidiary of the Bank	Employee funds	Others
	Rupees in '000'				Rupees in '000'			
Advances								
Opening balance	91,202	1,045,975	-	52,591	95,070	1,030,397	-	58,567
Loans granted during the year	70,710	647,533	-	267,235	28,158	1,720,007	-	274,687
Repayments received during the year	(35,958)	(972,566)	-	(257,952)	(32,026)	(1,704,429)	-	(280,663)
Closing balance	125,954	720,942	-	61,874	91,202	1,045,975	-	52,591
Deposits								
Opening balance	27,878	26,123	805,346	29,603	40,179	2,352	1,627,249	288
Placements made during the year	282,750	787,775	6,566,043	70,317	227,619	1,122,655	1,454,256	62,796
Withdrawals during the year	(292,389)	(793,542)	(5,295,349)	(53,422)	(239,920)	(1,098,884)	(2,276,159)	(33,481)
Closing balance	18,239	20,356	2,076,040	46,498	27,878	26,123	805,346	29,603
Placements	-	100,000	-	-	-	100,000	-	-
Lease liability	-	1,129	-	-	-	2,386	-	-
Transactions during the year :								
Mark-up/return earned	10,571	74,881	-	7,082	7,359	118,029	-	7,317
Mark-up/interest expensed	443	-	183,257	2,663	656	-	129,585	866
Contribution to employees funds	-	-	69,900	-	-	-	56,805	-

42.1 Balances pertaining to parties that were related at the beginning of the year but ceased to be so related during any part of the current year are not reflected as part of the closing balance. The same are accounted for through movement presented above.

42.2 The GoPb holds controlling interest (57.47% shareholding) in the Bank and therefore entities which are owned and / or controlled by the GoPb, or where the GoPb may exercise significant influence, are related parties of the Bank.

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

As at Statement of Financial Position date the loans and advances, deposits and contingencies relating to Government related entities amounted to Rs. 23,818,185 thousand, Rs.146,442,712 thousand and Rs. 10,179,293 thousand respectively.

43. CAPITAL ADEQUACY

43.1 Scope of application

The Bank is the only entity in the Group to which Basel framework is applicable. The Bank has only one subsidiary, Punjab Modaraba Services (Private) Limited, whose financial statements are included in the consolidated financial statements.

43.2 Capital adequacy

The Basel Framework for a capital adequacy is applicable to the Bank both at the consolidated level (including the subsidiary) and on a stand alone basis. The Bank's policy is to maintain strong capital base so as to maintain, investor, creditor and market confidence and to sustain future business developments. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the SBP. The ratio compares the amount of eligible capital with the total of risk-weighted assets. The Bank monitors and reports its capital ratios under SBP rules, which ultimately determine the regulatory capital required to be maintained by Banks and DFIs.

In addition, the SBP requires that the paid up capital of locally incorporated banks should be raised to Rs. 10 billion by December 31, 2013 in a phased manner. The Bank plans to increase its paid up share capital, through right issue, to comply with the aforesaid requirement. The paid-up capital requirement (net of losses) as at December 31, 2014 is Rs.10.0 billion. The paid-up capital, reserves (net of losses) and share deposit money of the Bank amounts to Rs. 17,772,667 thousand.

The SBP requires that banks doing business in Pakistan should maintain regulatory capital for credit, market, and operational risks, the amount of which should at least be equal to 10% of their risk weighted assets. The Bank's capital adequacy ratio as at December 31, 2014 on Basel III is 10.21%.

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

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

Sr. No.	Ratio	Year end						As of
		2013	2014	2015	2016	2017	2018	December 2019
1	CET1	5.00%	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%
2	ADT-1	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
3	Tier-1	6.50%	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%
4	Total capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
5	CCB (consisting of CET1 only)	0.00%	0.00%	0.25%	0.65%	1.275%	1.90%	2.50%
6	Total capital plus CCB	10.00%	10.00%	10.25%	11.25%	11.875%	12.50%	12.50%

The SBP's regulatory capital as managed by the Bank is analyzed into following tiers:

- Tier I capital (CET1), which comprises of highest quality capital element and include fully paid up capital, share premium, reserve for bonus shares, general reserves and accumulated losses.
- Additional Tier I capital (ADT-I), which includes perpetual non-cumulative preference shares and its premium after all regulatory adjustments applicable on ADT-I.
- Tier II capital, which includes subordinated debt / instruments and its premium, general reserve for loan losses (up to a maximum of 1.25% of CRWA), net of tax revaluation reserves up to a maximum of 45% of the balance, exchange translation reserves after all regulatory adjustments applicable on Tier-2.
- Tier III capital, which includes short term sub-ordinated debts. This capital is solely for the purpose of meeting a proportion of the capital requirements for market risk.

Various limits are applied to elements of the capital base. Qualifying Tier II and Tier III capital cannot exceed the Tier I capital. Revaluation reserves are eligible upto 45 % for treatment as Tier II capital. There is also restriction on the amount of general reserve for loan losses upto 1.25 % of total risk weighted assets. Sub-ordinated debts cannot exceed 50 % of Tier I capital. Further tier III capital cannot exceed 250 % of Tier I capital.

The Bank calculates capital requirement as per regulatory framework, using the following approaches:

Credit risk	Standardized Approach
Market risk	Standardized Approach
Operational risk	Basic Indicator Approach

Basel-III Framework enables a more risk-sensitive regulatory capital calculation to promote long term viability of the Bank.

	Note	2014 Rupees in '000'	2013
43.3 Capital adequacy return			
Common Equity Tier 1 capital (CET1): Instruments and reserves			
1		15,551,132	10,551,132
2		7,037,882	12,037,882
3		-	-
4		(263,158)	(263,158)
5		2,043,361	1,501,777
6		-	-
7		(9,083,209)	(11,275,027)
8		-	-
9		15,286,008	12,552,606
10	43.3.1	(1,840,392)	(41,438)
11		13,445,616	12,511,168
Additional Tier 1 (AT 1) Capital			
12		-	-
13		-	-
14		-	-
15		-	-
16		-	-
17		-	-
18	43.3.2	59,635	-
19		-	-
20		59,635	-
21		13,385,981	12,511,168
Tier 2 Capital			
22		2,000,000	-
23		-	-

	Note	2014 Rupees in '000'	2013
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		107,125	41,755
27			
Revaluation reserves (net of taxes)		2,279,561	407,048
28			
of which: Revaluation reserves on fixed assets		1,185,567	401,067
29			
of which: Unrealized gains/losses on AFS		1,093,994	5,981
30			
Foreign Exchange Translation Reserves		-	-
31			
Undisclosed/Other Reserves (if any)		-	-
32			
T2 before regulatory adjustments		4,386,686	448,803
33	43.3.3		
Total regulatory adjustment applied to T2 capital		-	-
34			
Tier 2 capital (T2) after regulatory adjustments		-	-
35			
Tier 2 capital recognized for capital adequacy		-	-
36			
Portion of Additional Tier 1 capital recognized in Tier 2 capital		-	-
37			
Total Tier 2 capital admissible for capital adequacy		4,386,686	448,803
38			
TOTAL CAPITAL (T1 + admissible T2) (21+37)		17,772,667	12,959,971
39	43.6		
Total Risk Weighted Assets (RWA)		174,130,682	144,879,356
Capital Ratios and buffers (in percentage of risk weighted assets)			
40			
CET1 to total RWA		7.72%	8.64%
41			
Tier-1 capital to total RWA		7.69%	8.64%
42			
Total capital to total RWA		10.21%	8.95%
43			
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)			
44			
of which: capital conservation buffer requirement			
45			
of which: countercyclical buffer requirement			
46			
of which: D-SIB or G-SIB buffer requirement			
47			
CET1 available to meet buffers (as a percentage of risk weighted assets)			
National minimum capital requirements prescribed by SBP			
48			
CET1 minimum ratio		5.50%	5.00%
49			
Tier 1 minimum ratio		7.00%	6.50%
50			
Total capital minimum ratio		10.00%	10.00%

		2014	2013*	
		Rupees in '000'		
Regulatory Adjustments and Additional Information	Amount	Amounts subject to Pre- Basel III treatment *		
43.3.1 Common Equity Tier 1 capital: Regulatory adjustments				
1	Goodwill (net of related deferred tax liability)	79,309	-	26,380
2	All other intangibles (net of any associated deferred tax liability)	7,996	-	8,762
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)	726,743	3,633,713	-
5	Defined-benefit pension fund net assets			
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	13,244	-	4,597
7	Cash flow hedge reserve			
8	Investment in own shares/ CET1 instruments	-	-	1,698
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)	-	-	-
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	1,011,308	5,059,533	-
15	Amount exceeding 15% threshold			
16	of which: significant investments in the common stocks of financial entities	-	-	-
17	of which: deferred tax assets arising from temporary differences	1,792	11,780	-
18	National specific regulatory adjustments applied to CET1 capital	-	-	-
19	Investments in TFCs of other banks exceeding the prescribed limit	-	-	-
20	Any other deduction specified by SBP (mention details)	-	-	-
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-	-
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	<u>1,840,392</u>		<u>41,438</u>

		2014	2013*
		Rupees in '000'	
		Amount	Amounts subject to Pre- Basel III treatment *
43.3.2 Additional Tier-1 & Tier-1 Capital: regulatory adjustments			
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	59,635	-
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)	-	-
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 additional tier-1 capital	-	-
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	<u>59,635</u>	<u>-</u>
43.3.3 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)	-	-
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)	<u>-</u>	<u>-</u>

2014 2013*
Rupees in '000'

		Amount	Amounts subject to Pre- Basel III treatment *
43.3.4 Additional Information			
Risk weighted assets subject to pre-Basel III treatment			
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)		
(i)	of which: deferred tax assets	2,906,970	3,633,713
(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	-	-
(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)	5,198,613	6,211,713
	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	-	-

43.4 Capital structure reconciliation

43.4.1 Step 1

	Balance sheet of the published financial statements	Under regulatory scope of consolidation
	2014	2014
	Rupees in '000'	
Cash and balances with treasury banks	23,622,411	23,622,411
Balances with other banks	2,239,170	2,239,170
Lendings to financial institutions	32,748,623	32,748,623
Investments - net	154,943,890	154,943,890
Advances - net	170,273,415	170,273,415
Operating fixed assets	5,490,121	5,490,121
Deferred tax assets - net	9,845,426	9,845,426
Other assets - net	21,237,382	21,237,382
Total assets	420,400,438	420,400,438
Liabilities & Equity		
Bills payable	1,727,731	1,727,731
Borrowings	44,742,624	44,742,624
Deposits and other accounts	342,290,693	342,290,693
Sub-ordinated loan	2,000,000	2,000,000
Liabilities against assets subject to finance lease	1,128	1,128
Deferred tax liabilities - net	-	-
Other liabilities	10,281,610	10,281,610
Total liabilities	401,043,786	401,043,786
Share capital	22,325,856	22,325,856
Reserves	2,043,361	2,043,361
Accumulated losses	(9,083,209)	(9,083,209)
Minority Interest	-	-
Surplus on revaluation of assets - net of tax	4,070,644	4,070,644
Total equity	19,356,652	19,356,652
Total liabilities & equity	420,400,438	420,400,438

43.4.2 Step 2

	Balance sheet as in published financial statements 2014	Under regulatory scope of consolidation 2014	Reference
	Rupees in '000'		
Assets			
Cash and balances with treasury banks	23,622,411	23,622,411	
Balances with other banks	2,239,170	2,239,170	
Lending to financial institutions	32,748,623	32,748,623	
Investments	154,943,890	154,943,890	
of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	-	-	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	59,635	59,635	c
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	13,244	13,244	d
of which: others (mention details)			e
Advances	170,273,415	170,273,415	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB			f
general provisions reflected in Tier 2 capital	71,977	71,977	g
Fixed Assets	5,490,121	5,490,121	
Deferred Tax Assets	9,845,426	9,845,426	
of which: DTAs that rely on future profitability excluding those arising from temporary differences	3,633,713	3,633,713	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	6,211,713	6,211,713	i
Other assets	21,237,382	21,237,382	
of which: Goodwill	79,309	79,309	j
of which: Intangibles	7,996	7,996	k
of which: Defined-benefit pension fund net assets			l
Total assets	420,400,438	420,400,438	
Liabilities & Equity			
Bills payable	1,727,731	1,727,731	
Borrowings	44,742,624	44,742,624	
Deposits and other accounts	342,290,763	342,290,763	
Sub-ordinated loans	2,000,000	2,000,000	
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier 2	2,000,000	2,000,000	n
Liabilities against assets subject to finance lease	1,128	1,128	
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	10,281,610	10,281,610	
Total liabilities	401,043,786	401,043,786	

	Balance sheet as in published financial statements 2014	Under regulatory scope of consolidation 2014	Reference
Rupees in '000'			
Share capital	22,325,856	22,325,856	
of which: amount eligible for CET1	22,325,856	22,325,856	s
of which: amount eligible for AT1	-	-	t
Reserves	2,043,361	2,043,361	
of which: portion eligible for inclusion in CET1(provide breakup)	2,043,361	2,043,361	u
of which: portion eligible for inclusion in Tier 2			v
Unappropriated profit/ (losses)	(9,083,209)	(9,083,209)	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	4,070,644	4,070,644	
of which: Revaluation reserves on Fixed Assets	2,117,084	2,117,084	aa
of which: Unrealized Gains/Losses on AFS	1,953,560	1,953,560	
In case of Deficit on revaluation (deduction from CET1)			ab
Total liabilities & Equity	420,400,438	420,400,438	

43.4.3 Step 3

	Component of regulatory capital reported by bank 2014	Source based on reference number from step 2 2014
Rupees in '000'		
Common Equity Tier 1 capital (CET1): Instruments and reserves	15,551,132	
1 Fully paid-up capital/ capital deposited with SBP		
2 Balance in share premium account, share deposit money and discount on issue of shares	6,774,724	(s)
3 Reserve for issue of bonus shares		
4 General/ Statutory reserves	2,043,361	
5 Gain/(Losses) on derivatives held as Cash Flow Hedge		(u)
6 Accumulated losses	(9,083,209)	(w)
7 Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)
8 CET 1 before Regulatory Adjustments	15,286,008	
Common Equity Tier 1 capital: Regulatory adjustments		
9 Goodwill (net of related deferred tax liability)	79,309	(j) - (o)
10 All other intangibles (net of any associated deferred tax liability)	7,996	(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)	726,743	{{(h) - (r) * x%

	Component of regulatory capital reported by bank 2014	Source based on reference number from step 2 2014
	Rupees in '000'	
64		
65		
66		
67		
68		
69		
70		

	-	(af)
	-	
	-	
	-	
	-	
	4,386,686	
	17,772,667	

43.5 Main features template of regulatory capital instruments

Sr. No.	Main Features	Common Shares	Sub-ordinated Loan
1	Issuer	The Bank of Punjab	The Bank of Punjab
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	BOP	BOP
3	Governing law(s) of the instrument	Capital Market Law	Relevant rules and regulations
Regulatory treatment			
4	Transitional Basel III rules	Common equity Tier 1	Tier 2 Capital Instruments
5	Post-transitional Basel III rules	Common equity Tier 1	Tier 2 Capital Instruments
6	Eligible at solo/ group/ group & solo	Standalone and group	Standalone and group
7	Instrument type	Common shares	Debt
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	22,551,132	2,000,000
9	Par value of instrument	PKR 10	Not applicable
10	Accounting classification	Shareholder equity	Sub-ordinated Loan
11	Original date of issuance	1990	2014
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	No maturity	07 years from date of disbursement
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates and redemption amount	Not applicable	After 5 years
16	Subsequent call dates, if applicable	Not applicable	Not applicable
Coupons / dividends			
17	Fixed or floating dividend/ coupon	Not applicable	Floating
18	Coupon rate and any related index/ benchmark	Not applicable	Average SBP discount rate
19	Existence of a dividend / coupon stopper	No	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Not applicable	No
23	Convertible or non-convertible	Non-convertible	May be converted subject to consent of parties and necessary regulatory approvals.
24	If convertible, conversion trigger (s)	Not applicable	At the option of issuer after 05 years
25	If convertible, fully or partially	Not applicable	Fully
26	If convertible, conversion rate	Not applicable	Rs. 15 per share
27	If convertible, mandatory or optional conversion	Not applicable	Optional
28	If convertible, specify instrument type convertible into	Not applicable	Ordinary shares
29	If convertible, specify issuer of instrument it converts into	Not applicable	BOP common shares
30	Write-down feature	Not applicable	Yes
31	If write-down, write-down trigger(s)	Not applicable	Not applicable
32	If write-down, full or partial	Not applicable	Not applicable
33	If write-down, permanent or temporary	Not applicable	Permanent
34	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable	Ranked inferior to all other debts of the Bank including deposits
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	Not applicable	Not applicable

43.6 Risk Weighted Assets

The capital requirements for the banking group as per the major risk categories should be indicated in the manner given below:-

	Capital Requirements		Risk Weighted Assets	
	2014	2013	2014	2013
	Rupees in '000'			
Credit Risk				
On-Balance sheet				
<u>Portfolios subject to standardized approach (Comprehensive)</u>				
Cash & cash equivalents	-	-	-	-
Sovereign	-	-	-	-
Public Sector entities	276,893	70,032	2,768,925	700,320
Banks	276,213	221,425	2,762,133	2,214,253
Corporate	8,610,647	7,010,171	86,106,468	70,101,705
Retail	1,247,499	1,181,651	12,474,993	11,816,513
Residential Mortgages	62,734	66,465	627,342	664,653
Past Due loans	907,930	1,067,525	9,079,296	10,675,247
Deffered Tax Assets	288,346	-	2,883,455	-
Operating Fixed Assets	540,282	347,966	5,402,816	3,479,657
Other assets	2,818,958	2,845,236	28,189,584	28,452,355
	15,029,502	12,810,471	150,295,012	128,104,703
Off-Balance sheet				
Non-market related				
Financial guarantees, acceptances, performance related commitments, trade related etc.	738,873	676,017	7,388,725	6,760,171
Market related				
Foreign Exchange contracts/ derivatives etc.	4,364	3,971	43,641	39,705
	743,237	679,988	7,432,366	6,799,876
Equity Exposure Risk in the Banking Book				
Under simple risk weight method				
Listed, Unlisted	75,023	33,990	750,226	339,898
Under Internal models approach				
	75,023	33,990	750,226	339,898
Market Risk				
<u>Capital Requirement for portfolios subject to Standardized Approach</u>				
Interest rate risk	2,667	24,367	33,338	304,591
Equity position risk	183,969	174,888	2,299,608	2,186,101
Foreign Exchange risk	3,625	3,098	45,313	38,725
	190,261	202,353	2,378,259	2,529,417
<u>Capital Requirement for portfolios subject to Basic Indicator Approach</u>				
Operational Risk				
Capital Requirement for operational risks	1,061,986	568,437	13,274,819	7,105,462
TOTAL	17,100,009	14,295,239	174,130,682	144,879,356
Capital Adequacy Ratios				
	2014	2014	2013	2013
	Required	Actual	Required	Actual
CET1 to total RWA	5.50%	7.72%	5.00%	8.64%
Tier-1 capital to total RWA	7.00%	7.69%	6.50%	8.64%
Total capital to total RWA	10.00%	10.21%	10.00%	8.95%

44. RISK MANAGEMENT

The principal risks associated with the Banking business are credit risk, market risk, liquidity risk and operational risk.

44.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligations and cause the other party to incur a financial loss. The Bank manages its exposure to credit risk by pursuing credit policy approved by the Board of Directors and undertaking all lending activities in accordance with standard practices and procedures as laid down in the Credit Policy Manual. The Bank's credit process currently entails assessment of credit worthiness of potential customers, pre-sanction evaluation of credit proposal, adequacy and quality checks over collateral and examination of charge documents before disbursements. The Bank will also continue to keep its focus on expansion through diversified exposure. Further, to strengthen the portfolio and as a matter of prudence, adequate provisions against non-performing advances are accounted for in accordance with the requirements of the Prudential Regulations issued by the SBP.

44.1.1 Segments by class of business

	Advances (gross)				Deposits				Contingencies and commitments			
	2014		2013		2014		2013		2014		2013	
	Rupees in '000'	Percent	Rupees in '000'	Percent	Rupees in '000'	Percent	Rupees in '000'	Percent	Rupees in '000'	Percent	Rupees in '000'	Percent
Agribusiness	7,992,425	4.06	5,633,609	3.08	13,658,453	3.99	13,704,976	4.47	-	-	-	-
Textile and ginning	52,827,475	26.80	53,812,485	29.41	1,979,204	0.58	2,030,577	0.66	3,230,090	8.48	3,549,974	15.69
Cement	4,279,741	2.17	4,366,488	2.39	537,488	0.16	435,506	0.14	473,570	1.24	212,410	0.94
Sugar	9,971,494	5.06	8,230,577	4.50	429,192	0.13	820,423	0.27	208,221	0.55	259,130	1.15
Financial	2,880,168	1.46	2,221,317	1.21	4,161,029	1.22	8,267,268	2.70	14,469	0.04	33,872	0.15
Construction and real estate	6,625,675	3.36	4,795,416	2.62	9,435,697	2.76	10,152,028	3.31	6,319,441	16.59	4,609,806	20.37
Oil and gas	2,541,999	1.29	691,536	0.38	5,882,581	1.72	5,335,328	1.74	1,772,103	4.65	1,401,882	6.20
Auto and allied	2,104,633	1.07	1,642,423	0.90	131,683	0.04	38,298	0.01	130,336	0.34	227,497	1.01
Food and allied	10,600,946	5.38	9,036,454	4.94	1,998,027	0.58	1,556,817	0.51	1,213,137	3.19	939,326	4.15
Chemical and pharmaceuticals	4,980,148	2.53	3,262,785	1.78	1,798,205	0.53	592,282	0.19	1,264,307	3.32	1,418,027	6.27
Fertilizers	3,788,684	1.92	4,650,324	2.54	2,090,896	0.61	5,529,907	1.80	1,442,956	3.79	867,891	3.84
Cable, electrical and engineering	8,046,126	4.08	8,763,761	4.79	2,393,791	0.70	984,102	0.32	2,854,202	7.49	2,409,038	10.65
Production and transmission of energy	8,081,013	4.10	3,362,408	1.84	425,525	0.12	367,855	0.12	1,388,319	3.65	538,807	2.38
Transport, storage and communication	4,910,662	2.49	2,974,449	1.63	1,159,002	0.34	3,373,506	1.10	1,554,007	4.08	629,155	2.78
Government:												
- Public sector enterprises	2,453,883	1.25	2,259,486	1.23	23,202,628	6.78	19,683,983	6.42	2,493,655	6.55	2,008,200	8.87
- Federal and Provincial Governments	21,754,560	11.04	22,224,417	12.15	160,031,502	46.75	133,931,178	43.69	10,049,659	26.39	1,268,479	5.61
Individuals	14,579,794	7.40	12,643,662	6.91	91,514,685	26.74	71,162,036	23.21	-	-	-	-
Trading and commerce	13,128,467	6.66	13,267,508	7.25	5,114,127	1.49	4,717,470	1.54	1,271,162	3.34	534,690	2.36
Services	4,968,705	2.52	6,927,940	3.79	6,865,577	2.01	8,245,355	2.69	197,035	0.52	198,127	0.88
Others	10,566,587	5.36	12,193,812	6.66	9,481,401	2.77	15,631,872	5.11	2,207,283	5.80	1,522,711	6.70
	197,083,185	100.00	182,960,857	100.00	342,290,693	100.00	306,560,767	100.00	38,083,952	100.00	22,629,022	100.00

44.1.2 Segment by sector

	2014					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public Sector / Government	24,208,443	12.28	183,234,130	53.53	12,543,314	32.94
Private	172,874,742	87.72	159,056,563	46.47	25,540,638	67.06
	197,083,185	100.00	342,290,693	100.00	38,083,952	100.00

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

	2014		2013	
	Rupees in '000'			
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
Agribusiness	1,385,722	1,166,724	1,464,981	1,158,029
Textile and ginning	24,559,164	9,071,646	25,317,145	9,265,043
Cement	1,240,580	1,133,649	2,366,649	2,236,923
Sugar	936,665	344,557	99,828	49,914
Financial	1,035,560	9,669	1,321,388	-
Construction and real estate	2,943,015	2,270,212	3,113,631	2,160,876
Oil and gas	163,511	80,738	167,207	79,215
Auto and allied	2,004,784	1,546,715	1,634,925	520,553
Food and allied	2,700,709	1,402,038	2,495,922	1,387,456
Chemical and pharmaceuticals	586,838	532,985	552,199	433,089
Fertilizers	60,978	35,245	61,072	31,305
Cable, electrical and engineering	2,143,757	203,003	4,033,163	540,210
Production and transmission of energy	1,541,637	505,094	1,541,080	454,909
Transport, storage and communication	283,801	238,303	557,414	309,065
Government:				
- Public sector enterprises	-	-	-	-
- Federal and Provincial Governments	-	-	-	-
Individuals	565,632	420,865	502,996	410,313
Trading and commerce	7,858,931	4,484,273	9,112,225	4,031,904
Services	2,751,803	1,635,075	2,481,270	914,194
Others	2,848,188	1,621,854	3,091,631	1,650,506
	55,611,275	26,702,645	59,914,726	25,633,504
44.1.4 Details of non-performing advances and specific provisions by sector				
Public Sector / Government	-	-	-	-
Private	55,611,275	26,702,645	59,960,726	25,633,504
	55,611,275	26,702,645	59,960,726	25,633,504

44.1.5 Geographical segment analysis

A geographical segment analysis has not been presented since the Bank's operations are restricted to Pakistan only.

44.1.6 Credit risk - general disclosures

The Group follows the standardized approach for its credit risk exposures, which sets out fixed risk weights corresponding to external credit rating or type of exposure, whichever is applicable.

Under standardized approach, the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. Group utilizes, wherever available, the credit ratings assigned by the SBP recognized ECAIs, viz. PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company– Vital Information Systems), Fitch Moody's and Standard & Poors . Credit rating data for advances is obtained from recognized ECAIs and then mapped to SBP's rating grades.

Type of exposures & ECAIs used

Exposures	JCR-VIS	PACRA	S&P	Moody's	Fitch
Corporate	√	√			
Banks	√	√	√	√	√
Sovereigns		√			
PSEs	√	√			
SMEs	√	√			

Mapping to SBP rating grades

For all credit exposures, the selected ratings are translated to the standard rating grades given by the SBP. The mapping tables used for converting ECAI ratings to SBP rating grades are given below:

Long term ratings grades mapping

SBP rating grade	Fitch	Moody's	S & P	PACRA	JCR-VIS	ECA Scores
1	AAA AA+ AA AA-	Aaa Aa1 Aa2 Aa3	AAA AA+ AA AA-	AAA AA+ AA AA-	AAA AA+ AA AA-	0 1
2	A+ A A-	A1 A2 A3	A+ A A-	A+ A A-	A+ A A-	2
3	BBB+ BBB BBB-	Baa1 Baa2 Baa3	BBB+ BBB BBB-	BBB+ BBB BBB-	BBB+ BBB BBB-	3
4	BB+ BB BB-	Ba1 Ba2 Ba3	BB+ BB BB-	BB+ BB BB-	BB+ BB BB-	4
5	B+ B B-	B1 B2 B3	B+ B B-	B+ B B-	B+ B B-	5 6
6	CCC+ and below	Caa1 and below	CCC+ and below	CCC+ and below	CCC+ and below	7

Short term rating grades mapping

SBP rating grade	Fitch	Moody's	S & P	PACRA	JCR-VIS
S1	F1	P-1	A-1+	A-1+	A-1+
S1	F1	P-1	A-1	A-1	A-1
S2	F2	P-2	A-2	A-2	A-2
S3	F3	P-3	A-3	A-3	A-3
S4	Others	Others	Others	Others	Others

Credit exposures subject to standardized approach

Exposures	Rating	2014			2013		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
Rupees in '000'							
Corporate	1	6,672,192	(1,888,668)	4,783,524	4,325,675	(1,304,271)	3,021,404
	2	9,394,717	(30,186)	9,364,531	9,062,412	-	9,062,412
	3,4	1,714,246	(9,738)	1,704,508	1,721,661	(15,235)	1,706,426
	5,6	-	-	-	735,908	-	735,908
	Unrated-1	54,471,187	(2,218,603)	52,252,584	65,382,027	(3,226,097)	62,155,930
	Unrated-2	23,052,526	-	23,052,526	-	-	-
Bank	1	39,577,506	(25,830,690)	13,746,816	19,481,265	(8,664,070)	10,817,195
	2,3	25,539	-	25,539	101,626	-	101,626
	4,5	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
	Public sector enterprises in Pakistan	1	-	-	-	-	-
2,3		-	-	-	-	-	-
4,5		-	-	-	-	-	-
6		-	-	-	-	-	-
Unrated		7,615,744	(2,077,895)	5,537,849	3,183,171	(1,782,532)	1,400,639
Sovereigns and on Government of Pakistan or Provisional Government or SBP or Cash		0	188,966,331	-	188,966,331	150,706,366	-
	1	-	-	-	-	-	-
	2	-	-	-	-	-	-
	3	-	-	-	-	-	-
	4,5	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
Listed equity investments	100%	730,649	-	730,649	233,753	-	233,753
Un-listed equity Investments	150%	13,051	-	13,051	70,764	-	70,764
Non performing loans	150%	18,093,570	(15,888,566)	2,205,004	20,935,605	(18,103,276)	2,832,329
	100%	8,899,968	(3,410,075)	5,489,893	11,572,459	(5,690,726)	5,881,733
	50%	1,954,272	(1,390,478)	563,794	1,819,156	(729,120)	1,090,036
Mortgage	35%	1,792,406	-	1,792,406	1,899,010	-	1,899,010
Retail	75%	19,738,047	(3,104,723)	16,633,324	18,594,281	(2,838,931)	15,755,350
Fixed assets	100%	5,402,815	-	5,402,815	3,479,657	-	3,479,657
Deferred tax assets	100%	6,952,201	-	6,952,201	12,627,352	-	12,627,352
Deferred tax assets	250%	1,153,382	-	1,153,382	-	-	-
Others	100%	21,237,383	-	21,237,383	15,825,007	-	15,825,007
Total		417,457,732	(55,849,622)	361,608,110	341,757,155	(42,354,258)	299,402,897

44.1.7 Credit risk: Disclosures with respect to credit risk mitigation for standardized approach

The Group has adopted comprehensive approach of credit risk mitigation for banking book. Under this approach cash, lien on deposits, government securities, and eligible securities etc. are consolidated as eligible collateral. Where the Group's exposure to an obligor is secured by eligible collaterals, the Group reduces its exposure for the calculation of the capital requirement by the realizable amount of the collateral, adjusted for any applicable haircuts.

44.1.7.1 Credit risk: Disclosures for portfolio subject to the standardized approach

No credit risk mitigation benefit is taken in the trading book. For each asset class, the risk weights as specified by the SBP or corresponding to the SBP rating grades are applied to the net amount for the calculation of risk weighted assets.

44.1.7.2 Equity position risk in the banking book

The Group takes proprietary equity positions for both short term and long term trading purposes. As of December 31, 2014 the composition of equity investments, is as follows:

	Held for trading	Available for sale	Total
	Rs. In '000'		
Ordinary shares (listed) - net of impairment held	45,277	1,117,771	1,163,048
Ordinary shares (un-listed) - net of impairment held	-	13,051	13,051
Preference shares - net of impairment held	-	225,148	225,148
Stock funds - net of impairment held	-	-	-
Total	45,277	1,355,970	1,401,247

The Group classify its equity investment portfolio in accordance with the directives of the SBP as follows:

- Investments - Held for trading
- Investments – Available for Sale
- Investments in subsidiaries

44.2 Market risk

Market risk is the risk that the value of 'on' or 'off' balance sheet positions will be adversely affected by movements in equity and interest rate markets, currency exchange rates and commodity prices.

The Group is exposed to market risk primarily through its trading activities, which are centered in the Treasury and Equity Capital Markets. Market risk exposure also arises from market-making, facilitation of client business and proprietary positions in equities, fixed income and interest rate products and foreign exchange, which exposes Group to interest rate risk, foreign exchange risk and equity price risk.

The Group's market risk management structure consists of Board Risk Management Committee, ALCO, Market Risk Management Committee and independent Enterprise Risk Management unit (ERM). Market risk is an independent risk management function that works in close partnership with the business segments to identify and monitor market risks throughout the Bank and to define market risk policies and procedures. ERM unit seeks to facilitate efficient risk/return decisions, reduce volatility in operating performance and provide transparency in reporting the Bank's market risk profile to the senior management, the Board of Directors and the SBP.

44.2.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group is exposed to yield/interest rate risk for its investing and/or financing activities where any major fluctuation in the market interest rate/yield can affect both the value of the financial instrument as well as the profitability of the Group. To minimize this risk the Group's Assets and Liabilities Committee (ALCO) keeps a constant watch on the interest rate scenario in the country and on regular intervals reviews pricing mechanism for assets and liabilities of the Group.

44.2.1.1 Mismatch of interest rate sensitive assets and liabilities

Effective yield/interest rate	2014										Non-interest bearing financial instruments	
	Exposed to yield/interest risk											
	Total	Upto 1 month	Over 1 and upto 3 months	Over 3 and upto 6 months	Over 6 months and upto 1 year	Over 1 and upto 2 years	Over 2 and upto 3 years	Over 3 and upto 5 years	Over 5 and upto 10 years	Above 10 years		
	Rupees in '000											
	On-balance sheet financial instruments											
	Assets											
	Cash and balances with treasury banks	1,060,611	-	-	-	-	-	-	-	-	-	22,561,800
6.95%	Balances with other banks	248,002	-	-	-	-	-	-	-	-	-	1,991,168
9.63%	Lending to financial institutions	24,504,623	8,244,000	-	-	-	-	-	-	-	-	-
10.40%	Investments - net	965,560	13,109,882	52,138,746	24,417,905	37,135,692	1,140,689	22,949,753	-	-	-	1,534,804
8.01%	Advances - net	59,749,717	110,514,979	-	-	-	-	-	-	-	-	8,719
	Other assets	8,757,328	-	-	-	-	-	-	-	-	-	8,757,328
	Total	392,584,837	86,528,513	131,868,861	52,138,746	24,417,905	37,135,692	1,140,689	22,949,753	-	-	34,853,819
		Liabilities										
	Bills payable	1,727,731	-	-	-	-	-	-	-	-	-	1,727,731
9.80%	Borrowings	44,742,624	29,144,048	11,684,738	2,890,427	42,411	38,472	7,000	112,315	-	-	93,381
6.80%	Deposits and other accounts	342,290,693	16,939,180	179,505,362	25,572,548	29,825,954	1,423,917	329,772	2,094,473	-	-	86,599,487
9.50%	Sub-ordinated loan	2,000,000	-	-	-	-	-	-	-	-	-	-
11.88%	Liabilities against assets subject to finance lease	1,128	93	1,095	-	-	-	-	-	-	-	-
	Other liabilities	9,766,033	-	-	-	-	-	-	-	-	-	9,766,033
	Total	400,528,209	48,083,321	191,191,135	28,462,975	29,868,365	1,462,389	336,772	2,206,788	729,832	-	98,186,632
	On-balance sheet gap	(7,943,372)	38,445,192	(59,322,274)	23,675,771	(5,450,460)	35,673,303	1,214,087	(1,066,099)	22,219,921	-	(63,332,813)
	Off-balance sheet financial instruments											
	Forward foreign exchange contracts											
	- purchase	5,314,736	3,152,219	1,892,231	270,286	-	-	-	-	-	-	-
	- sale	3,658,932	1,183,288	2,475,644	-	-	-	-	-	-	-	-
	Total	1,655,804	1,968,931	(583,413)	270,286	-	-	-	-	-	-	-
	Total yield/interest risk sensitivity gap	40,414,123	(59,905,687)	(5,450,460)	23,946,057	35,673,303	1,214,087	(1,066,099)	22,219,921	-	-	(63,332,813)
	Cumulative yield/interest risk sensitivity gap	40,414,123	(19,491,564)	4,454,493	(995,967)	34,677,336	35,891,423	34,825,324	57,045,245	57,045,245	-	(6,287,568)

44.2.2 Foreign exchange risk management

The Group's foreign exchange exposure comprises of forward contracts, purchases of foreign bills, foreign currency cash in hand, balances with banks abroad, foreign currency placements with foreign commercial banks and foreign currency deposits. The Group manages its foreign exchange exposure by matching foreign currency assets and liabilities. The net open position and nostro balances are managed within the statutory limits, as fixed by the SBP. Counter parties limits are also fixed to limit risk concentration.

	2014			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency
Rupees in '000'				
Pakistan Rupee	417,907,432	394,304,223	(1,655,804)	21,947,405
United States Dollar	2,386,780	4,959,625	470,729	(2,102,116)
Great Britain Pound	28,318	849,112	629,022	(191,772)
Japanese Yen	-	573	1,678	1,105
Euro	34,587	930,036	570,959	(324,490)
Others	43,321	217	(16,584)	26,520
	<u>420,400,438</u>	<u>401,043,786</u>	<u>-</u>	<u>19,356,652</u>

44.2.3 Equity position risk

Equity position risk arises from exposure to securities that represent an ownership interest in a company in the form of ordinary shares or other equity-linked instruments. The instruments held by the Group that would lead to this exposure include, but are not limited to, the following:

- Shares of listed and unlisted companies
- Preference shares falling on equity criteria
- Equity-based mutual funds

These investments are carried at fair market value with regular revaluations. The Group prefers to hold long-term exposures for securities held in 'available for sale' category to avoid seasonal or cyclical downfalls in the prices of such securities.

44.3 Liquidity risk

Liquidity risk is the potential for loss to an institution arising from either its inability to meet its obligations or to fund increase in assets as they fall due without incurring unacceptable cost or losses. The Group's ALCO is primarily responsible to ensure adequate maintenance and monitoring of liquidity and minimization of liquidity risk by continuous monitoring of the maturity profiles of its assets and liabilities, strengthening of its credit recovery procedures by focusing on retail and medium-sized customers and managing open positions through effective treasury operations. Allocation of funds towards various business propositions and pricing of assets and liabilities of the Group are given significant importance.

44.3.2 Maturities of assets and liabilities - based on expected maturities

	2014									
	Total	Upto 1 month	Over 1 and upto 3 months	Over 3 and upto 6 months	Over 6 months and upto 1 year	Over 1 and upto 2 years	Over 2 and upto 3 years	Over 3 and upto 5 years	Over 5 and upto 10 years	Over 10 years
Rupees in '000'										
Assets										
Cash and balances with treasury banks	23,622,411	-	-	-	-	-	-	-	-	-
Balances with other banks	2,239,170	2,239,170	-	-	-	-	-	-	-	-
Lendings to financial institutions	32,748,623	24,504,623	8,244,000	-	-	-	-	-	-	-
Investments - net	154,943,890	923,021	12,408,453	51,696,142	24,485,943	37,253,393	1,681,573	2,766,195	23,660,037	69,133
Advances - net	170,273,415	59,749,717	30,066,618	8,152,752	11,874,258	3,217,200	9,391,263	30,508,619	13,923,787	3,389,201
Operating fixed assets	5,490,121	31,184	62,368	93,552	187,104	374,208	374,208	748,416	1,871,040	1,748,041
Deferred tax assets - net	9,845,426	127,917	255,834	383,751	767,502	1,965,000	1,945,000	4,400,422	-	-
Other assets	21,237,382	8,987,567	115,379	72,949	12,061,487	-	-	-	-	-
	420,400,438	120,185,610	51,152,652	60,399,146	49,376,294	42,809,801	13,392,044	38,423,652	39,454,864	5,206,375
Liabilities										
Bills payable	1,727,731	1,727,731	-	-	-	-	-	-	-	-
Borrowings	44,742,624	29,237,429	11,684,738	2,890,427	42,411	38,472	7,000	112,315	729,832	-
Deposits and other accounts	342,290,693	63,777,822	70,390,187	47,579,315	53,135,269	22,474,464	20,955,567	22,745,204	20,616,430	20,616,435
Sub-ordinated loan	2,000,000	-	-	-	-	-	-	-	2,000,000	-
Liabilities against assets subject to finance lease	1,128	93	189	846	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	10,281,610	5,545,145	6,153	13,896	539,316	236,615	2,023,477	1,917,008	-	-
	401,043,786	100,288,220	82,081,267	50,484,484	53,716,996	22,749,551	22,986,044	24,774,527	23,346,262	20,616,435
Net assets	19,356,652	19,897,390	(80,928,615)	9,914,662	(4,340,702)	20,060,250	(9,594,000)	13,649,125	16,108,602	(15,410,060)
Share capital	15,551,132									
Discount on issue of shares	(263,158)									
Reserves	2,081,243									
Share deposit money	7,000,000									
Accumulated losses	(9,083,209)									
Surplus on revaluation of assets - net of tax	15,286,008									
	4,070,644									
	19,356,652									

44.3.3 Deposit account without contractual maturities have been classified by taking into account historical trend of their withdrawal pattern, which shows that 15% of such deposits mature in each of the first two categories mentioned above and 10% mature in each of the remaining seven categories.

44.4 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage operational risk. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and appraisal procedures, including the use of internal audit. The Group has established a comprehensive business continuity plan to deal with the risk of financial loss and damage to reputation arising from operational risk factors.

45 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on March 27, 2015 by the Board of Directors of the Bank.

46 GENERAL

46.1 These consolidated financial statements have been prepared in accordance with the revised forms of annual financial statements of commercial banks issued by SBP vide BSD Circular No. 04 dated 17 February 2006 and other circulars issued from time to time.

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

46.3 Corresponding figures have been re-arranged and re-classified wherever necessary, for the purpose of comparison.

<u>Re-classified from</u>	<u>Re-classified to</u>	<u>Amount</u> Rupees in '000
Other Assets - other	Other Assets - Income/mark-up accrued in local currency	171,755
Mark-up/return/interest expensed - other short term borrowings	Mark-up/return/interest earned - on investments in :	
	- Available for sale	27,444
	- Held for maturity securities	5,074

Chairman

President

Director

Director

Islamic Banking Business

The Group has started Islamic banking operations in the year ended December 31, 2013. As at close of the December 31, 2014, 37 Islamic banking branches were operating.

Statement of Financial Position

as at December 31, 2014

	Note	2014 Rupees in '000'	2013
ASSETS			
Cash and balances with treasury banks		869,772	157,253
Balances with other banks		150,225	19,239
Due from financial institutions		4,029,000	477,000
Investments		1,627,737	631,876
Islamic financing and related services	A-I.1	1,599,074	385,000
Operating fixed assets		100,407	31,218
Deferred tax assets		-	-
Other assets		125,329	40,200
TOTAL ASSETS		8,501,544	1,741,786
LIABILITIES			
Bills payable		63,129	1,422
Due to financial institutions		264	-
Deposit and other accounts			
- Current accounts		3,250,964	660,556
- Saving accounts		3,916,827	425,985
- Term deposits		284,189	7,100
- Others		129,835	12,846
- Deposits from financial institutions - remunerative		-	-
- Deposits from financial institutions - non-remunerative		-	-
Due to head office		275,970	109,565
Other liabilities		28,781	5,784
		7,949,959	1,223,258
NET ASSETS		551,585	518,528
REPRESENTED BY			
Islamic banking fund		500,000	500,000
Reserves		-	-
Unappropriated profit		55,436	13,095
		555,436	513,095
Surplus on revaluation of assets		(3,851)	5,433
		551,585	518,528
Remuneration to shariah advisor / board		2,054	2,126
CHARITY FUND			
Opening balance		19	-
Additions during the year		1	19
Payments / utilization during the year		(20)	-
Closing balance		-	19

Islamic Banking Business-Profit and Loss Account for the year ended December 31, 2014

Annexure I

	2014	2013
	Rupees in '000'	
Profit/return earned on financing, investment and placements	266,747	100,647
Return on deposits and other dues expensed	81,147	33,082
Net spread earned	185,600	67,565
Provision against non-performing advances	-	-
Provision against consumer financings	-	-
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	-	-
Income after provisions	185,600	67,565
Other Income		
Fee, commission and brokerage income	17,997	2,486
Dividend income	-	-
Income from dealing in foreign currencies	132	2,377
Gain on sale and redemption of securities	-	-
Unrealized (loss) / gain on revaluation of investments classified as held for trading	-	-
Other income	31,662	1,276
Total other income	49,791	6,139
	235,391	73,704
Other expenses		
Administrative expenses	193,050	60,609
Other provisions/write offs/reversals	-	-
Other charges	-	-
Total other expenses	193,050	60,609
	42,341	13,095
Extra ordinary / unusual items	-	-
Profit before taxation	42,341	13,095

Notes to the Annexure I

Annexure I

	2014	2013
	Rupees in '000'	
A-I.1 Islamic financing and related assets		
Against murabaha	180,439	135,000
Against diminishing musharaka	1,009,628	250,000
Against ijarah	409,007	-
	<u>1,599,074</u>	<u>385,000</u>
A-I.1.1 Islamic mode of financing		
Financings/Investments/Receivables	633,744	-
Advances	965,330	385,000
Assets/Inventories	-	-
Others	-	-
	<u>1,599,074</u>	<u>385,000</u>
A-I.1.2 Against murabaha		
Financings/Investments/Receivables	173,439	-
Advances	7,000	135,000
Assets/Inventories	-	-
Others	-	-
	<u>180,439</u>	<u>135,000</u>
A-I.1.3 Diminishing musharakah		
Financings/Investments/Receivables	242,745	-
Advances	766,883	250,000
Assets/Inventories	-	-
Others	-	-
	<u>1,009,628</u>	<u>250,000</u>
A-I.1.4 Against ijarah		
Financings/Investments/Receivables	217,560	-
Advances	191,447	-
Assets/Inventories	-	-
Others	-	-
	<u>409,007</u>	<u>-</u>

A-I.2 BOP Islamic Banking Division is maintaining a General Pool for profit declaration and distribution.

a) General Pool

The General Pool comprises deposits from depositors, funds from Equity inclusive of Current Account Holders and Mudaraba Placements from BOP Head Office. The Bank acts as Manager (Mudarib) and invests the funds in Shariah Compliant modes of financings, Investments and Placements. The profit of the Pool is calculated on all the remunerative assets booked by the Bank and is shared amongst the members of the pool on pre-defined mechanism based on weightages announced before the profit calculation period.

The distributable profit of the pool is finalized after deduction of direct expenses only while indirect expenses including administrative and general expenses are borne by BOP-IBD as Mudarib.

b) Weightages for distribution of profit in general pool

Return on saving accounts and deposit is paid on the basis of daily products and weightages average system. Different weightages are assigned to different types of accounts.

While considering weightages emphasis is given to the quantum, type and the period of risk assessed by following factors:

- Contracted period, nature and type of deposit/ fund.
- Payment cycle of profit on such deposit/ fund, i.e. monthly, quarterly or on maturity
- Magnitude of risk

c) Identification and allocation of pool related income & expenses

The distributable profit of the pool is finalized after deduction of direct expenses only while indirect expenses including administrative and general expenses are borne by BOP-IBD as Mudarib.

d) Parameters associated with risk and rewards

Following are the consideration attached with risk & reward of general pool:

- Period, return, safety, security and liquidity of investment
- Financing proposals under process at various stages and likely to be extended in the near future.
- Expected withdrawals of deposits according to the maturities affecting the deposit base.
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah compliant organizations as regulated in Pakistan.
- Element of Risk attached to various types of investments.
- SBP rules & Shariah Clearance.

A-I.3 Avenues / Sectors of economy/business where Mudaraba based deposits have been deployed:

	2014	2013
	Rupees in '000'	
Federal and provincial governments	126,000	136,443
GOP ijara sukuk	1,621,149	630,443
Transport, storage, logistics and communication	472,529	250,000
Manufacturing and Trading of food items	21,312	-
Manufacture of pesticides and other agro-chemical product	20,128	-
Power Generation	737,423	-
Manufacture of paper, paperboard and products thereof	150,000	-
Consumer Car Ijarah	10,257	-
Others	4,240,650	496,239
	<u>7,399,448</u>	<u>1,513,125</u>

A-I.4 Charging expenses

The direct expenses are being charged to the pool, while indirect expenses including the establishment cost is being borne by BOP IBD as Mudarib. The direct expenses to be charged to the pool may include cost of sales of inventories, insurance / Takaful expenses of pool assets, stamp fee or documentation charges, brokerage fee for purchase of securities/commodities etc.

Provisions

No provision was made in the year 2014.

A-I.5 Mudarib share (in amount and percentage of distributable income):

	2014		2013	
	Rupees in '000'	Percentage %	Rupees in '000'	Percentage %
Rabbul Mal	74,156	68%	11,509	59%
Mudarib	35,542	32%	7,996	41%
Distributable income	109,698	100%	19,505	100%

	2014	2013
	Rupees in '000'	
A-I.6 Amount & percentage of mudarib share transferred to depositors through Hiba:		
Mudarib share	35,542	7,996
Hiba	8,337	620
Hiba percentage of mudarib share	23.46%	7.75%
This is not a special Hiba as such. This Hiba has been distributed across the board to all the investment account holders.		

Profit rate earned vs profit rate distributed to the depositors during the year:

	2014	2013
Profit rate earned	9.39%	8.90%
Profit rates distributed to depositors	5.09%	5.10%

Annexure II	Number of Shares		Name of company/modaraba	Cost		Market Value		Rating (where available)	
	2014	2013		2014	2013	2014	2013	2014	2013
				Rupees in '000'	Rupees in '000'	Rupees in '000'	Rupees in '000'		
	14,500	14,500	Globe Textile Mills Limited	239	239	-	-	-	-
	277,500	277,500	Gulistan Spinning Mills Limited	2,067	2,067	708	1,424	-	-
	470,000	470,000	Gulistan Textile Mills Limited	11,650	11,650	7,050	7,520	-	-
	400,021	21	Habib Metropolitan Bank Limited	15,180	-	14,921	1	AA+ A1+	AA+, A1+
	90,000	90,000	Hajra Textile Mills Limited	57	57	-	-	-	-
	55,500	55,500	Hakkim Textile Mills Limited	49	49	-	-	-	-
	34,500	34,500	Hashmi Can Company Limited	207	207	-	-	-	-
	-	590,000	Hub Power Company Limited	-	36,686	-	35,825	AA+ A1+	AA+, A1+
	-	746,256	International Industries Limited	-	38,649	-	34,604	-	-
	35,500	35,500	Iterfaq Textile Mills Limited *	34	34	-	-	-	-
	17,435	17,435	J. A. Textile Mills Limited	48	48	103	173	-	-
	361,097	361,097	Javed Omer Vohra And Company Limited	2,820	2,820	-	-	-	-
	34,700	34,700	Kaytex (Saleem Denim Industries Limited)*	35	35	-	-	-	-
	-	130,000	Kohinoor Mills Limited	-	433	-	2,288	-	-
	1,800,000	-	Lafarge Pakistan Cement Limited	30,050	-	31,230	-	-	-
	-	40,500	Land Mark Spinning Industries Limited	-	109	-	370	-	-
	4,837	4,837	Leiner Pak Gelatine Limited	121	121	-	-	-	-
	-	2,719,875	Lotte Pakistan PTA Limited	-	42,663	-	19,964	-	-
	-	10,000	Lucky Cement Limited	-	3,023	-	2,999	-	-
	-	50,000	Maple Leaf Cement Factory Limited	-	1,340	-	1,372	-	BB,B
	-	10,000	Mari Petroleum Limited	-	2,429	-	2,127	-	-
	-	60,000	MCB Bank Limited	-	17,440	-	16,870	-	AAA, A1+
	63,000	63,000	Medi Glass Limited	43	43	-	-	-	-
	-	213,305	Mirpurkhas Sugar Mills Limited	-	8,158	-	8,745	-	-
	20,500	20,500	Moonlite (Pak) Limited	227	227	451	245	-	-
	325,000	75,000	National Bank Of Pakistan Limited	21,423	4,204	22,575	4,354	AAA, A-1+	AAA, A-1+
	-	300,000	Netsol Technology Limited	-	13,767	-	13,209	-	-
	670,000	-	Nishat (Chunian) Limited	34,114	-	33,199	-	A-, A-2	A-, A-2
	-	50,000	Nishat Mills Limited	-	6,185	-	6,362	-	-
	133,500	-	National Refinery Limited	-	-	-	-	-	-
	90,100	20,000	Oil & Gas Development Company Limited	31,045	-	24,677	-	AA+ A1+	-
	2,613,000	2,935,789	Pak Gen Power Limited	20,913	5,585	18,549	5,527	AAA, A-1+	AAA, A-1+
	12,500	12,500	Pak Ghee Industries Limited	59,453	71,915	70,629	63,736	AA, A1+	AA, A1+
	20,000	50,000	Pak Petroleum Limited	2	2	-	-	-	-
	11,850	25,050	Pakistan Oilfield Limited	3,740	10,729	3,530	10,698	-	-
	-	220,200	Pakistan Refinery Limited	4,822	12,099	4,495	12,468	-	-
	-	45,000	Pakistan Reinsurance Company Limited	-	21,551	-	16,766	-	A-A2
	26	26	Pakistan Services Limited	-	1,321	-	1,280	-	AA
	-	35,000	Pakistan State Oil Company Limited	3	3	13	7	-	AA+, A1+
	-	725,000	Pakistan Telecommunication Company Limited	-	11,685	-	11,628	-	-
	300	300	Pangrigo Sugar Mills Limited	33	33	302	169	-	-
	100,365	100,365	Redco Textiles Limited	602	602	752	297	-	-
	167,500	167,500		159	159				

Annexure II

Name of company/modaraba	Number of shares		Cost		Market Value		Rating (where available)	
	2014	2013	2014	2013	2014	2013	2014	2013
			Rupees in '000'		Rupees in '000'			
Ruby Textile Mills Limited	169	15,169	2	166	1	223	-	-
Saudi Pak Leasing Company Limited	885	885	1	1	2	2	-	-
Security Paper Limited	-	170,033	-	6,687	-	11,953	-	AAA, A-1+
Service Industries Textile Limited	35,000	35,000	26	26	-	-	-	-
Service Fabrics Limited	289,000	289,000	72	72	-	-	-	-
Service Industries Limited	17,000	95,000	5,285	29,524	16,568	51,732	-	-
Shabbir Tiles And Ceramics Limited	-	475,845	-	5,200	-	4,235	-	-
Shahmurad Sugar Mills Limited	-	190,180	-	1,991	-	3,756	-	-
Shahpur Textile Mills Limited	74,900	74,900	22	22	13	13	-	-
Shahraj Sugar Mills Limited	166,546	166,546	13,157	13,157	12,086	14,323	-	-
Shakerganj Mills Limited	143	143	1	1	2	3	-	-
Siemens Pakistan Engineering Company Limited	193,021	197,521	260,408	266,478	215,139	270,406	-	-
Siftaq International Limited	23,500	23,500	24	24	-	-	-	-
Sindh Fine Textile Mills Limited	16,500	16,500	148	148	-	-	-	-
Sunshine Cloth Limited	94,300	94,300	29	-	-	-	-	-
Soneri Bank Limited	201	201	1	1	2	2	AA-, A1+	AA-, A1+
Sunshine Cotton Mills Limited	91,500	91,500	-	29	-	-	-	-
Taj Textile Mills Limited	301,500	301,500	139	139	-	-	-	-
Tristar Polyester Limited	70,063	70,063	80	80	105	169	-	-
Trust Investment Bank Limited	-	2,700,037	-	69,497	-	4,293	-	-
Trust Modaraba	500	500	6	6	2	2	-	-
United Bank Limited	825,000	150,000	130,570	19,502	145,839	19,883	AA+, A-1+	AA+, A-1+
Wah-Nobel Chemicals Limited	-	90,000	-	4,491	-	5,580	-	-
Yousuf Weaving Mills Limited	-	90,000	-	190	-	472	-	-
Zephyr Textiles Limited	4,296,556	4,296,556	39,968	39,967	34,803	57,272	-	-
			1,458,848	1,432,168	1,117,770	1,030,679		
			1,504,780	1,454,624	1,163,048	1,053,658		

* Shares of companies with book value of Rs. Nil and having delisted status, have not been presented.

2. Preference shares of listed companies

Name of company	Number of shares		Cost		Market Value		Rating (where available)	
	2014	2013	2014	2013	2014	2013	2014	2013
			Rupees in '000'		Rupees in '000'			
Azgard Nine Limited	1,545,397	1,545,397	15,454	15,454	-	-	-	-
Pak Elektron Limited	8,263,509	8,263,509	80,000	80,000	40,000	40,000	-	-
Shakerganj Mills Limited	7,500,000	7,500,000	75,000	75,000	22,650	22,650	-	-
Agritech Limited**	32,499,661	32,499,661	324,997	324,997	162,499	292,497	-	-
			495,451	495,451	225,149	355,147		

** Strategic Investment

Other particulars of preference shares are as follows:

Particulars	Nominal value per share	Profit rate per annum	Profit payment	Redemption terms
Azgard Nine Limited	10	Fixed dividend at 8.95% per annum to be declared within 3-months of close of financial year on a cumulative basis.	Annually	50% of the issue amount at the end of 5th year of issuance/ allotment and remaining 50% at the end of 6th year subject to the provisions of Section 85 of the Companies Ordinance, 1984.
Pak Elektron Limited (PEL)	10	Fixed dividend of 9.50% per annum payable if and when declared by the Company on a cumulative basis	Annually	Call option subject to maximum of 75% of the total issue within 90 days from the end of each financial year commencing from 3rd year and ending on 5th year and 100% of the issue size within 90 days of the end of each financial year commencing from 5th year by giving a notice of 30 days. 25% investment convertible at the option of investor exercisable after the 5th year in accordance with the formula mentioned in the prospectus.
Shakarganj Mills Limited	10	Preferred right of dividend at 8.50% per annum on a cumulative basis.	Annually	Principal will be redeemed at the end of 5th year from the issue date. Conversion option is exercisable at the end of every financial year from the date of issue at the option of holder in whole or in part or convertible by the Company in whole or part through tender. Conversion is set in the ratio of 167 ordinary shares for every 1,000 preference shares at face value of Rs. 10 each.
Agriech Limited	10	Fixed dividend of 11.00 % per annum on annual basis by the company on a cumulative basis.	Annually	The company will have the option to redeem the preference shares in full or in part with in ninety days after the expiry of the each anniversary of the completion date by giving at least thirty days notice. Preference shares can be converted in to ordinary shares from the fifth anniversary of the completion date.

3 Ordinary shares of unlisted company

Number of shares	Name of company	Cost		Break up Value		Rating (where available)	
		2014	2013	2014	2013	2014	2013
2,000,000	Bank Al Baraka (Formerly: Emirates Global Islamic Bank) (Chief Executive Officer: Shaqqaat Ahmed)	25,000	25,000	13,051	13,169	A, A1	-

4 Mutual funds units

Name of fund	Number of Units		Cost		Market Value		Rating (where available)	
	2014	2013	2014	2013	2014	2013	2014	2013
Open ended mutual funds								
United Growth & Income Fund (Income)	3,506,071	3,023,871	290,481	249,808	BBB+(f)	BBB+(f)		
IGI Aggressive Income Fund	1,973,884	18,442,660	85,194	791,745	A-(f)	A-(f)		
Close ended mutual funds								
NAMCO Balance Fund	-	6,680,054	-	52,850	-	-	-	-
PICIC Investment Fund	-	424	-	2	-	5	-	-
			373,802	1,123,087	375,675	1,084,911		

5 Listed term finance certificates

Name of company/modaraba	Number of certificates		Nominal value per certificate		Cost		Market Value		Rating (where available)	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Askari Bank Limited - 3rd issue	10,000	10,000	5	49,920	48,939	50,664	AA-	AA-		
Askari Bank Limited - 5th issue	60,000	-	5	-	300,000	-	AA-	-		
Azgard Nine Limited (TFC - II)	7,369	7,369	5	10,362	-	-	D	D		
Bank AL Habib Limited	35,000	35,000	5	174,370	-	183,089	AA	AA		
Engro Chemical Pak Limited	10,000	10,000	5	48,756	-	49,875	AA-	A		
Financial Receivables Securities Company Class B	13,886	13,886	5	5,784	-	5,784	-	-		
NIB Bank Limited	50,000	-	5	-	246,409	-	A+	A+		
Summit Bank Limited	1,000	-	5	-	3,392	-	-	-		
Bank Al-Falah Limited	14,200	-	5	-	71,305	-	AA-	AA		
Engro Fertilizer Limited	5,000	-	5	-	17,046	-	AA-	-		
Jahangir Siddiqui & Company	5,500	5,500	5	24,062	24,821	-	-	-		
World Call Telecom Limited	5,000	5,000	5	7,865	-	7,866	-	D		
					736,008	297,057	711,912	297,278		

Other particulars of listed TFCs are as follows:

Particulars	Mark-up rate per annum	Mark-up payment	Redemption terms
Askari Bank Limited - 3rd issue	6 months KIBOR + 2.50 % without any floor or cap	Semi-annually	0.32% of principal in the first 96 months and remaining principal in four equal semi-annual installments of 24.92% each starting from the 102nd from issue date.
Askari Bank Limited - 5th issue	6 months KIBOR + 1.20%	Semi-annually	Eighteen semi annual installments of Rs.60,000 and remaining principal in two semi annual installments.
Azgard Nine Limited	6 months KIBOR + 1.25 %	Semi-annually	In nine unequal semi-annual installments starting from September 20, 2013 and ending on September 20, 2017.

Particulars	Mark-up rate per annum	Mark-up payment	Redemption terms
Bank AL Habb Limited	15.50% for the first five years and 16.00% for the next three years without any floor or cap	Quarterly	0.56% of principal in the first 84 months and remaining principal in four equal quarterly installments of 24.86% each starting from 87th month from issue date
Engro Chemical Pak Limited	6 months KIBOR + 1.55 % without any floor or cap	Semi-annually	0.28% of principal in the first 84 months and remaining principal in two equal semi-annual installments of 49.86% starting from 90th month.
Financial Receivables Securities Company	6 months KIBOR + 2.00% with a Floor of 8.00% . and Cap of 16.00%	Semi-annually	In 12 equal semi-annual installments starting from 18th month.
NIB Bank Limited	6 months KIBOR + 1.15 % without any floor or cap.	Semi-annually	0.02% of principal in the first 60th month and remaining principal in six equal semi-annual installments of 16.66% each starting from 66th month from the issue date.
NIB Bank Limited	6 months KIBOR + 1.15%	Semi-annually	Fifteen semi annual installments of Rs.40,000 and remaining principal in one semi annual installment.
Summit Bank Limited	6 months KIBOR + 3.25%	Semi-annually	Thirteen semi annual installments of Rs. 1,154 and remaining principal in one semi annual installment
Bank Al-Falah Limited	6 months KIBOR + 1.25%	Semi-annually	Fifteen semi annual installments of Rs.14,200 and remaining principal in one semi annual installment.
Engro Fertilizer Limited	6 months KIBOR + 2.40%	Semi-annually	0.40% of principal in the first 72th month and remaining principal in two equal semi-annual installments of 30% each starting from 78th month from the issue date.
Jahangir Siddiqui & Company	6 months KIBOR +1.7%	Semi-annually	TFC has a tenor of six years i-e 2007-2013 with a call option exercisable by the company any time after one year on a coupon date by giving 30 days notice at a premium of 1.00% on the outstanding face value.
World Call Telecom Limited	Floating rate of return at Base Rate+1.60% p.a. with no floor and cap.	Semi-annually	Principal repayments of PKR 547,910,302/- each on October 07, 2014; April 07, 2015; and October 07, 2015.

6 Unlisted term finance certificates

Number of certificates	Nominal value per certificate	Name of company	Cost		Carrying Value		Rating (where available)		
			2014	2013	2014	2013	2014	2013	
			Rupees in '000'		Rupees in '000'				
293,000	293,000	5	Agriotech Limited - PPTFC	1,430,767	1,430,767	-	-	D	D
8,516	8,516	5	Agriotech Limited - Sukuk	38,449	38,449	-	-	D	D
32,000	32,000	5	Arzoo Textile Mills Limited	160,000	160,000	-	-	-	-
106,000	106,000	5	Azgard Nine Limited TFC-IV	229,798	246,766	-	-	D	D
36,428	36,428	5	Azgard Nine Limited PPTFC-VI	182,140	182,140	-	9,860	D	D
10,000	10,000	5	Bank Alfalah Limited	49,900	49,920	49,900	49,920	AA-	AA-
30,000	30,000	5	Eden Housing (Sukuk)	46,502	72,753	46,502	72,753	-	A
12,521	12,521	5	Engro Chemical Pakistan Limited	48,832	48,832	48,832	48,832	-	A
-	80,000	5	JDW Sugar Mills Limited	-	44,444	-	44,444	-	A+
-	6,114	5	Financial Receivables Securities Company	-	3,817	-	3,817	-	-
23,951	23,951	5	Maple Leaf Cement Factory Limited	52,886	92,555	52,886	92,555	A-	BB+
-	40,000	5	Martin dow Pharmaceuticals Pakistan Limited	-	18,400	-	18,400	-	A
8,000	8,000	5	Pak Elektron Limited - Sukuk (1st Issue)	15,483	15,483	15,483	15,483	A-	-
106,000	106,000	5	Pak Elektron Limited - Sukuk (2nd Issue)	520,743	520,743	520,743	520,743	A-	-
50,000	50,000	5	Pak Elektron Limited - PPTFC	202,381	202,381	202,381	202,381	A-	-
21,000	21,000	5	Pakistan International Airlines (PIA)	74,312	74,312	74,312	74,312	-	-
10,000	10,000	5	Security Leasing - Sukuk (2nd Issue)	11,893	12,908	8,920	9,681	-	-
15,000	15,000	5	Security Leasing - Sukuk (1st Issue)	15,014	16,284	11,260	12,212	-	-
-	24,711	15,000	Syed Bhaits (Pvt) Limited	-	100,299	-	-	-	-
60,000	60,000	5	Wapda Hydroelectric (Neelum Jhelum)	300,000	300,000	300,000	300,000	-	AAA
30,000	40,000	5	Independent Media Corporation	150,000	190,000	150,000	190,000	A-	A+
6,000	6,000	5	Al-Abbas Sugar Mills Limited	53	53	53	53	-	-
2,000	2,000	5	Al-Zamin Leasing Corporation Limited	7,500	7,500	-	-	-	-
2,000	2,000	5	Agriotech Limited - PPTFC V	7,465	7,465	-	-	D	D
7,000	7,000	5	Agriotech Limited - TFC I	9,569	9,569	-	-	D	D
1,493	1,493	5	Agriotech Limited - TFC III	31,429	31,429	-	-	D	-
2,000	2,000	5	Bank Al-Falah-Fixed	10,704	10,708	10,705	10,708	AA-	AA-
-	5,000	5	Kohat Cement Sukuk	-	4,994	-	4,994	-	-
300	300	5	Pakistan Mobile Communication Limited	6	6	6	6	-	-
5,500	5,500	5	Jahangir Siddiqui & Company	323	323	322	323	-	-
18,000	18,000	5	New Allied Electronics Industries (Pvt) Limited	17,798	17,798	-	-	-	-
64,000	64,000	5	New Allied Electronics Industries (Pvt) Limited-Sukuk	10,064	10,064	-	-	-	-
8,000	8,000	5	Dewan Cement Limited (Pre IPO Investment)	20,000	20,000	-	-	-	-
				3,644,013	3,941,162	1,492,305	1,681,477		

Other particulars of unlisted TFCs are as follows:

Particulars	Mark-up rate per annum	Mark-up payment	Redemption terms
AgriTech Limited - PPTFC	6 months KIBOR + 1.75 %	Semi-annually	In 13 unequal semi annual installments starting from July 14, 2013 and ending on July 14, 2019.
AgriTech Limited - Sukuk	6 months KIBOR + 200 % without any floor or cap	Semi-annually	The principal redemption of these certificates is structured to be in 15 unequal semi annual installments. First two installments were just taken payments due on July 31, 2010 and August 31, 2010 which have been paid, remaining installments are starting from August 06, 2013 and ending on August 06, 2019.
Arzoo Textile Mills Limited	6 months KIBOR + 2.00 % for the first two year and 6 months KIBOR + 1.75 bps for the remaining period without any floor or cap	Quarterly	In ten equal semi-annual installments starting from 18th month from the draw down date.
Azgard Nine Limited TFC-IV	6 months KIBOR + 1.25 %	Semi-annually	In nine semi annual installments starting from December 04, 2013 and ending on December 04, 2017.
Azgard Nine Limited PPTC VI	Nil	Nil	In seven unequal semi annual installments starting from March 31, 2014 and ending on March 31, 2017.
Bank Alkhalaf Limited	6 months KIBOR + 2.50 % with a Floor of 7.00% . and Cap of 20.00%	Semi-annually	0.56% of principal in the first 84th month and remaining principal in four equal quarterly installments of 24.86% each starting from 87th month from the issue date.
Eden Housing (Sukuk)	6 months KIBOR + 300 bps with a Floor of 12.00% . and Cap of 20.00%	Semi-annually	Not less than 8 consecutive semiannual units, the first such unit falling due not later than 18th months from last drawdown.
Engro Chemical Pakistan Limited	6 months KIBOR + 1.55 % without any floor or cap	Semi-annually	0.28% of principal in the first 84th month and remaining principal in two equal semi-annual installments of 49.86% each starting from 90th month from the issue date.
JDW Sugar Mills Limited	3 months KIBOR + 1.25 % without any floor or cap	Quarterly	In eighteen unequal quarterly installments starting from 21st month of the first drawdown.
Financial Receivables Securities Company	6 months KIBOR + 200 bps with a floor 8% and Cap 16%	Semi-annually	0.2% of principal in the first 60th month and remaining principal in two equal semi-annual installments of 49.9% each starting from 66th month from the issue date.
Meaple Leaf Cement Factory Limited	3 months KIBOR + 1.00 % without any floor or cap	Quarterly	In 36 quarterly installments with first installment due on March 01, 2010.

Particulars	Mark-up rate per annum	Mark-up payment	Redemption terms
Martin Dow Pharmaceuticals Pakistan Limited	3 months KIBOR (ask) + 3.80 % without any floor or cap	Monthly	In sixteen equal quarterly installments starting from 15th month from the issue date.
Pak Elektron Limited - Sukuk (1st Issue)	3 months KIBOR (ask) + 1.25 % with a Floor of 10.00% and Cap of 25.00%	Quarterly	In quarterly installments with first installment due on 28 June 2013.
Pak Elektron Limited - Sukuk (2nd Issue)	3 months KIBOR (ask) + 1.00 % with a Floor of 8.00% and Cap of 16.00%	Quarterly	In quarterly installments with first installment due on 30 June 2013.
Pak Elektron Limited - PPTFC	3 months KIBOR (ask) + 3.00 % without any floor or cap	Semi-annually	In quarterly installments with first installment due on 30 June 2013.
Pakistan International Airlines (PIA)	SBP discount rate + 0.50 % with a Floor of 8.00% and Cap of 12.50%	Semi-annually	15.2% of principal in the first 48th month and remaining principal in six equal semi-annual installments of 14.13% each starting from 54th month from the issue date.
Security Leasing - Sukuk (2nd Issue)	Nil	Semi-annually	Up to eight equal semi-annual installment starting from 18th month from first drawdown date.
Security Leasing - Sukuk (1st Issue)	Nil	Semi-annually	In eight equal semi-annual installments starting from 18th month.
Syed Bhai (Pvt) Limited	3 months KIBOR (ask) + 3.80 % without any floor or cap	Quarterly	In sixteen equal quarterly installments starting from 27th month from the issue date.
Wapda Hydroelectric (Neelum Jhelum)	6 months KIBOR +1.00 %	Semi-annually	Principal to be repaid in 14 equal semi annual installments starting from 27-03-2015.
Independent Media Corporation	3 months KIBOR +3.00 %	Quarterly	Principal to be repaid in 20 quarterly installments starting from 05-11-2013.
Al-Abbas Sugar Mills Limited	6 month KIBOR +1.75%	Semi-annually	TFC will be redeemed in 10 equal bi-annual installments of Rs.75 million each commencing from May 2009.
Al-Zamin Leasing Corporation Limited	Floating cut-off yield of last successful SBP auction of 5-year PIBs+200 bps.Floor 12% & Cap 15.75%	Semi-annually	Principal to be redeemed in 10 equal semi-annual installments commencing from the 6th month of issue date. Callable anytime in full after 18th month of issue.
AgriTech Limited - PPTFC V	11 % per annum	Semi-annually	A bullet repayment of principal at the maturity of PPTFCs which is due on January 01, 2017.

Particulars	Mark-up rate per annum	Mark-up payment	Redemption terms
Agritech Limited - TFC I	6 month KIBOR + 1.75%	Semi-annually	In 13 unequal installments starting from November 29, 2013 and ending on November 29, 2019.
Agritech Limited - TFC III	3 months KIBOR + 3.25%	Quarterly	In 26 unequal installments starting from September 01, 2013 and ending on December 01, 2019.
Bank Al-Falah - Fixed	Floating rate of return at Base Rate (6 months KIBOR)+2.50% p.a.	Semi-annually	3- equal semi annual installments commencing 84th month after the issue date.
Kohat Cement Sukuk	3 months KIBOR + 1.5%	Quarterly	Principal to be redeemed in eight (8) equal quarterly installments commencing 20 September, 2012.
Pakistan Mobile Communication Limited	6 months KIBOR + 2.85 %	Semi-annually	0.02% of principal redeemed semi-annually in the first 48 months and remaining amount in 6 semi annual installments.
Jahangir Siddiqui & Company	6 months KIBOR +1.7%	Semi-annually	TFC has a tenor of six years i.e 2007-2013 with a call option exercisable by the company any time after one year on a coupon date by giving 30 days notice at a premium of 1.00% on the outstanding face value.
New Allied Electronics Industries (Pvt) Limited	3 months Kibor + 2.20 % with floor of 7% and Cap of 20%	Semi-annually	Maturity date is November 01, 2012.
New Allied Electronics Industries (Pvt) Limited Sukuk	3 months Kibor + 2.20 %	Semi-annually	Based on diminishing musharaka mechanism with maturity in December 2012.
Dewan Cement Limited (Pre IPO Investment)	6 months KIBOR + 2 % p.a.	Semi-annually	9- equal semi annual installments starting from the twenty fourth month of the issue.

	Cost		Market Value		Rating (where available)	
	2014	2013	2014	2013	2014	2013
Held for trading:						
Market treasury bills	-	9,829,190	-	9,824,370	-	-
Available for sale:						
Market treasury bills	86,783,998	103,921,013	86,908,172	103,687,274	-	-
Pakistan investment bonds	44,708,426	4,161,633	47,260,903	4,006,339	-	-
Government of Pakistan ijara sukuk bonds	1,706,588	701,442	1,702,902	707,663	-	-
	133,199,012	108,784,088	135,871,977	108,401,276		
	133,199,012	118,613,278	135,871,977	118,225,646		

**Statement showing written - off loans or any other financial relief
of five hundred thousand rupees or above provided
during the year ended December 31, 2014**

Sr.No	Name and address of the borrower	Name of Individuals/Partners/Directors with CNIC No.	Father's/Husband's name	Branch name	Region	Outstanding liabilities at beginning of year				Principal written-off	Interest/Mark-up/Other charges capitalized written-off	Interest/Mark-up written off	Other financial relief provided	Total
						Principal	Interest/Mark-up/Other charges capitalized	Interest/Mark-up	Others					
1	Aman Developers 76-C-II, Gulberg III, Lahore.	Muhammad Faisal Nazir (35202-6094742-9) Hina Nazir (35201-7883537-4)	Haji Muhammad Nazir Chaudhary Muhammad Nazir	LHR MAIN BRANCH	LHR-Main	50,616	-	53,251	-	-	27,383	-	27,383	
2	Aziz Sons Tractor Corporation (Pvt) Ltd. 8 Km, Sheikhpura Road, Lahore.	Arshad Ali Tahir (31301-3513097-9) Azra Effat (31301-3691558-4) Makhdoom Zulfikar Hussain (31303-7522618-5)	Abdul Aziz Arshad Ali Tahir Makhdoom Iftikhar Hussain	LHR MAIN BRANCH	LHR-Main	41,929	-	34,693	-	-	24,128	-	24,128	
3	UN Enterprise Sher Garh, Tehsil Depalpur, District Okara	Muhammad Javed Iqbal (35301-1920876-3) Saima Zameer (35201-4686000-4)	Haji Farzand Ali Zameer Ahmed	DEPALPUR	Lahore	17,140	-	13,366	-	-	11,506	-	11,506	
4	Tarar Rice Mills Tarar Rice Mill Hafizabad Road, Rasoolpore Tarar Dist. Hafizabad.	Khizar Hayat Tarar (34302-1257204-7) Ahmed Hayat Tarar (34302-1257205-7) Shamin Akhtar Tarar (34302-1205668-0) Raheela Babar Tarar (35202-7446642-4)	Ali Muhammad Khizar Hayat Tarar Khizar Hayat Tarar Babar Hayat Tarar	JALALPUR BHATTIAN	Gujranwala	-	-	13,715	-	-	4,530	-	4,530	
5	Ambrosia Chemicals Shahani Plaza, Puli Dat Wali, D.G. Khan.	Muhammad Yousaf Shahani (32102-0895619-7) Saadullah (32102-3799083-9) Muhammad Bakhsh Shahani (32102-0998035-9)	Ata Muhammad Shahani Hafiz Wali Muhammad Ata Muhammad	D.G. Khan (Kitchery Road)	Multan	12,139	-	11,064	-	-	2,357	-	2,357	
6	Nenser Drugs (Pvt) Ltd. 23-Civic Centre New Garden Town Lahore.	Muhammad Riaz Malik (221-92-596411) Saleem Ahmad Khan (270-93-156822) Zulfikar Khalid (35201-7031297-1)	Malik Muhammad Nawaz Khan Sardar Ahmad Khan Chaudhary Muhammad Tufail	LHR MAIN BOULEVARD GULBERG	Lahore	3,632	-	8,268	-	-	2,078	-	2,078	
7	Shafiq-ur-Rehman Bazaar Sarafa, Gujrat	Shafiq-ur-Rehman (34201-3264443-7)	Haji Anayat Ullah	GUJRAT SHAH DAULA GATE	Gujranwala	5,086	-	4,420	-	-	1,666	-	1,666	
8	Sheikh Brothers Cotton Giners Ghalla Mandi Malisi	Akbar Ali (36602-6022608-7)	Sheikh Nawab Ali	MAILSI	Multan	5,071	-	3,912	-	-	983	-	983	
9	Neuro Care Centre Khurshid Raftiq Hospital, Khanewal Road, Multan	Shahid Raftiq (36302-8488219-5)	Muhammad Raftiq	Multan (M.D.A Chowk)	Multan	2,527	-	3,569	-	-	924	-	924	
10	Qureshi Traders 114-115, 1st Floor Mall Plaza Multan, 13, 31, 32 Bamezal Arcade MDA Multan.	Hasnain Raza Hashmi (32203-0388733-7)	Mushtaq Ahmad Hashmi	Multan (Quaid-e Azam Road)	Multan	-	-	1,380	-	-	505	-	505	
	Total					138,140	-	147,638	-	-	76,060	-	285,778	
														76,060

Detail of disposal of property and equipment:

Annexure IV

Particulars	Cost / Revalued amount	Book value	Sale price	Profit	Mode of disposal	Particulars of purchasers
	Rupees in '000					
Land:						
Defence Housing Authority, Lahore	22,500	22,500	32,100	9,600	Auction	Khalid Nazir
Buildings :						
Liberty Market, Lahore	12,244	10,163	11,000	837	Auction	Sheikh Abdul Rauf
Vehicles :						
Honda Civic	1,310	437	1,300	863	Insurance claim	United Insurance Company Limited
Honda Civic	1,568	-	1,051	1,051	Auction	Mr. Nadeem Yousif
Suzuki Cultus	1,269	-	1,126	1,126	Auction	Mr. Sharjeal Masud - ex-employee
Toyota Corolla	1,269	-	178	178	As per policy	Ghulam Ali - Employee
Suzuki Cultus	985	383	650	267	As per policy	M Usama - Employee
Suzuki Cultus	985	383	661	278	As per policy	M Arbab - Employee
	7,386	1,203	4,966	3,763		
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	59,319	3,669	10,928	7,259		
2014	<u>101,449</u>	<u>37,535</u>	<u>58,994</u>	<u>21,459</u>		
2013	<u>212,368</u>	<u>103,104</u>	<u>153,979</u>	<u>50,875</u>		

Pattern of Shareholding of Shares

As on 31-12-2014

No. of Shareholders			Shareholding				Total Shares Held			Percentage
Physical	CDC	Total				Physical	CDC	Total		
1058	1438	2496	FROM	1	TO	100	38,663	59,202	97,865	0.0093
1055	1298	2353	FROM	1	TO	100	38,574	53,128	91,702	0.0059
1521	2078	3599	FROM	101	TO	500	401,152	760,696	1,161,848	0.0747
641	1982	2623	FROM	501	TO	1000	476,527	1,796,246	2,272,773	0.1461
1001	4892	5893	FROM	1001	TO	5000	2,125,815	14,119,746	16,245,561	1.0447
156	1940	2096	FROM	5001	TO	10000	1,065,179	15,544,615	16,609,794	1.0681
51	825	876	FROM	10001	TO	15000	617,980	10,617,989	11,235,969	0.7225
38	625	663	FROM	15001	TO	20000	667,780	11,548,082	12,215,862	0.7855
20	393	413	FROM	20001	TO	25000	434,317	9,138,768	9,573,085	0.6156
59	317	376	FROM	25001	TO	30000	1,553,279	9,014,541	10,567,820	0.6796
9	174	183	FROM	30001	TO	35000	286,876	5,737,947	6,024,823	0.3874
6	202	208	FROM	35001	TO	40000	228,640	7,785,884	8,014,524	0.5154
5	123	128	FROM	40001	TO	45000	215,139	5,306,324	5,521,463	0.3551
2	269	271	FROM	45001	TO	50000	97,708	13,229,490	13,327,198	0.8570
8	96	104	FROM	50001	TO	55000	418,495	5,098,785	5,517,280	0.3548
2	117	119	FROM	55001	TO	60000	113,377	6,869,122	6,982,499	0.4490
2	58	60	FROM	60001	TO	65000	122,497	3,656,131	3,778,628	0.2430
	64	64	FROM	65001	TO	70000	-	4,413,319	4,413,319	0.2838
	68	68	FROM	70001	TO	75000	-	5,003,264	5,003,264	0.3217
1	57	58	FROM	75001	TO	80000	79,812	4,465,742	4,545,554	0.2923
	42	42	FROM	80001	TO	85000	-	3,495,893	3,495,893	0.2248
1	48	49	FROM	85001	TO	90000	89,220	4,243,471	4,332,691	0.2786
1	20	21	FROM	90001	TO	95000	91,457	1,857,678	1,949,135	0.1253
	144	144	FROM	95001	TO	100000	-	14,345,259	14,345,259	0.9225
1	29	30	FROM	100001	TO	105000	101,710	2,980,554	3,082,264	0.1982
	26	26	FROM	105001	TO	110000	-	2,813,039	2,813,039	0.1809
1	26	27	FROM	110001	TO	115000	114,528	2,931,742	3,046,270	0.1959
	19	19	FROM	115001	TO	120000	-	2,253,984	2,253,984	0.1449
	23	23	FROM	120001	TO	125000	-	2,844,579	2,844,579	0.1829
1	18	19	FROM	125001	TO	130000	127,406	2,315,641	2,443,047	0.1571
	16	16	FROM	130001	TO	135000	-	2,134,393	2,134,393	0.1373
	22	22	FROM	135001	TO	140000	-	3,054,458	3,054,458	0.1964
	11	11	FROM	140001	TO	145000	-	1,570,867	1,570,867	0.1010
	39	39	FROM	145001	TO	150000	-	5,823,146	5,823,146	0.3745
	9	9	FROM	150001	TO	155000	-	1,365,408	1,365,408	0.0878
	9	9	FROM	155001	TO	160000	-	1,418,439	1,418,439	0.0912
	10	10	FROM	160001	TO	165000	-	1,638,940	1,638,940	0.1054
	7	7	FROM	165001	TO	170000	-	1,182,680	1,182,680	0.0761
	15	15	FROM	170001	TO	175000	-	2,602,444	2,602,444	0.1673
	4	4	FROM	175001	TO	180000	-	713,059	713,059	0.0459
	4	4	FROM	180001	TO	185000	-	738,101	738,101	0.0475
1	9	10	FROM	185001	TO	190000	189,640	1,691,290	1,880,930	0.1210
	5	5	FROM	190001	TO	195000	-	962,192	962,192	0.0619
	56	56	FROM	195001	TO	200000	-	11,184,852	11,184,852	0.7192
	3	3	FROM	200001	TO	205000	-	614,000	614,000	0.0395
	7	7	FROM	205001	TO	210000	-	1,463,683	1,463,683	0.0941
	4	4	FROM	210001	TO	215000	-	854,126	854,126	0.0549
	2	2	FROM	215001	TO	220000	-	437,000	437,000	0.0281
	14	14	FROM	220001	TO	225000	-	3,125,686	3,125,686	0.2010
	6	6	FROM	225001	TO	230000	-	1,368,757	1,368,757	0.0880
	6	6	FROM	230001	TO	235000	-	1,392,716	1,392,716	0.0896

No. of Shareholders			Shareholding			Total Shares Held			Percentage	
Physical	CDC	Total				Physical	CDC	Total		
	4	4	FROM	235001	TO	240000	-	947,924	947,924	0.0610
	5	5	FROM	240001	TO	245000	-	1,213,164	1,213,164	0.0780
	22	22	FROM	245001	TO	250000	-	5,496,746	5,496,746	0.3535
	3	3	FROM	250001	TO	255000	-	758,277	758,277	0.0488
	1	1	FROM	255001	TO	260000	-	259,000	259,000	0.0167
	4	4	FROM	260001	TO	265000	-	1,054,096	1,054,096	0.0678
	3	3	FROM	265001	TO	270000	-	805,486	805,486	0.0518
	3	3	FROM	270001	TO	275000	-	817,000	817,000	0.0525
	6	6	FROM	275001	TO	280000	-	1,675,060	1,675,060	0.1077
	5	5	FROM	280001	TO	285000	-	1,412,044	1,412,044	0.0908
	5	5	FROM	285001	TO	290000	-	1,441,671	1,441,671	0.0927
	4	4	FROM	290001	TO	295000	-	1,176,805	1,176,805	0.0757
	16	16	FROM	295001	TO	300000	-	4,800,000	4,800,000	0.3087
	6	6	FROM	300001	TO	305000	-	1,814,486	1,814,486	0.1167
	3	3	FROM	305001	TO	310000	-	928,235	928,235	0.0597
	2	2	FROM	310001	TO	315000	-	624,500	624,500	0.0402
	3	3	FROM	315001	TO	320000	-	952,500	952,500	0.0612
	4	4	FROM	320001	TO	325000	-	1,288,500	1,288,500	0.0829
	4	4	FROM	325001	TO	330000	-	1,313,056	1,313,056	0.0844
	1	1	FROM	330001	TO	335000	-	335,000	335,000	0.0215
	4	4	FROM	335001	TO	340000	-	1,354,000	1,354,000	0.0871
	6	6	FROM	345001	TO	350000	-	2,095,028	2,095,028	0.1347
	2	2	FROM	350001	TO	355000	-	707,000	707,000	0.0455
	3	3	FROM	355001	TO	360000	-	1,076,164	1,076,164	0.0692
	1	1	FROM	360001	TO	365000	-	360,541	360,541	0.0232
	2	2	FROM	365001	TO	370000	-	737,500	737,500	0.0474
	4	4	FROM	370001	TO	375000	-	1,498,530	1,498,530	0.0964
	2	2	FROM	375001	TO	380000	-	759,928	759,928	0.0489
	3	3	FROM	380001	TO	385000	-	1,143,005	1,143,005	0.0735
	2	2	FROM	390001	TO	395000	-	789,776	789,776	0.0508
	11	11	FROM	395001	TO	400000	-	4,400,000	4,400,000	0.2829
	3	3	FROM	400001	TO	405000	-	1,204,826	1,204,826	0.0775
	4	4	FROM	405001	TO	410000	-	1,637,122	1,637,122	0.1053
	2	2	FROM	410001	TO	415000	-	823,822	823,822	0.0530
	2	2	FROM	415001	TO	420000	-	835,522	835,522	0.0537
	1	1	FROM	420001	TO	425000	-	423,000	423,000	0.0272
	3	3	FROM	425001	TO	430000	-	1,281,104	1,281,104	0.0824
	3	3	FROM	435001	TO	440000	-	1,316,387	1,316,387	0.0846
	1	1	FROM	440001	TO	445000	-	443,303	443,303	0.0285
	8	8	FROM	445001	TO	450000	-	3,593,500	3,593,500	0.2311
	3	3	FROM	450001	TO	455000	-	1,354,589	1,354,589	0.0871
	1	1	FROM	460001	TO	465000	-	463,000	463,000	0.0298
	1	1	FROM	475001	TO	480000	-	477,021	477,021	0.0307
	1	1	FROM	480001	TO	485000	-	484,000	484,000	0.0311
	1	1	FROM	490001	TO	495000	-	494,776	494,776	0.0318
	12	12	FROM	495001	TO	500000	-	5,998,470	5,998,470	0.3857
	3	3	FROM	500001	TO	505000	-	1,512,500	1,512,500	0.0973
	3	3	FROM	505001	TO	510000	-	1,523,723	1,523,723	0.0980
	1	1	FROM	515001	TO	520000	-	517,090	517,090	0.0333
	3	3	FROM	520001	TO	525000	-	1,573,961	1,573,961	0.1012
	1	1	FROM	525001	TO	530000	-	530,000	530,000	0.0341

No. of Shareholders			Shareholding			Total Shares Held			Percentage	
Physical	CDC	Total				Physical	CDC	Total		
1		1	FROM	535001	TO	540000	-	540,000	540,000	0.0347
4		4	FROM	545001	TO	550000	-	2,195,500	2,195,500	0.1412
1		1	FROM	550001	TO	555000	-	552,197	552,197	0.0355
2		2	FROM	555001	TO	560000	-	1,117,561	1,117,561	0.0719
2		2	FROM	595001	TO	600000	-	1,200,000	1,200,000	0.0772
1		1	FROM	600001	TO	605000	-	605,000	605,000	0.0389
2		2	FROM	615001	TO	620000	-	1,234,000	1,234,000	0.0794
3		3	FROM	620001	TO	625000	-	1,875,000	1,875,000	0.1206
3		3	FROM	625001	TO	630000	-	1,880,000	1,880,000	0.1209
1		1	FROM	645001	TO	650000	-	650,000	650,000	0.0418
3		3	FROM	660001	TO	665000	-	1,987,147	1,987,147	0.1278
1		1	FROM	685001	TO	690000	-	689,000	689,000	0.0443
5		5	FROM	695001	TO	700000	-	3,497,000	3,497,000	0.2249
1		1	FROM	715001	TO	720000	-	717,500	717,500	0.0461
1		1	FROM	725001	TO	730000	-	730,000	730,000	0.0469
3		3	FROM	735001	TO	740000	-	2,211,272	2,211,272	0.1422
2		2	FROM	745001	TO	750000	-	1,499,000	1,499,000	0.0964
1		1	FROM	760001	TO	765000	-	760,020	760,020	0.0489
1		1	FROM	770001	TO	775000	-	775,000	775,000	0.0498
1		1	FROM	775001	TO	780000	-	780,000	780,000	0.0502
2		2	FROM	795001	TO	800000	-	1,600,000	1,600,000	0.1029
1		1	FROM	805001	TO	810000	-	805,157	805,157	0.0518
1		1	FROM	810001	TO	815000	-	811,934	811,934	0.0522
1		1	FROM	815001	TO	820000	-	818,004	818,004	0.0526
1		1	FROM	820001	TO	825000	-	822,212	822,212	0.0529
1		1	FROM	825001	TO	830000	-	830,000	830,000	0.0534
1		1	FROM	835001	TO	840000	-	840,000	840,000	0.0540
1		1	FROM	840001	TO	845000	-	842,000	842,000	0.0541
1		1	FROM	845001	TO	850000	-	850,000	850,000	0.0547
1		1	FROM	850001	TO	855000	-	854,500	854,500	0.0549
1		1	FROM	860001	TO	865000	-	861,164	861,164	0.0554
1		1	FROM	870001	TO	875000	-	871,500	871,500	0.0560
1		1	FROM	895001	TO	900000	-	900,000	900,000	0.0579
1		1	FROM	925001	TO	930000	-	926,500	926,500	0.0596
1		1	FROM	945001	TO	950000	-	950,000	950,000	0.0611
1		1	FROM	965001	TO	970000	-	966,818	966,818	0.0622
6		6	FROM	995001	TO	1000000	-	6,000,000	6,000,000	0.3858
1		1	FROM	1015001	TO	1020000	-	1,018,500	1,018,500	0.0655
1		1	FROM	1025001	TO	1030000	-	1,030,000	1,030,000	0.0662
3		3	FROM	1035001	TO	1040000	-	3,115,135	3,115,135	0.2003
1		1	FROM	1075001	TO	1080000	-	1,076,367	1,076,367	0.0692
1		1	FROM	1095001	TO	1100000	-	1,100,000	1,100,000	0.0707
1		1	FROM	1130001	TO	1135000	-	1,135,000	1,135,000	0.0730
1		1	FROM	1135001	TO	1140000	-	1,137,509	1,137,509	0.0731
1		1	FROM	1160001	TO	1165000	-	1,165,000	1,165,000	0.0749
1		1	FROM	1170001	TO	1175000	-	1,175,000	1,175,000	0.0756
2		2	FROM	1195001	TO	1200000	-	2,400,000	2,400,000	0.1543
1		1	FROM	1210001	TO	1215000	-	1,210,500	1,210,500	0.0778
1		1	FROM	1215001	TO	1220000	-	1,217,000	1,217,000	0.0783
1		1	FROM	1245001	TO	1250000	-	1,250,000	1,250,000	0.0804
1		1	FROM	1260001	TO	1265000	-	1,265,000	1,265,000	0.0813

No. of Shareholders			Shareholding			Total Shares Held			Percentage	
Physical	CDC	Total				Physical	CDC	Total		
	1	1	FROM	1270001	TO	1275000	-	1,274,000	1,274,000	0.0819
	2	2	FROM	1320001	TO	1325000	-	2,646,979	2,646,979	0.1702
	1	1	FROM	1325001	TO	1330000	-	1,329,850	1,329,850	0.0855
	1	1	FROM	1365001	TO	1370000	-	1,369,000	1,369,000	0.0880
	1	1	FROM	1385001	TO	1390000	-	1,389,800	1,389,800	0.0894
	2	2	FROM	1395001	TO	1400000	-	2,800,000	2,800,000	0.1801
	1	1	FROM	1405001	TO	1410000	-	1,408,700	1,408,700	0.0906
	1	1	FROM	1495001	TO	1500000	-	1,500,000	1,500,000	0.0965
	1	1	FROM	1515001	TO	1520000	-	1,517,000	1,517,000	0.0975
	1	1	FROM	1570001	TO	1575000	-	1,571,271	1,571,271	0.1010
	1	1	FROM	1595001	TO	1600000	-	1,600,000	1,600,000	0.1029
	1	1	FROM	1610001	TO	1615000	-	1,614,500	1,614,500	0.1038
	1	1	FROM	1665001	TO	1670000	-	1,666,336	1,666,336	0.1072
	1	1	FROM	1710001	TO	1715000	-	1,713,000	1,713,000	0.1102
	1	1	FROM	1740001	TO	1745000	-	1,743,000	1,743,000	0.1121
	1	1	FROM	1800001	TO	1805000	-	1,803,000	1,803,000	0.1159
	1	1	FROM	1815001	TO	1820000	-	1,815,800	1,815,800	0.1168
	2	2	FROM	1895001	TO	1900000	-	3,800,000	3,800,000	0.2444
	1	1	FROM	1990001	TO	1995000	-	1,993,500	1,993,500	0.1282
	1	1	FROM	2145001	TO	2150000	-	2,146,500	2,146,500	0.1380
	1	1	FROM	2195001	TO	2200000	-	2,200,000	2,200,000	0.1415
	1	1	FROM	2230001	TO	2235000	-	2,235,000	2,235,000	0.1437
	1	1	FROM	2265001	TO	2270000	-	2,266,500	2,266,500	0.1457
	1	1	FROM	2345001	TO	2350000	-	2,350,000	2,350,000	0.1511
	1	1	FROM	2380001	TO	2385000	-	2,385,000	2,385,000	0.1534
	1	1	FROM	2710001	TO	2715000	-	2,712,105	2,712,105	0.1744
	1	1	FROM	2975001	TO	2980000	-	2,976,039	2,976,039	0.1914
	1	1	FROM	3595001	TO	3600000	-	3,597,239	3,597,239	0.2313
	1	1	FROM	3695001	TO	3700000	-	3,700,000	3,700,000	0.2379
	1	1	FROM	3745001	TO	3750000	-	3,750,000	3,750,000	0.2411
	1	1	FROM	3975001	TO	3980000	-	3,979,358	3,979,358	0.2559
	1	1	FROM	4405001	TO	4410000	-	4,408,166	4,408,166	0.2835
	1	1	FROM	4745001	TO	4750000	-	4,750,000	4,750,000	0.3054
	1	1	FROM	4910001	TO	4915000	-	4,913,500	4,913,500	0.3160
	1	1	FROM	4995001	TO	5000000	-	5,000,000	5,000,000	0.3215
	1	1	FROM	5000001	TO	5005000	-	5,004,445	5,004,445	0.3218
	1	1	FROM	5215001	TO	5220000	-	5,215,500	5,215,500	0.3354
	1	1	FROM	5335001	TO	5340000	-	5,335,376	5,335,376	0.3431
	1	1	FROM	5345001	TO	5350000	-	5,347,500	5,347,500	0.3439
	1	1	FROM	5495001	TO	5500000	-	5,500,000	5,500,000	0.3537
	1	1	FROM	5695001	TO	5700000	-	5,700,000	5,700,000	0.3665
	1	1	FROM	7670001	TO	7675000	-	7,670,434	7,670,434	0.4932
	1	1	FROM	8925001	TO	8930000	-	8,928,383	8,928,383	0.5741
	1	1	FROM	9650001	TO	9655000	-	9,654,400	9,654,400	0.6208
	1	1	FROM	10845001	TO	10850000	-	10,845,724	10,845,724	0.6974
	1	1	FROM	11215001	TO	11220000	-	11,220,000	11,220,000	0.7215
	1	1	FROM	26295001	TO	26300000	-	26,299,000	26,299,000	1.6911
	1	1	FROM	30900001	TO	30905000	-	30,904,500	30,904,500	1.9873
	1	1	FROM	70695001	TO	70700000	-	70,697,465	70,697,465	4.5461
1		1	FROM	893765001	TO	893770000	893,767,556	-	893,767,556	57.4728
4584	16563	21147					903,424,664	651,688,501	1,555,113,165	100.0000

Categories of Shareholders

As on 31-12-2014

Shareholder Category	No. of Shareholders			Total No. of Shares Held			Percentage
	Physical	CDC	Total	Physical	CDC	Total	
DIRECTORS	1	3	4	2,502	14,321	16,823	0.0011%
PROVINCIAL GOVERNMENT	1	0	1	893,767,556	0	893,767,556	57.4728%
ASSOCIATED COMPANIES	0	0	0	0	0	0	0.0000%
FOREIGN FUNDS	30	6	36	78,469	15,636,783	15,715,252	1.0106%
INDIVIDUALS (FOREIGN)	0	11	11	0	188,089	188,089	0.0121%
INDIVIDUALS (LOCAL)	4,514	16,329	20,843	9,326,677	425,809,643	435,136,320	27.9810%
BANK/NBFI/FIN.INST./ INSURANCE CO./ MODARABAS MUTUAL FUNDS	20	36	56	98,557	33,861,316	33,959,873	2.1838%
LEASING COMPANIES	0	2	2	0	3,175	3,175	0.0002%
CHARITABLE TRUSTS	0	4	4	0	687,480	687,480	0.0442%
COOPERATIVE SOCIETITES	0	0	0	0	0	0	0.0000%
NIT	0	0	0	0	0	0	0.0000%
ICP	1	1	2	975	2,699	3,674	0.0002%
JOINT STOCK COMPANIES	17	155	172	149,928	102,497,658	102,647,586	6.6007%
OTHERS	0	16	16	0	72,987,337	72,987,337	4.6934%
TOTAL	4,584	16,563	21,147	903,424,664	651,688,501	1,555,113,165	100.0000%

Categories of Shareholding required under Code of Corporate Governance (CCG)

As on December 31, 2014

Sr. No.	Name	No. of Shares Held	Percentage
	Associated Companies, Undertakings and Related Parties (Name Wise Detail):		
	Mutual Funds (Name Wise Detail):		
1	GROWTH MUTUAL FUND LIMITED	3,061	0.0002%
2	CDC - TRUSTEE AKD AGGRESSIVE INCOME FUND - MT	2,146,500	0.1380%
3	CDC - TRUSTEE AKD INDEX TRACKER FUND	136,659	0.0088%
4	CDC - TRUSTEE FAYSAL INCOME & GROWTH FUND - MT	1,408,700	0.0906%
5	CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND LIMITED	47,180	0.0030%
6	CDC - TRUSTEE KASB INCOME OPPORTUNITY FUND - MT	326,000	0.0210%
7	MC FSL - TRUSTEE JS KSE-30 INDEX FUND	26,526	0.0017%
8	CDC - TRUSTEE ASKARI HIGH YIELD SCHEME - MT	9,654,400	0.6208%
9	CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND - MT	502,500	0.0323%
10	CDC - TRUSTEE PICIC INCOME FUND - MT	454,000	0.0292%
11	GOLDEN ARROW SELECTED STOCK FUND LIMITED	1,324,500	0.0852%
12	PAK ASIAN FUND LIMITED	6,000	0.0004%
13	PAK ASIAN FUND LIMITED	10,000	0.0006%
14	PRUDENTIAL STOCK FUND LTD.	546	0.0000%
15	NTGI-QM COMMON DIVERSIFIED FRONTIER MARKETS INDEX FUND	1,265,000	0.0813%
	Directors and their Spouse and Minor Children (Name Wise Detail):		
1	MR. JAVAID ASLAM	2,502	0.0002%
2	MR. SAEED ANWAR (CDC)	3,000	0.0002%
3	KH. FAROOQ SAEED (CDC)	8,821	0.0006%
4	MR. OMAR SAEED (CDC)	2,500	0.0002%
	Executives:	-	-
	Public Sector Companies & Corporations (Government Holding):	893,767,556	57.4728%
	Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:	16,651,476	1.0708%
	Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)		
1	GOVERNMENT OF THE PUNJAB	893,767,556	57.4728%
	All trades in the shares of the listed company, carries out by its Directors, Executives and their spouses and minor children shall also be disclosed:		
S. No.	NAME	Purchase	SALE
1	MR. OMAR SAEED	2,500	-

List of Foreign Correspondent Banks

(1) Australia

Australia & New Zealand Banking Group Ltd
JP Morgan Chase Bank N.A

(2) Austria

Bank Austria Creditans Anstalt AG
Citi Bank
Raiffeisenland Bank Niederoesterreich
Raiffeisen Central Bank Oesterreich
Raiffeisenland Bank Oberoesterreich

(3) Bahrain

United Bank Ltd
Bank Al Habib Ltd
BNP Paribas Manama
Mashreq Bank

(4) Bangladesh

Habib Bank Ltd
Social Investment Bank Ltd
Woori Bank, Dhaka

(5) Belgium

Citi Bank Belgium NV/SA
BNP Paribas Fortis Belgium
Commerzbank AG,
Credit Europe Bank N.V
Dexia Bank SA
Habib Bank Ltd
ING Belgium NV/SA
KBC Bank NV
The Royal Bank of Scotland

(6) Brazil

Banco Santander Central Hispano S.A.
Deutsche Bank S.A

(7) Bulgaria

United Bulgarian Bank

(8) Canada

National Bank of Canada
Royal Bank Of Canada

(9) China

The Royal Bank Of Scotland N.V.
Abn Amro Bank (China) Co., Ltd
Agricultural Bank of china
Bank Of China (Head Office)
Bank of Communications
Bank Of Jiangsu Co Ltd
Bank Of New York Shanghai Branch
The Bank of Tokyo Mitsubishi Ltd
China Construction Bank Corporation
China Merchants Bank
Citi Bank, N.A
DBS Bank (Hong Kong) Ltd
Deutsche Bank AG
Guangdong Development Bank
HBZ Finance Ltd
Industrial and Commercial Bank of China
JP Morgan Chase Bank N.A
Laiwu City Commercial Bank
Mashreq Bank
Nanjing City Commercial Bank
National Bank of Pakistan

Standard Chartered Bank
The Bank of Nova Scotia
Toronto Dominion Bank
Union De Banques Et Francaises
Habib Bank Ltd
Wing Hang Bank Ltd
Yinzhou Bank

(10) Cyprus

Bank of Cyprus Ltd
Marfin Popular Bank Public Co Ltd
Hellenic Bank Public Company Ltd

(11) Croatia

Zagrebacka Banka DD

(12) Czech Republic

Citi Bank
HVB Bank Czech Republic A.S.
Commerzbank AG
Raiffeisenbank A.S.

(13) Denmark

Amagerbanken A/S
Danske Bank
Nordea Bank Denmark A/S
SYD Bank A/S

(14) Egypt

Citi Bank
Mashreq Bank
National Bank of Egypt

(15) Ethiopia

Dashen Bank

(16) Eritrea

Commercial Bank of Eritrea

(17) Finland

Danske Bank

Nordea Bank Finland PLC

OKO Osuuspankkien Keskuspankki OYJ

Skandinaviska Enskilda Bank

(18) Fiji

Bank of South Pacific Ltd

(19) France

BNP-Paribas SA Bank

Citi Bank

Commerz Bank AG

Credit Industriel ET Commercial

Habib Bank Limited UK-PLC

National Bank of Pakistan

Union De Banques Et Francaises

(20) Germany

The Royal Bank Of Scotland N.V. (Germany)

Bank Of America, N.A.

The Bank of Tokyo Mitsubishi Ltd

Bayerische Hypovereins Bank

Commerz Bank AG

Deutsche Bank AG

HSBC Trinkaus UND Burkhardt AG

HSH Nordbank AG

Kreissparkasse Koeln

Landesbank Baden-Wuerttemberg

M.M.warburg

National Bank AG

National Bank of Pakistan

SEB AG (Skandinaviska Enskilda Bank)

Shinhan Bank Europe GMBH

Sparkasse Pforzheim Calw

Sparkasse Westmunsterland

Standard Chartered Bank Ltd

Suedwest Bank

Westlb AG

(21) Greece

Alpha Bank

National Bank of Greece

Bank Of Cyprus Public Company Ltd

(22) Hungary

Citi Bank

Unicredit Bank Hungary Zrt.

Raiffisen Bank ZRT.

Central-European International Bank Ltd.

(23) Ice Land

Landsbanki Islands

(24) India

The Royal Bank Of Scotland N.V. (India)

The Bank of Tokyo Mitsubishi Ltd

Canara Bank

Central Bank of India

Citibank N.A

Deutsche Bank AG

JP Morgan Chase Bank N.A

Mashreq Bank

Punjab National Bank

Shinhan Bank

Standard Chartered Bank

BNP Paribas India

(25) Indonesia

Abn Amro Bank

Bank Mandiri

JP Morgan Chase Bank N.A

NISP Bank

Standard Chartered Bank

Woori Bank, Indonesia P.T

Bank Sinarmas

(26) Ireland

Citi Bank

Bank of Scotland

(27) Italy

Veneto Banca Holding

Banca Agricola Mantovana SPA

Banca Antonveneta Spa

Banca Di Roma S.P.A.

Banca Intesa SPA

Banca Monte Dei Paschi Di Siena S.P.A.

Banca Popolare Di Milano S.C.A.R.L.

Banca Popolare Di Vicenza

Banca Popolare Friuladria SPA

Banca Toscana S.P.A

Banca Ubae Spa

Banco Popolare Di Verona E Novera	(31) Kazakhstan	JP Morgan Chase Bank N.A
Banco Popolare	Citi Bank	Standard Chartered Bank
Bayerische Hypo Und Vereinsbank	Bank Turanalem	Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad
Bipop-Carire SPA		
Capitalia SPA (Banca De Roma S.P.A)	(32) Kuwait	
Cassa Di Risparmio Di Firenze S.P.A.	Alahli Bank Of Kuwait K.S.C.	(36) Morocco
Commerzbank AG	Commercial Bank of Kuwait SAK	Attijariwafa Bank(Formerly Banque Comm.
Credito bergamasco S.P.A	National Bank of Kuwait	DU Maroc
Iccrea Banca, Milano Branch		Citi Bank
Intesa Sanpaolo SPA	(33) Korea	
Sanpaolo Banco Di Napoli Spa	The Royal Bank Of Scotland N.V	(37) Mauritius
UBI Banca	The Bank of Tokyo Mitsubishi Ltd	Mauritius Commercial Bank
Unicredito Italiano SPA	JP Morgan Chase Bank N.A	Mauritius Post & Co-operative Bank
Veneto Banca S.C.A.R.L.	Kookmin Bank	
	Korea Development Bank	(38) Myanmar
(28) Jordan	Korea Exchange Bank	Mayanmar Investment & Comm. Bank
Standard Chartered Bank	National Bank of Pakistan	
	Pusan Bank	(39) Macao
(29) Japan	Shinhan Bank	BNP Paribas Macau Branch
The Royal Bank Of Scotland Plc	Standard Chartered Bank	
(Former ABN Amro Bank N.V.)	(U.B.A.F)Union De Banques Et Francaises	(40) Norway
The Bank of Tokyo Mitsubishi Ltd	Woori Bank	Den Norske Bank
Calyon	Bank Of Tokyo-Mitsubishi UFJ, Ltd.,	Nordea Bank Norge
Bayerische Hypo-Und Vereinsbank AG	Daegu Bank, Ltd.,The	Fokus Bank, Part Of Danske Bank Group
JP Morgan Chase Bank N.A		
National Bank of Pakistan	(34) Lebanon	(41) Netherlands
Standard Chartered Bank	Citi Bank	Abn Amro Bank
Sumitomo Mitsui Banking	Credit Libanais S.A.L.	BNP Paribas S.A.
Union De Banques Et Francaises	Habib Bank Ltd	Citi Bank
		Commerz Bank AG
(30) Kenya	(35) Malaysia	Credit Europe Bank NV
Standard Chartered Bank	The Royal Bank Of Scotland Berhad	Fortis Bank (Netherland) N.V.
	Alliance Bank Malaysia Berhad	Habib Bank Limited UK PLC

Hollandsche Bank	JS Bank Ltd	(51) Qatar
ING Bank N.V.	KASB Bank Ltd.	United Bank Ltd.
Korea Exchange Bank, Amsterdam Branch	Meezan Bank Ltd.	Doha Bank
(42) Newzealand	MCB Bank Ltd.	Mashreq Bank
Australia and New Zealand Bank	National Bank of Pakistan	BNP Paribas, Doha
	NIB Bank Ltd	(52) Russia
	Silk Bank Ltd.	Citi Bank
(43) Nigeria	Soneri Bank Ltd.	MDM Bank (Open Joint-Stock Company)
Citi Bank	Standard Chartered Bank	
	Summit Bank Limited	(53) Saudi Arabia
(44) Oman	The Bank Of Khyber	Alinma Bank
Bank Muscat SAOG	United Bank Ltd.	Bank Al-Jazira
Bank Nizwa Oman	Albaraka Islamic Bank	Banque Saudi Fransi
Standard Chartered Bank		Islamic Development Bank
Habib Bank Ltd	(47) Philippines	Samba Financial Group
	Banco De Oro Universal Bank	JP Morgan Chase
(45) Romania	Development Bank of Philippines	Saudi Hollandi Bank
HVB Bank Romania SA	Equitable PCI Bank, INC.	Bank Al Bilad
	Asian Development Bank	National Bank of Pakistan
(46) Pakistan		(54) Singapore
Allied Bank Ltd	(48) Portugal	The Royal Bank Of Scotland N.V. (Singapore)
Askari Commercial Bank Ltd	Banco BPI SA	Bank Mandiri(Persero) PT
Bank Al Falah Ltd.	Fortis Bank	Bank of America
Bank Al Habib Ltd.		The Bank of Tokyo Mitsubishi Limited
Bank Islami Pakistan Ltd.	(49) Poland	Bayerische Hypo-Und Vereinsbank
Bank of Tokyo-Mitsubishi UFJ Ltd.	Bank Handlowy w Warszawie SA	BNP Paribas SA
Burj Bank Limited	ING Bank Slaski I SA	Citi Bank
Citi Bank	Nordea Bank Polska S.A.	Commerz Bank AG
Deutsche Bank AG		Deutsche Bank AG
Dubai Islamic Bank Pakistan Ltd.	(50) Papua New Guinea	Fortis Bank
Faysal Bank Ltd.	Bank Of South Pacific Ltd.	Habib Bank Limited
Habib Bank Ltd.		JP Morgan Chase Bank N.A
Habib Metropolitan Bank Ltd.		

ING Bank Singapore

KBC Bank Singapore Branch

Shinan Bank

Skandinaviska Enskilda

Standard Chartered Bank

Sumitomo Mitsui Banking Corporation

Union De Banques Et Francaises

(55) Slovenia

Bank Austria Creditans Anstalt

(56) Sudan

Blue Nile Mashreg Bank

(57) Spain

Banco De Sabadell S.A.

Bankinter,S.A

BNP Paribas S.A. Sucursal En Espana

Caixa D'Estalvis De Catalunya

Caixa D'Estalvis I Pensions De Barcelona

Caja Espana De Inversiones

Caja de Ahorros de Galicia

Caja De Ahorros Del Mediterraneo

Citibank Espana S.A

Commerz Bank AG

Fortis Bank

(58) Sri Lanka

NDB Bank Ltd.

Hatton National Bank Ltd.

Habib Bank Ltd

Bank of Ceylon

(59) South Africa

First Rand Bank

HBZ Bank Ltd.

(60) Sweden

The Royal Bank Of Scotland N.V. (Nordic)

Citi Bank

Nordea Bank Sweden

Skandinaviska Enskilda

Svenska Handelsbanken

(61) Switzerland

The Royal Bank Of Scotland N.V.

Abn Amro Bank (Switzerland) A.G.

Banque Cantonale Vaudoise

Banque De Commerce Et De Placements S.A.

BNP Paribas (Suisse) SA

Commerz Bank AG

Credit Agricole (Suisse)SA

Credit Suisse

HSBC Guyerzeller Bank AG

United Bank Ltd.

Zuercher Kantonal Bank

Habibsons Bank Ltd

Habib Bank AG Zurich

(62) Scotland

Bank of Scotland

Citibank Europe PLC

(63)Slovakia

Unibanka, A.S.,(Unicredito Italiano Group)

Commerzbank AG

(64) Taiwan

Australia And New Zealand Banking Group

Bank Of New York

The Bank of Tokyo Mitsubishi Limited

Citibank N.A., Taipei Branch

JP Morgan Chase Bank N.A

Standard Chartered Bank

Sumitomo Mitsui Banking Corporation

(65) Tunisia

Arab Banking Corporation

Banque International Arabe De Tunisie

(66) Thailand

The Bank of Tokyo Mitsubishi Ltd.

Export-Import Bank of Thailand

JP Morgan Chase Bank N.A

Standard Chartered Bank

Sumitomo Mitsui Banking Corporation

(67) Turkey

Habib Bank UK-PLC

Oyak Bank A.S.

Tekstil Bankası A.S.

Turkiye Garanti Bankasi

Kuwait Turkish Participation Bank Inc

Turkiye IS Bankasi

Yapi Ve kredi bankasi

Denizbank Turkey

T Bank-Turk land Bank A.S.

Fortis Bank A.S.

(68) United Arab Emirates

BNP Paribas
 Citi Bank
 Commercial Bank of Dubai
 Doha Bank
 Emirates Bank International PJSC
 Emirates Islamic Bank
 First Gulf Bank
 Habib Bank A.G. Zurich
 Mashreq Bank
 National Bank of Fujairah
 Standard Chartered Bank
 Union National Bank
 United Bank Ltd
 Habib Bank Ltd

(69) United Kingdom

Bank Leumi UK-PLC
 Bank Of America, N.A.
 Bank Of Cyprus UK
 The Bank of Tokyo Mitsubishi Ltd
 Citi Bank
 Commerz Bank AG
 EFG Private Bank Ltd
 Habib Bank AG Zurich
 Habib Bank UK-PLC
 JP Morgan Chase Bank
 KBC Bank NV
 Mashreq Bank
 National Westminster Bank
 Nordea Bank Finland Plc London Branch
 Northern Bank (Part Of Danske Bank Group)
 Shinhan Bank London Branch

Standard Chartered Bank

United National Bank

Habibsons Bank Ltd

(70) United States

The Royal Bank of Scotland N.V.
 Bank of America, N.A.
 Bank of Newyork
 The Bank of Tokyo Mitsubishi Ltd
 BNP Paribas U.S.A
 Citi Bank
 Commerz Bank AG
 Credit Suisse Bank
 Deutsche Bank Trust Company Americas
 Doha Bank
 First Commercial Bank
 Habib American Bank
 Habib Bank Limited
 JP Morgan Chase Bank
 Keybank National Association
 Mashreq Bank
 National Bank of Pakistan
 National City Bank Cleveland
 Regions Bank
 Standard Chartered Bank
 State Bank of India(California)
 Sumitomo Mitsui Banking Corporation
 Sterling National Bank
 U.S Bank
 UMB Bank, N.A.
 United Bank Ltd
 Washington Mutual Bank
 Wells Fargo Bank

Woori Bank

China Construction Bank New York Branch

(71) Vietnam

Standard Chartered Bank
 Shinanvina Bank

(72) Zambia

Standard Chartered Bank

Form of Proxy

I/We _____
(Name and Folio No./Participant Account No. & Sub-Account No.)

of _____
(Place)
being a member(s) of THE BANK OF PUNJAB hereby appoint

(Name and Folio No./Participant Account No. & Sub-Account No.)

of _____
(Place)

another member of the Bank as my / our proxy to attend, speak and vote on my / our behalf at the 24th Annual General Meeting of the Bank to be held on Thursday, 30th April, 2015 at 9:30 a.m. at Qasar-e-Noor, Main Boulevard, Gulberg-III, Lahore and at any adjournment thereof.

Signed this _____ Day _____ 2015.

Signature of Member(s)

Five Rupees
Revenue Stamp

WITNESSES:

1. Signature: _____

2. Signature: _____

Name: _____

Name: _____

Address: _____

Address: _____

CNIC or
Passport No. _____

CNIC or
Passport No. _____

NOTE:

This form of proxy duly completed must be deposited at Corporate Affairs Department of the Bank at BOP Tower, 10-B, Block-E-II, Main Boulevard, Gulberg-III, Lahore by not less than 48 hours before the time fixed for the Meeting.

The Company Secretary

THE BANK OF PUNJAB

BOP Tower, 10-B, Block-E-II,
Main Boulevard, Gulberg-III,
Lahore.
Ph: 35783700-10

AFFIX
CORRECT
POSTAGE



Head Office:
BOP Tower, 10-B Block E/II, Main Boulevard,
Gulberg-III, Lahore UAN: 111-200-100
www.bop.com.pk