ANNUAL REPORT 2013

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IMAGE

VISION, MISSION & CORE VALUES

VISION

To become a leading DFI as a HUB of investment activities for Pakistani & Chinese entrepreneurs through our in-depth market knowledge. Providing innovative financial solutions through exceptional people, efficient processes, innovative solutions and customer relationship.

Focus on bringing Chinese investment, Technology and know to Pakistan by conducting Road Shows and preparing Pitch books. Allowing Pak China Investment Company to be us as platform for investment decision in entering the Pakistani market.

MISSION STATMENT

As a Focused Development Financial institutions we excel in our mission. Our business spans over Financial Manufacturing. Real Estate Energy. Infrastructure, Information Technology and Agriculture sectors.

Be a channel of investment flow by becoming prime advisors for investors from Pakistan and China.
Identify and Capitalize on opportunities in Pakistan by leveraging on Chinese technology, financial resources and entrepreneurial expertise.
Act as a catalyst of success for our customers by responding for their needs and develop a lasting Relationship.
Create a culture of performance integrity and efficiency where productivity performance and innovation are the hallmarks.
Build state of the art technology platform and applications.
Produce exceptional results while keeping within acceptable risk levels.

CORE VALUES

At Pak China Investment Company Limited. We live by our Values. Which determine our business and personal conduct, We ensure that these values are siserminated and understood by each one of us their letter and spirit.
We work with integrity, professionalism, passion, dedication, creativity and have one point agenda of desired results.
We respect individuals and their views and understand of our culture.
We are honest in our communication, we mean what we say and we don't say what we don't mean.
We regard success and satisfaction of our customers as our reward.
We value our Leadership and foster its development.
We put team's interest of ours and work as a cohesive team.

CORPORATE INFORMATION

HUMAN RESOURCE COMMITEE

Dr. Waqar Masood Khan	Chairman
Mr. Cao Wen Jiang	Director
Mrs. Nargis Sehti	Director
Mr. Zuo Kun	Director
Ms. Liu Hui	Director
Mr. Javed Mahmood	Director

HUMAN RESOURCE COMMITEE

Federal Secretary, Economic Affairs Division	Chairman
Mr. Cao Wen Jiang	Member
Ms. Liu Hui	Member
Mr. Javed Mahmood	Member

RISK MANAGEMENT COMMITEE

Federal Secretary, Economic Affairs Division	Chairman
Mr. Cao Wen Jiang	Member
Ms. Liu Hui	Member
Mr. Javed Mahmood	Member

AUDIT COMMITEE

Federal Secretary, Economic Affairs Division	Chairman
Ms. Liu Hui	Member
Mr. Javed Mahmood	Member

COMPNAY SECRETARY

Ms. Shazia Khan

STATUTORY AUTITORS

Ernst & Young Ford Rhodes Sidat Hyder

LEGAL ADVISORS

Mohsin Tayebali & Co.

ENTITY RATINGS

Long Term: AA-
Short Term: A1+ (Positive Outlook)

COMPANY INFORMATION

REGISTERED HEAD OFFICE

Saudi Pak Tower

13th Floor
61-A Jinnah Avenue
Islamabad-44000 Pakistan
T +92-51-2800281-6 | 2099666
F +92-51-2800279 | 2800279

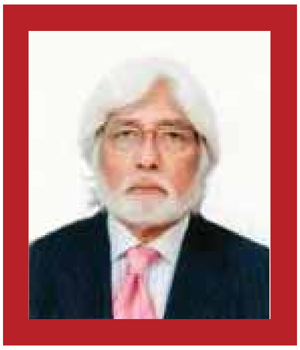
KARACHI OFFICE

4th Floor, C-14-C, Touheed Commercial
26th Street, Phase-V DHA
Karachi-75600
T +92-21-35379888 | 35377222 | 35377888
F +92-21-35810666

DIRECTOR'S PROFILE

DR. WAQAR MASOOD KHAN
Chairman
Pak-China Investment Company LTD
Federal Secretary Finance Government of Pakistan

MR. CAO WEN JIANG
Managing Director
Pak-China Investment Company LTD



MR. JAVED MAHMOOD
Deputy Managing Director
Pak-China Investment Company LTD

MR. ZUO KUN
China Develpment Bank Director

MS. NARGIS SETHI
Federal Secretary Economic Affair Divison
Government of Pakistan Director

MS. LIU HUI
China Develpment Bank Director

MS. SHAZIA KHAN
Company Secretary
Pak-China Investment Company LTD

CHAIRMAN'S REVIEW

I am pleased to present the seventh Annual Report of the Company for the year ended December 31, 2013.

Key highlights for the year 2013 are as under:-

- Advances increased from Rs. 4,590 Million to Rs. 5,329 Million.
- Borrowings decreased from Rs. 4,139 Million to Rs. 326 Million.
- Non Net interest income increased from Rs. 233 Million to Rs. 348 Million.
- Credit rating was maintained at AA- by Pakistan Credit Rating Agency Limited.

ECONOMIC OUTLOOK

FY13 ended on a positive note for Pakistan's economy, political transition remained smooth in June 2013 and the new government spelled out its policy focus on energy issues, which had suppressed growth in the previous few years. In addition, several other factors had positioned the economy to post a recovery including adoption of alternate fuel sources by industrial sector in past few years, initiation of talks for the new IMF program, single-digit headline inflation throughout the year and a 300 bps reduction in discount rate which triggered some pick-up in manufacturing loans in addition to reducing the government's debt servicing burden.

Agriculture under-performed due to water shortages at sowing time and soft agri prices globally (mainly cotton) which reduced the area under cultivation. In addition, pest attacks and heavy rains before the harvest season also damaged the standing crops. Robust growth in construction activity and capacity enhancement in few sub-sectors, supported the industrial sector during the year. Global prices helped contain Pakistan's import bill and there was some improvement in exports. Furthermore, higher than anticipated Coalition Support Fund (CSF) inflows and modest growth in worker remittances reduced the current account deficit to 1.0 percent of GDP in FY13 from 2.4 percent in the previous year.

Despite these favorable developments, growing security concerns and persistent structural weaknesses continue to hamper economic growth. While Coalition Support Fund (CSF) is essentially a reimbursement for services provided to NATO countries in Afghanistan (by our armed forces), the actual economic cost of this war on Pakistan is significantly higher than CSF inflows. In addition to the loss of human lives, this war has further deteriorated law & order in the country which in turn has adversely impacted the investment climate caused production losses due to frequent interruption in economic activities, diverted resources to enhance security, encouraged manpower and some businesses to migrate out of the country and adversely impacted revenue collection by the fiscal authorities.

At the same time, the government has challenges in managing public sector enterprises and has therefore, prepared a detailed disinvestment and privatization list. The government is also expanding the tax net to untaxed or under-taxed areas and making efforts to tackle theft and leakages in the energy sector. The inflows from other IFIs (WB & ADB) come with a short lag and the resulting structural reforms could solicit foreign investment. The present government has introduced Prime Minister's Youth Business Loan which will focus on but not be restricted to unemployed youth, especially educated youth looking for establishing or extending business enterprise. It is also expected that inflows from 3G licenses and Etisalat will significantly narrow the external gap.

The IMF staff mission has recently concluded its meetings with Pakistan's fiscal and monetary authorities. Broadly speaking, the mission has found the macro stabilization process in the energy and fiscal sectors to be on track. Furthermore, the government is following through with Budget measures to increase tax rates and withdraw some tax exemptions. Similarly, the government is also implementing the National Energy Policy which entails reducing end-user subsidies and improving bill collections.

BOARD AND MANAGEMENT COMMITTEES

To share the load of activities, the board constituted three specialized committees namely:-

1. Audit Committee
2. HR Committee
3. Risk Management Committee

Apart from above, following three management committees are working:-

1. Management Committee (MANCOM)
2. Credit Management Committee (CMC)
3. Asset & Liability Committee (ALCO)

LOOKING FORWARD

Pak China Corporate Finance exposure is concentrated in the power sector as it has been a priority of the energy starved nation. Treasury has so far used available equity as the primary source of funds and focused on management of liquidity with investments concentrated in T-Bills. Corporate Finance plans to further diversify its portfolio and invest in Renewable Energy Projects, Infrastructure development/SEZ and Project Financing for Local Corporate Clients in preferred sectors. Treasury is also planning to increase its investments through use of Leverage & investment in capital market instruments. PCICL will closely work with CDB and Ministry of Finance (MOF) for Advisory and Financing Arrangement for projects located on Pak China Economic Corridor.

PCICL has set qualitative and quantitative targets for the year 2014. Treasury will generate income Rs. 293 Million from Money Market and Rs. 167 Million from existing USD deposits of 17 Million (Approx). Corporate Finance will disburse Rs.1.4 billion (Approx) in new loans & investments and is expected to generate Rs. 20 Million fee based income. PCICL has also set up China Advisory Desk who is striving hard to bring Chinese Investment in Pakistan.

It goes without saying that the performance of the Company cannot be immune from the effects of financial and economic crisis. I would like to emphasize that Pak China Investment Company Limited aims at self-sustaining growth aided by sound credit culture, good corporate governance practices and robust risk management framework.

ACKNOWLEDGMENT

I would like to thank the Board of Directors, State Bank of Pakistan and Securities and Exchange Commission of Pakistan for their help, support and guidance. I thank the management of the Company for their sincerity, dedication and commitment. I also thank the financial institutions, clients and the shareholders for the trust and confidence reposed in the Company.

Islamabad, March, 2014

Dr. Waqar Masood Khan
Chairman

DIRECTOR's REPORT

On behalf of our Board of Directors, I hereby present with pleasure the Director's Report of Pak China Investment Limited along with its seventh annual audited accounts for the year ending December 31, 2013

BANKING SECTOR REVIEW

After witnessing decline in core earnings due to on-going monetary easing and limited private sector borrowing, together with declining yields on government paper, banks have focused on increasing their non-interest income through capital gains on equity securities and fees & commissions on investment advisory, brokerage and custodian services. Banking spreads will remain under pressure as interest rates are expected to remain unchanged from current levels over next year, rendering treasury investments as less attractive and forcing banks to find other avenues for investments including extending loans to private sector.

PERFORMANCE HIGHLIGHTS

Financial Highlights of the Company for the year ending December 31, 2013 are as under:-

P & L- Figures	December, 13	December, 12	December, 11
Net Interest Income	933	1210	943
Non Interest Income	355	233	133
Profit before Tax	855	1037	868
Profit after Tax	564	674	514
EPS (PKR)	0.62	0.74	0.57

Balance Sheet Figures	December, 13	December, 12	December, 11
Assets	12,730	15,973	11,178
Advances	5,329	4,590	4,438
Investments	4,283	8,021	4,078
Equity	12,313	11,766	11,059

OPERATIONAL OVERVIEW

Pak China Corporate Finance exposure is concentrated in the power sector as it has been a priority of the energy starved nation. Treasury Department has so far used available equity as the primary source of funds and focused on management of liquidity with investments concentrated in T-Bills. Corporate Finance will further diversify its loan portfolio and will work closely with CDB & MOF for Advisory and Financing Arrangement for Projects located on Pak China Economic Corridor. Treasury Department will pursue an aggressive investment strategy this year and diversify the investment portfolio keeping in view the risk & return tradeoff.

CREDIT RATING

The Pakistan Credit Rating Agency (PACRA) has assigned the Company the long- term and short-term entity ratings of 'AA-'(Double A Minus) and 'A1+'(A One Plus) respectively. These ratings denote a very low expectation of credit risk emanating from the highest capacity for timely payment of financial commitments.

PATTERN OF SHAREHOLDING

The pattern of shareholding is as under:-

Shareholders	Shareholding
Ministry of Finance, Government of Pakistan	50%
China Development Bank	50%

CORPORATE & FINANCIAL REPORTING FRAMEWORK

The Directors feel pleasure to give the following statement in respect of the Code of Corporate Governance:

- These financial statements, prepared by the Management, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure from them has been appropriately disclosed.
- The system of internal control is based on design and has been effectively implemented and monitored.
- There are no doubts regarding the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance.

BOARD MEETINGS

The numbers of Board meetings held during the year ended 31st December, 2013 were three (3) and attendance therein by the Directors is as below:-

Name	Designation	Meetings Attended
Mr. Dr. Waqar Masood Khan	Chairman	03
Mr. Cao Wen Jiang	MD/Director	03
Mr. Zuo Kun	Director	-
Ms. Liu Hui	Director	-
Mr. Javed Mahmood	DMD/ Director	03
Ms. Nargis Sethi	Director	02
Mr. Muhammad Shehzad Arbab	Director	01

CHANGE IN DIRECTORS

There was a change in the Board of Directors during the period under review. Mr. Saleem H. Mandviwalla was appointed as Chairman, PCICL while replacing Mr. Dr. Abdul Hafeez Shaikh in February, 2013. Afterwards, Mr. Abdul Khaliq, Federal Secretary, Finance Division was nominated as Chairman in March, 2013 and then Mr. Dr. Waqar Masood Khan, Federal Secretary Finance was appointed as Chairman of the board in May, 2013. Mr. Muhammad Shehzad Arbab, Federal Secretary (EAD)/Director was transferred and in his place the Finance Division, Govt. of Pakistan has nominated Ms. Nargis Sethi, Federal Secretary, Economic Affairs Division as Director of the Company. Mr. Shahnawaz Mahmood was appointed as DMD/Director in place of Mr. Javed Mahmood in March, 2013, however, Mr. Javed Mahmood managed to come back in April, 2013.

STATEMENT OF INVESTMENT IN PROVIDENT FUND

As per un-audited financial statements as of 31st December, 2013, investment of provident fund stands at Rs. 22.170 Million.

STATEMENT OF INTERNAL CONTROL

It is the responsibility of Company’s management to:

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

The control activities are being closely monitored across the Company through Audit Department, working independent of the management. In addition, Compliance Department is also in place to monitor control activities related to regulatory compliance.

In an effort to implement the Internal Controls Guidelines as spelled out by State Bank of Pakistan in BSD Circular No. 7 of 2004 “particularly with reference to Internal Control Over Financial Reporting (ICFR)”, the Company hired the Consultants M/s KPMG Taseer Hadi & Co who conducted the exercise of ICFR.

Subsequently, they handed over the report to the Company. The completed ICFR stages are as under:-
Stage I: Process and control documentation
Stage II: Identification of gaps and recommendations
Stage III: Development of detailed remediation/ implementation plans
Stage IV: Development of Management Testing Plan
Stage VII: Conduct of management testing of key controls also reporting of results

The departments are working on stage V i.e. the implementation of initiatives as planned under stage III. The management has entrusted the responsibility to Finance Department for coordinating with departments for rectification of Gaps/deficiencies agreed upon with consultants as early as possible. After completion of stage V, the Consultants will conduct Stage VI i.e. Quality Assurance/ Validation on Initiatives Completed. Internal Audit Department will monitor the implementation of ICFR roadmap and evaluate the ICFR system.

RELATED PARTY

Government of Pakistan (Ministry of Finance) is a related party of the Company, therefore, all government authorities, affiliates and other organizations ("State-controlled entities") are related parties of the Company. However, transactions with these state-controlled entities are not very significant. The Company enters into transactions with related parties in the normal course of business. The transactions were carried out in commercial terms and at market rates.

AUDITORS

Our present auditors M/s Ernst & Young Ford Rhodes Sidat Hyder & Co, has presented themselves for reappointment as Auditors for the year 2014.

ACKNOWLEDGEMENTS

The Board expresses its gratitude for the support and commitment extended by our main sponsors, Ministry of Finance, Government of Pakistan and China Development Bank. The Board also appreciates the efforts undertaken by the management and employees of the Company for establishing its mark in such a short period. The Board is also grateful for the continuous guidance provided by the State Bank of Pakistan and Securities & Exchange Commission of Pakistan.

Cao Wen Jiang
Managing Director/CEO

REVIEW REPORT TO THE MEMBERS

On statement of compliance with best practices of the code of corporate governance.

We have reviewed the statement of compliance with the best practices (the statement contained in the code of corporate governance (the code) for the year 31st December 2013 prepared by the board of the Director of Pak China Investment company limited (the company) to comply with the regulation G1 of the Prudential Regulations for corporate/commercial banking issued by the state bank of Pakistan.

The responsibility for compliance with the Code is that of the Board of Directors of the company. Our statement reflects the status of the company's compliance with the provision of the code and report if it does not. A review is limited primarily to inquiries of the company's personnel and review of various document prepared by the company to comply with the code.

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

Furthers, the code requires the company top place before the Board of Directors, for their considerations and approval related party transactions distinguishing between transactions carried out on terms equivalents 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 transaction by the Board of Directors and placement of such transaction before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the statement does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the code as applicable to the company for the year ended 31st December 2012.
We draw your attention to clauses 9, 15, 17 and 20 of the statement which mention certain non-compliance with the code.

Our conclusion is not qualified in respect of the above matter.

Ernst & Young Ford Rhodes Sidat Hyder
Charted Accountants
25 June, 2013
Islamabad

STATEMENT OF COMPLIANCE
WITH THE CODE OF CORPORATE GOVERNANCE
PAK CHINA INVESTMENT COMPANY LIMITED (THE COMPANY)
YEAR ENDED 31 DECEMBER 2013

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

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

1. The Company encourages representation of independent non-executive directors on its board of directors. At present the board includes:

Category	**Names**
Executive Directors	Mr. Cao Wen Jiang and Mr. Javed Mehmood
Non-Executive Directors	Dr. Waqar Masood Khan, Mr. Zuo Kun, Mrs. Nargis Sethi and Ms. Liu Hui
Independent Director	-

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

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

4. Three casual vacancies occurring on the board on 29th March 2012, 31st July 2012 and 24th December 2012 were filled up by the sponsors within one day.

5. There was a change in the Board of Directors during the period under review. Mr. Saleem A. Mandwivalla was appointed as Chairman, PCICL while replacing Mr. Dr. Abdul Hafeez Shaikh in February, 2013. Afterwards, Mr. Abdul Khaliq, Federal Secretary, Finance Division was nominated as Chairman in March, 2013 and then Mr. Dr. Waqar Masood Khan, Federal Secretary Finance was appointed as Chairman of the board in May, 2013. Mr. Muhammad Shehzad Arbab, Federal Secretary (EAD)/Director was transferred and in his place the Finance Division, Govt. of Pakistan has nominated Ms. Nargis Sethi, Federal Secretary, Economic Affairs Division as Director of the Company. Mr. Shahnawaz Mahmood was appointed as DMD/Director in place of Mr. Javed Mahmood in March, 2013, however, Mr. Javed Mahmood managed to come back in April, 2013.

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

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

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

9. 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 thrice in the year. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

10. The Company is in the process of arranging orientation courses for its new directors to apprise them of their duties and responsibilities.

11. No new appointments of the Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit were made during the year. However, any changes to the remuneration, terms and conditions of employment of the CFO, Company Secretary and head of Internal Audit have been determined by the CEO with the approval of the Board of Directors.

12. 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.

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

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

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

16. The board has formed an Audit Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is an independent director. No meeting of the audit committee was held during the year.

17. The board has formed an HR and Remuneration Committee. It comprises four members, of whom two are non-executive directors and the chairman of the committee is a non-executive director. One meeting of the HR committee was held during the Year.

18. The board has set up an internal audit function, who are experienced for the purpose and are conversant with the policies and procedures of the Company.

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

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

21. We confirm that all other material principles enshrined in the CCG have been complied with except for the following, toward which reasonable progress is being made by the Company to seek compliance by the end of the next accounting year:

- The Company's 'code of conduct' has not yet been made available on its website [clause v(a)];

Cao Wen Jiang
Managing Director/CEO

FINANCIAL STATEMENT
YEAR ENDED 31 DECEMBER 2013

Auditors's Report to the Members

We have audited the annexed statement of financial position of Pak China investment Company Limited (the Company) as at 31 December 2013, and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) In our opinion:

- (i) The statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes in accounting policies as stated in note 4.1 to the accompanying financial statements, with which we concur;
- (ii) The expenditure incurred during the year was for the purpose of the Company's business; and
- (iii) The business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of the profit, total comprehensive income, cash flows and changes in equity for the year then ended; and

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

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Audit Engagement Partner: Khurram Jameel
Date: 27 March 2014, Islamabad
Place: Islamabad

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	2013	2012
		Rupees	Restated
ASSETS			
Cash and balances with treasury banks	5	**41,539,691**	92,588,077
Balances with other banks	6	**1,883,525,361**	1,686,035,087
Lendings to financial institutions	7	**559,025,145**	934,033,000
Investments	8	**4,283,207,947**	8,020,870,732
Advances	9	**5,329,004,252**	4,590,087,974
Operating fixed assets	10	**218,912,459**	219,538,864
Deferred tax assets	13	-	-
Other assets	11	**415,293,990**	429,686,708
		12,730,508,845	15,972,840,442
LIABILITIES			
Bills payable		-	-
Borrowings	12	**326,089,523**	4,139,032,168
Deposits and other accounts		-	-
Subordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities	13	**12,799,679**	2,563,902
Other liabilities	14	**78,669,783**	65,580,281
		417,558,985	4,207,176,351
NET ASSETS		**12,312,949,860**	11,765,664,091
REPRESENTED BY			
Share capital	15	**9,116,400,000**	9,116,400,000
Reserves	16	**635,212,571**	523,051,091
Unappropriated profit		**2,538,559,412**	2,089,913,493
		12,290,171,983	11,729,364,584
Surplus on revaluation of available-for-sale securities - net of tax	17	**22,777,877**	36,299,507
		12,312,949,860	11,765,664,091
CONTINGENCIES AND COMMITMENTS	18		

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

CHAIRMAN	MANAGING DIRECTOR	DIRECTOR	DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013	2012
		Rupees	
			Restated
Mark-up / return / interest earned	19	**1,035,329,119**	1,308,462,920
Mark-up / return / interest expensed	19.1	**(101,875,298)**	(98,390,861)
Net mark-up / interest income		**933,453,821**	1,210,072,059
Provision against non-performing loans and advances	9.3.1	**37,707,313**	17,945,300
Provision for diminution in the value of available-for-sale investments	8.3	**86,812,305**	75,864,000
Impairment loss on available-for-sale investments	8.2.2	**4,141,492**	79,660,047
Bad debts written-off directly		-	-
		128,661,110	173,469,347
Net mark-up / interest income after provisions		**804,792,711**	1,036,602,712
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		**13,761,659**	12,936,730
Dividend income		-	-
Exchange gain		**139,751,250**	121,608,232
Gain on sale of available-for-sale securities		**197,865,617**	98,024,055
Unrealised gain / (loss) on revaluation of investments classified as held for trading		-	-
Other income	20	**3,453,886**	90,294
Total non mark-up / interest income		**354,832,412**	232,659,311
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	21	**304,627,180**	231,545,732
Other provisions / write offs		-	-
Other charges	22	**20,000**	32,100
Total non mark-up / interest expenses		**304,647,180**	231,577,832
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		**854,977,943**	1,037,684,191
Taxation			
- Current		**273,175,845**	376,700,664
- Prior		-	-
- Deferred		**17,516,656**	(13,511,197)
	23	**290,692,501**	363,189,467
PROFIT AFTER TAXATION		**564,285,442**	674,494,724
Unappropriated profit brought forward		**2,089,913,493**	1,551,353,413
Profit available for appropriation		**2,654,198,935**	2,225,848,137
Basic and diluted earnings per share	24	**0.62**	0.74

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

CHAIRMAN	MANAGING DIRECTOR	DIRECTOR	DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013	2012
		Rupees	Restated
Profit after taxation for the year		**564,285,442**	674,494,724
Other comprehensive income not to be reclassified to profit and loss in subsequent periods			
Re-measurement losses on defined benefit plan	4.1	**(3,478,043)**	(1,294,624)
Total comprehensive income for the year		**560,807,399**	673,200,100

The surplus arising on revaluation of available-for-sale securities is shown separately in the statement of financial position below equity, in accordance with the directives of the State Bank of Pakistan.

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

CHAIRMAN	MANAGING DIRECTOR	DIRECTOR	DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013	2012
		Rupees	Restated
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		**854,977,943**	1,037,684,191
Adjustments for:			
Depreciation		**21,818,750**	14,273,818
Amortization		**497,518**	1,117,267
Provision for gratuity		**6,308,522**	5,520,198
Provision against non-performing loans and advances		**37,707,313**	17,945,300
Provision for diminution in the value of available-for-sale investments		**86,812,305**	75,864,000
Impairment loss on available-for-sale investments		**4,141,492**	79,660,047
Acturial expenses charged to other comprehensive income		**(3,478,043)**	(2,977,953)
Gain on sale of operating fixed assets		**(178,886)**	(90,294)
		1,008,606,914	1,228,996,574
(Increase) / decrease in operating assets			
Lendings to financial institutions		**375,007,855**	(350,078,745)
Advances		**(776,623,591)**	(170,373,062)
Others assets		**8,084,196**	(72,248,978)
		(393,531,540)	(592,700,785)
Increase/ (decrease) in operating liabilities			
Borrowings		**(3,812,942,645)**	4,032,158,413
Other liabilities		**12,154,882**	3,934,430
		(3,800,787,763)	4,036,092,843
Gratuity paid		**-**	(1,858,782)
		(272,241,204)	(304,003,602)
Income tax paid		**(272,241,204)**	(305,862,384)
Net cash generated from operating activities		**(3,457,953,593)**	4,366,526,248
CASH FLOW FROM INVESTING ACTIVITIES			
Investments realized / (made) during the year - net		**3,625,906,458**	(4,044,184,339)
Capital expenditure		**(21,689,863)**	(58,752,663)
Proceeds from sale of operating fixed assets		**178,886**	90,294
Net cash used in investing activities		**3,604,395,481**	(4,102,846,708)
CASH FLOW FROM FINANCING ACTIVITIES			
Advance received against issue of shares		**-**	-
Increase in cash and cash equivalents		**146,441,888**	263,679,540
Cash and cash equivalents at beginning of the year		**1,778,623,164**	1,514,943,624
Cash and cash equivalents at end of the year	25	**1,925,065,052**	1,778,623,164

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

CHAIRMAN	MANAGING DIRECTOR	DIRECTOR	DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Share Capital	Statutory Reserve	Unappropriated Profit	Total
	Rupees			
Balance as at 01 January 2012	9,116,400,000	388,411,071	1,553,644,283	**11,058,455,354**
Change in accounting policy (note 4.1)	-	-	(2,290,870)	**(2,290,870)**
Balance as at 01 January 2012 - Restated	9,116,400,000	388,411,071	1,551,353,413	**11,056,164,484**
Profit for the year	-	-	674,494,724	**674,494,724**
Other comprehensive income	-	-	(1,294,624)	**(1,294,624)**
Total comprehensive income for the year	-	-	673,200,100	**673,200,100**
Transfer to statutory reserve	-	134,640,020	(134,640,020)	**-**
Balance as at 31 December 2012	9,116,400,000	523,051,091	2,089,913,493	**11,729,364,584**
Profit for the year	-	-	564,285,442	**564,285,442**
Other comprehensive income	-	-	(3,478,043)	**(3,478,043)**
Total comprehensive income for the year	-	-	560,807,399	**560,807,399**
Transfer to statutory reserve	-	112,161,480	(112,161,480)	**-**
Balance as at 31 December 2013	9,116,400,000	635,212,571	2,538,559,412	**12,290,171,983**

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

CHAIRMAN MANAGING DIRECTOR DIRECTOR DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. LEGAL STATUS AND NATURE OF BUSINESS

Pak China Investment Company Limited (the Company) was incorporated in Pakistan as a public limited company on 27 July 2007. The registered office of the Company is situated at 13th Floor, Saudi Pak Tower, Blue Area, Islamabad. The Company is a 50:50 joint venture between the 'Government of China' and 'Government of Pakistan' through China Development Bank and Ministry of Finance respectively. The main objective of the Company is to invest in the financial sector and infrastructure projects.

The Company has commenced business after obtaining the Certificate of Commencement of Business, from the Securities and Exchange Commission of Pakistan (SECP), on 02 November 2007, and the permission to commence business from the State Bank of Pakistan (SBP), on 10 January 2008.

2. BASIS OF PRESENTATION AND MEASUREMENT

2.1 BASIS OF PRESENTATION

These financial statements have been presented in accordance with the format prescribed by SBP's BSD Circular No 4 dated 17 February 2006 and BSD Circular No 7 dated 20 April 2010.

2.2 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, as modified for certain investments which are revalued to their fair values and the defined benefit plan, which is measured at present value.

3. STATEMENT OF COMPLIANCE

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

3.2 The SBP, vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for banking companies/DFIs till further instructions. Further, according to the notification of the SECP, dated 28 April 2008, IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks/DFIs. Accordingly, the requirements of these IFRS and their respective interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC), have not been considered in preparation of these financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous year, except as disclosed in note 4.1 to the financial statements.

4.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES RESULTING FROM ADOPTION OF STANDARDS, AMENDMENTS AND INTERPRETATIONS DURING THE YEAR

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IAS 19 – Employee Benefits – (Revised)

IAS 1 – Presentation of Financial Statements
Presentation of items of other comprehensive income

In addition to the above, the following improvements to various accounting standards have also been issued by IASB, and are applicable for the current year:

IAS 1 – Presentation of Financial Statements
Clarification of the requirements for comparative information Presentation of items of other comprehensive income

IAS 16 – Property, Plant and Equipment
Clarification of Servicing Equipment

IAS 32 – Financial Instruments, Presentation
Tax Effects of Distributions to Holders of Equity Instruments

IAS 34 – Interim Financial Reporting
Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The adoption of the above standards, amendments, interpretations and improvements did not have any material effect on the financial statements except for presentation of certain additional disclosures under IAS 19 Employee Benefits (Revised 2011), which are described as below:

The Company applied IAS 19 (Revised 2011) retrospectively in the current period, with the permitted exception of the non-disclosure of sensitivity disclosures relating to the defined benefit obligation for the comparative period (year ended 31 December 2012), in accordance with the transitional provisions set out in the revised standard. The comparative figures have been accordingly restated.

IAS 19 (Revised 2011) changes, amongst other things, the accounting for defined benefit plans. Significant change that impacted the Company is the recognition of actuarial gains and losses in other comprehensive income, when they occur, instead of the previous option of deferring the recognition of actuarial gains and losses (i.e., the corridor approach), which has been removed. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and interest expenses. All other changes in the defined benefit liability are recognized in other comprehensive income with no subsequent recycling to profit or loss. Previously, the Company had a balance of unrecognized actuarial gain of Rs. 13,302 thousand as at 01 January 2012. Upon transition to IAS 19 (Revised 2011), this balance was charged to equity (retained earnings) as at 01 January 2012.

IAS 19 (Revised 2011) also requires more extensive disclosures. These have been provided in Note 28

IMPACT ON OTHER COMPREHENSIVE INCOME - INCREASE/ (DECREASE) IN OCI:

	2013	2012
	Rupees	
Re-measurement loss on defined benefit plan	(3,478,043)	(1,294,624)

The transition did not have an impact on the statement of cash flows. There is no significant impact on the Company's basic and diluted EPS.

IMPACT ON EQUITY - INCREASE/(DECREASE) IN NET EQUITY:

	31 December 2013	31 December 2012	1 January 2012
		Rupees	
Re-measurement loss on defined benefit plan	(7,063,537)	(3,585,494)	(2,290,870)

The impact of the above is immaterial in respect of the Statement of Financial Position as at 31 December 2011.

4.2 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

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

STANDARD OR INTERPRETATION	Effective date (Accounting period) beginning
IAS 19 – Defined Benefit Plans: Employee Cont ributions – (Amendment)	01 July 2014
IAS 36 – Impairment of Assets – (Amendments) Amendments relating to disclosure for recoverable amounts for non-financial assets	01 January 2014
IFRIC 21 – Levies	01 January 2014

The Company expects that the adoption of the above amendments and interpretation of the standards will have no material effect on the Company's financial statements, in the period of initial application.

Further, the following new standards have been issued by the IASB, which are yet to be notified by the Securities and Exchange Commission of Pakistan for the purpose of applicability in Pakistan:

STANDARD	Effective date (Accounting period) beginning
IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2015
IFRS 10 – Consolidated Financial Statements	01 January 2013
IFRS 11 – Joint Arrangements	01 January 2013
IFRS 12 – Disclosure of Interests in Other Entities	01 January 2013
IFRS 13 – Fair Value Measurement	01 January 2013

The Company expects that the adoption of the above standards will have no material effect on the Company’s financial statements in the period of initial application, except for the presentation of certain additional disclosures, under IFRS 12.

4.3 FUNCTIONAL AND PRESENTATION CURRENCIES

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

4.4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of cash, balances with treasury banks and other banks, and a fixed term deposit with a maturity of less than 6 months.

4.5 LENDINGS TO / BORROWINGS FROM FINANCIAL INSTITUTIONS

The Company enters into secured and unsecured lending and borrowing transactions. These are recorded as under:

SALE UNDER REPURCHASE AGREEMENT

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos), continue to be recognized in the statement of financial position, and are measured in accordance with accounting policies for investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between the sale and repurchase price, is amortized as an expense over the term of the repo agreement.

PURCHASE UNDER RESALE AGREEMENT

Securities purchased, with a corresponding commitment to resell at a specified future date (reverse repos), are not recognized in the statement of financial position. Amounts paid under these agreements are included in reverse repurchase agreement lendings.The difference between the purchase and resale price is accrued as income over the term of the reverse repo agreement.

OTHER BORROWINGS

These are recorded at the fair value of consideration received. Mark-up on such borrowings is charged to the profit and loss account on a time proportion basis.

OTHER LENDINGS

These are stated net of related provisions. Mark-up on such lendings is recognized in the profit and loss account on a time apportioned basis, except for the mark-up on impaired / delinquent lendings, which is recognized on a receipts.

4.6 INVESTMENTS

Investments are initially recognized at fair value, which includes transaction costs associated with the investments. The Company has classified its investments into ‘held-to-maturity’ and ‘available-for-sale’ portfolios as follows:

HELD-TO-MATURITY

These are securities with fixed or determinable payments and fixed maturities, and for which the Company has a positive intent and ability to hold till maturity. These are carried at amortized cost.

AVAILABLE-FOR-SALE

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

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

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

Gains and losses arising on the sale of investments are recognized in the profit and loss account. Impairment losses in respect of investments classified as available-for-sale (except debt securities), is recongnised based on management's assessment of objective evidence of impairment, as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in the fair values of marketable investments below their cost, is also considered an objective evidence of impairment.

4.7 ADVANCES

Advances are stated net of provisions for non-performing advances. The provision for non-performing advances is determined in accordance with the requirements of the Prudential Regulations and other directives issued by the SBP. In addition to specific provisions, the Company also maintains a general provision.

Provisions against non-performing advances and the general provision is charged to the profit and loss account.

Advances are written-off when there is no realistic prospect of recovery.

4.8 OPERATING FIXED ASSETS

PROPERTY AND EQUIPMENT

These are stated at cost less accumulated depreciation and impairment, if any, except for freehold land, which is stated at cost.

Depreciation is calculated on the straight line method to write off the depreciable amount of each asset, over its estimated useful life, after taking into account residual values, if any. Depreciation on additions during the year is charged from the month of acquisition, or the date the asset is available for use, and on disposals, up to the month of disposal. The useful lives, residual values and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

The costs of day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Gains and losses on disposals items of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net within “other income” in profit or loss.

CAPITAL WORK-IN-PROGRESS

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. It consists of expenditure incurred and advances made in respect of operating fixed assets and intangible assets in the course of their acquisition, construction and installation.

INTANGIBLE ASSETS

Intangible assets having finite useful lives, are stated at cost less accumulated amortization and impairment, if any. These are amortized using the straight line method over their estimated useful lives. The useful lives, residual values and amortization methods are reviewed and adjusted, if appropriate, at each reporting date.

4.9 IMPAIRMENT

The carrying amounts of assets, other than investments, are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are reversed when there is an indication that an impairment may no longer exist and / or if there has been a change in the estimate used to determine the recoverable amount.

4.10 TAXATION

CURRENT

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

DEFERRED

The Company accounts for deferred taxation using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization, or settlement, of the carrying amount of assets and liabilities. Deferred tax assets and liabilities, are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the statement of financial position date.

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

Deferred tax on surplus / (deficit) on revaluation of investments is charged / (credited) to the same account.

4.11 REVENUE RECOGNITION

Mark-up / return / interest income from loans, term finance certificates, bank deposits, government securities and reverse repo transactions, is recognized under the Effective Interest Rate method, except where recovery is considered doubtful, in which case the income is recognized on a receipts basis.

Gain / (loss) on sale of securities is recognized in the profit and loss account at the time of sale of relevant securities.

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

Rental income is recognized over the period of the rent agreement.

4.12 STAFF RETIREMENT BENEFITS

DEFINED BENEFIT PLAN

The Company operates an approved funded gratuity scheme for all its regular employees.

The amounts of post-employment benefits are usually dependent on one or more factors such as age, years of service and salary.

The liability recognized in respect of the gratuity scheme is the present value of the defined benefit obligation under the scheme at the balance sheet date.

The gratuity obligations are calculated annually by independent actuaries using the Projected Unit Credit Method. The most recent valuation in this regard was carried out as at 31 December 2013. The present value of the obligation is determined by discounting the estimated future cash outflows, using interest rates of high quality government securities that have terms to maturity approximating the terms of the related obligation.

Re-measurements, comprising of actuarial gains and losses, are recognized immediately in the balance sheet with a corresponding debit or credit to retained earnings, through OCI, in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss at the earlier of:
- The date of the plan amendment or curtailment; and
- The date that the Company recognizes restructuring-related costs.

The Company recognizes the following changes in the defined benefit obligation under ‘administrative expenses’ in the profit and loss account:
- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Interest expense

DEFINED CONTRIBUTION PLAN

The Company also operates a recognized provident fund scheme for all its regular employees. Equal monthly contributions are made, both by the Company and by the employees, at the rate of 10% of the basic salary of the employee. Contributions made by the Company are charged to the profit and loss account.

4.13 FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are recorded at the rates prevailing on the date of the transactions. Monetary assets and liabilities in foreign currencies are reported in Rupees, at the rates of exchange prevailing on the reporting date. Exchange gains and losses are included in income currently.

4.14 PROVISIONS

Provisions for guarantee claims and other off balance sheet obligations are recognized when intimated, and when reasonable certainty exists for the Company to settle the obligation.

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

4.15 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

'Financial assets' and 'financial liabilities' are only offset and the net amount reported in the Statement of Financial Position, if the Company has a legal right to set-off the transaction and also intends, either to settle on a net basis, or to realise the asset and settle the liability, simultaneously.

4.16 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities, which are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of its revision and future periods, if the revision affects both current and future periods. Judgments made by the management in the application of approved accounting standards that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year, are discussed in note 35.

4.17 EARNINGS PER SHARE

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

4.18 DIVIDEND AND APPROPRIATIONS TO RESERVES

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

4.19 SEGMENT INFORMATION

A segment is a distinguishable component of the Company that is engaged in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company's primary format of reporting is based on the following business segments;

BUSINESS SEGMENTS

Corporate Finance	Includes loans, advances and other transactions with corporate customers.
Trading and Sales	Undertakes the Company's fund management activities through leveraging and investing in liquid assets. It carries out spread based activities in the inter bank market, and manages the interest rate risk exposure of the Company.

GEOGRAPHICAL SEGMENTS

All the Company's business segments operate only in Pakistan.

5. CASH AND BALANCES WITH TREASURY BANKS

	Note	2013	2012
		Rupees	
Cash in hand in local currency		25,000	15,528
With SBP in local currency current accounts	5.1	40,018,269	91,448,008
With National Bank of Pakistan in local currency current account		1,496,422	1,124,541
		41,539,691	92,588,077

5.1 This represents the minimum cash reserve required to be maintained with SBP in accordance with the requirements of BSD Circular No 4 dated 22 May 2004.

6. BALANCES WITH OTHER BANKS

	Note	2013	2012
		Rupees	
In Pakistan			
- local currency current accounts		25,888,766	16,000,414
- local currency deposit accounts	6.1	22,606,393	14,815,545
- foreign currency deposit account	6.2	1,835,030,202	1,655,219,128
		1,883,525,361	1,686,035,087

6.1 These carry interest at rates ranging from 5% to 7% (2012: 5% to 7%) per annum.

6.2 This represents a foreign currency term deposit of USD 17,476,478 (2012: USD 17,081,781) with Habib Bank Limited. It carries mark-up at a rate of 5.20% (2012: 2.75%) per annum and will mature on 22 June 2014.

7. LENDINGS TO FINANCIAL INSTITUTIONS

In local currency			
- Repurchase agreement lending (Reverse Repo)	7.1 & 7.2	559,025,145	934,033,000

7.1 This carries mark-up at the rate of 10% (2012: 7%) per annum and has been repaid on 02 January 2014.

7.2 SECURITY HELD AS COLLATERAL AGAINST LENDINGS TO FINANCIAL INSTITUTIONS

	2013			2012		
	Held by the company	Further given as collateral	Total	Held by the company	Further given as collateral	Total
		Rupees			Rupees	
Market Treasury Bills	559,025,145	-	559,025,145	934,033,000	-	934,033,000

7.2.1 As of 31 December 2013, the market value of the above securities amounted to Rs. 559.142 million (2012: Rs. 934.342 million).

8. INVESTMENTS

8.1 INVESTMENTS BY TYPE

	Note	2013 Held by the company	2013 Given as collateral	2013 Total	2012 Held by the company	2012 Given as collateral	2012 Total
		Rupees			Rupees		
AVAILABLE-FOR-SALE SECURITIES							
Market Treasury Bills		**2,485,338,500**	-	**2,485,338,500**	2,308,279,604	3,115,983,996	5,424,263,600
Pakistan Investment Bonds		-	-	-	430,204,678	-	430,204,678
Ordinary shares of a listed company		**133,947,704**	-	**133,947,704**	138,089,196	-	138,089,196
Listed Term Finance Certificates		**245,286,912**	-	**245,286,912**	245,385,184	-	245,385,184
Unlisted Term Finance Certificates		**1,010,873,072**	-	**1,010,873,072**	1,049,328,872	-	1,049,328,872
Sukuks - unlisted		**461,976,000**	-	**461,976,000**	502,117,056	-	502,117,056
		4,337,422,188	-	**4,337,422,188**	4,673,404,590	3,115,983,996	7,789,388,586
HELD-TO-MATURITY SECURITIES							
Unlisted Term Finance Certificates		**134,348,177**	-	**134,348,177**	312,429,750	-	312,429,750
TOTAL INVESTMENTS AT COST		**4,471,770,365**	-	**4,471,770,365**	4,985,834,340	3,115,983,996	8,101,818,336
Less: provision for diminution in the value of investments	8.3	**223,605,305**	-	**223,605,305**	136,793,000	-	136,793,000
TOTAL INVESTMENTS - NET OF PROVISION		**4,248,165,060**	-	**4,248,165,060**	4,849,041,340	3,115,983,996	7,965,025,336
Surplus on revaluation of available-for-sale securities	17	**35,042,887**	-	**35,042,887**	52,572,202	3,273,194	55,845,396
TOTAL INVESTMENTS AFTER REVALUATION INCREASE		**4,283,207,947**	-	**4,283,207,947**	4,901,613,542	3,119,257,190	8,020,870,732

8.2 INVESTMENT BY SEGMENTS

	Note	2013	2012
		Rupees	
FEDERAL GOVERNMENT SECURITIES			
Market Treasury Bills	8.2.1	**2,485,338,500**	5,424,263,600
Pakistan Investment Bonds		-	430,204,678
		2,485,338,500	5,854,468,278
FULLY PAID UP ORDINARY SHARES OF A LISTED COMPANY	8.2.2	**133,947,704**	138,089,196
TERM FINANCE CERTIFICATES			
Listed	8.2.3	**245,286,912**	245,385,184
Unlisted	8.2.4	**1,145,221,249**	1,361,758,622
		1,390,508,161	1,607,143,806
OTHER INVESTMENT			
Sukuks - unlisted	8.2.5	**461,976,000**	502,117,056
TOTAL INVESTMENTS - AT COST		**4,471,770,365**	8,101,818,336
Less: provision for diminution in the value of investments	8.3	**223,605,305**	136,793,000
INVESTMENTS - NET OF PROVISION		**4,248,165,060**	7,965,025,336
Surplus on revaluation of available-for-sale securities		**35,042,887**	55,845,396
TOTAL INVESTMENTS AFTER REVALUATION INCREASE		**4,283,207,947**	8,020,870,732

8.2.1 These carry interest at rates ranging between 9.35% to 9.41% (2012: 9.28% to 10.44%) per annum, with a redemption period of three months (2012: three to six months). These securities have an aggregate face value of Rs. 2,500 million (2012: Rs. 5,550 million).

8.2.2 This represents an investment in 11,832,836 ordinary shares (of Rs. 10 each) of Agritech Limited, costing Rs. 364.149 million with a market value of Rs. 149.922 million (2012: Rs. 138.089 million) at the year end. During the year, the Company has recognized an impairment loss of Rs. 4.14 million (2012: Rs. 79.66 million).

8.2.3 LISTED TERM FINANCE CERTIFICATES

8.2.3.1 This represents 49,136 (2012: 49,136) certificates of Rs. 5,000 each of Askari Bank Limited. The market value of these certificates is Rs. 248.943 million (2012: Rs. 270.9 million) as at 31 December, 2013, with a rating of AA- (2012: AA).

8.2.3.2 These carry interest at the rate of 6 months KIBOR plus 2.5% (2012: 6 months KIBOR plus 2.5%) per annum and have a redemption period of 6 years (2012: 7 years).

8.2.4 UNLISTED TERM FINANCE CERTIFICATES

	Note	No. of certifiates of Rs. 5,000 each 2013	2012	Rating 2013	2012	Cost 2013	2012
						Rupees	
AVAILABLE-FOR-SALE							
Bank Alfalah Limited		**30,000**	30,000	**AA-**	AA-	149,760,000	149,820,000
Agritech Limited	8.2.4.2	**40,000**	40,000	**D**	D	199,760,000	199,760,000
Agritech Limited	8.2.4.3	**1,695**	1,695	**D**	D	8,473,305	8,473,305
Pakistan National Shipping Corporation (PNSC)		**- ***	- *	**AA-**	AA-	191,779,010	230,134,810
Azgard Nine Limited	8.2.4.3	**36,000**	36,000	**D**	D	115,130,757	115,130,757
Azgard Nine Limited	8.2.4.3	**9,214**	9,214	**D**	D	46,070,000	46,070,000
Bank Al Habib Limited		**20,000**	20,000	**AA**	AA-	99,900,000	99,940,000
Standard Chartered Bank Limited		**40,000**	40,000	**AAA**	AAA	200,000,000	200,000,000
						1,010,873,072	1,049,328,872
HELD-TO-MATURITY							
Avari Hotels Limited		**72,172**	74,400	**A-**	A-	134,348,177	312,429,750
						1,145,221,249	1,361,758,622

8.2.4.1 These carry interest at rates of 3 months to 12 months KIBOR + 0.75% to 3.25% (2012: 3 months 6 months KIBOR + 0.75% to 3.25%) with a redemption period of 1-8 years (2012: 2-9 years).

8.2.4.2 These securities have been classified as non-performing (under the category of loss) in accordance with the requirements of the Prudential Regulations. However, in terms of SBP directives, the Company has availed a relaxation (at the rate of 50% of the provision) in respect of provisioning against these securities, to the extent of Rs. 95.699 million (2012: Rs. 136.793 million).

8.2.4.3 These securities have been classified as non-performing (under the category of loss) in accordance with the requirements of the Prudential Regulations.

* As per the revised terms of agreement between the Company and PNSC, a total of 29 certificates will be issued against this investment in 2014.

8.2.5 These represent Sukuk Certificates of Liberty Power Technology Limited. These carry mark-up at the rate of 3 months KIBOR plus 3% (2012: 3 months KIBOR plus 3%) per annum, with a rating of A+ (2012: A+). The Sukuks have a redemption period of 8 years (2012: 9 years).

8.3 PARTICULARS OF THE PROVISION FOR DIMINUTION IN THE VALUE OF INVESTMENTS

	2013	2012
	Rupees	
Opening balance	**136,793,000**	60,929,000
Charge for the year	**86,812,305**	75,864,000
Closing balance	**223,605,305**	136,793,000

8.3.1 PARTICULARS OF PROVISION IN RESPECT OF TYPE AND SEGMENT

AVAILABLE-FOR-SALE SECURITIES

Unlisted Term Finance Certificates	**223,605,305**	136,793,000

The above provision includes an impact of Forced Sale Value (FSV) benefit amounting to Rs. 41.767 million (2012: 42.792 million) in respect of Azgard Nine Limited and Rs. 8.358 million (2012: 62.661 million) in respect of Agritech Limited. The FSV benefits recognized under these Prudential Regulations are not available for the distribution of cash or stock dividend to the shareholders. Further, SBP in its letter no. OSED/SEU-05/041(01)-12/2218/2012 dated December 26, 2012 has also stipulated that no dividend, cash or kind, shall be paid out of the benefits realized through the relaxations allowed therein.

9. ADVANCES

	Note	2013	2013
		Rupees	
IN PAKISTAN			
Advances		**5,807,673,966**	5,044,258,313
Staff loans	9.1	**41,014,765**	27,806,827
Advances - gross		**5,848,688,731**	5,072,065,140
PROVISIONS AGAINST NON-PERFORMING ADVANCES			
Specific provision	9.3 & 9.3.1	**417,181,000**	394,742,000
General provision	9.3.1	**102,503,479**	87,235,166
		519,684,479	481,977,166
Advances - net of provision		**5,329,004,252**	4,590,087,974

9.1 STAFF LOANS

Opening balance	**27,806,827**	17,898,803
Amounts disbursed during the year	**27,230,000**	10,845,000
Amounts recovered during the year	**(14,022,062)**	(936,976)
	41,014,765	27,806,827

9.2 PARTICULARS OF ADVANCES - GROSS

In local currency	**5,848,688,731**	5,072,065,140
Short-term (for upto one year)	**37,800,000**	-
Long-term (for over one year)	**5,810,888,731**	5,072,065,140
	5,848,688,731	5,072,065,140

9.3 ADVANCES INCLUDE AN AMOUNT OF RS. 682.5 MILLION (2012: RS. 682.5 MILLION) WHICH HAS BEEN PLACED UNDER NON-PERFORMING STATUS, AS DETAILED BELOW:

	2013								
	Classified advances			Provision required			Provision held		
CATEGORY OF CLASSIFICATION	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees			Rupees			Rupees		
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	**412,500,000**	**-**	**412,500,000**	**168,303,000**	**-**	**168,303,000**	**168,303,000**	**-**	**168,303,000**
Loss	**270,000,000**	**-**	**270,000,000**	**248,878,000**	**-**	**248,878,000**	**248,878,000**	**-**	**248,878,000**
	682,500,000	**-**	**682,500,000**	**417,181,000**	**-**	**417,181,000**	**417,181,000**	**-**	**417,181,000**

	2012								
	Classified advances			Provision required			Provision held		
CATEGORY OF CLASSIFICATION	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees			Rupees			Rupees		
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	412,500,000	-	412,500,000	156,425,000	-	156,425,000	156,425,000	-	156,425,000
Loss	270,000,000	-	270,000,000	238,317,000	-	238,317,000	238,317,000	-	238,317,000
	682,500,000	-	682,500,000	394,742,000	-	394,742,000	394,742,000	-	394,742,000

9.3.1 PARTICULARS OF PROVISION AGAINST NON-PERFORMING ADVANCES

	2013			2012		
	Specific	General	Total	Specific	General	Total
	Rupees			Rupees		
Opening balance	**394,742,000**	**87,235,166**	**481,977,166**	377,756,000	86,275,866	464,031,866
Charge for the year	**22,439,000**	**15,268,313**	**37,707,313**	16,986,000	959,300	17,945,300
Closing balance	**417,181,000**	**102,503,479**	**519,684,479**	394,742,000	87,235,166	481,977,166

9.3.2 PARTICULARS OF PROVISION AGAINST NON-PERFORMING ADVANCES

	2013			2012		
	Specific	**General**	**Total**	**Specific**	**General**	**Total**
In local currencies	**417,181,000**	**102,503,479**	**519,684,479**	394,742,000	87,235,166	481,977,166
In foreign currencies	-	-	-	-	-	-
	417,181,000	**102,503,479**	**519,684,479**	394,742,000	87,235,166	481,977,166

9.3.3 In terms of SBP directives, the Company has availed a relaxation in respect of provisioning against a non-performing advance, to Warid Telecom, aggregating to Rs. 150 million (2012: Rs. 150 million).

9.3.4 The above provision includes an impact of Forced Sale Value (FSV) benefit amounting to Rs. 75.893 million (2012: 99.649 million) in respect of Digri Sugar Mills and Rs. 21.122 million (2012: 31.683 million) in respect of Maymar Holding. The FSV benefits recognized under these Prudential Regulations are not available for the distribution of cash or stock dividend to the shareholders. Further, SBP in its letter no. OSED/SEU-05/041(01)-12/2218/2012 dated December 26, 2012 has also stipulated that no dividend, cash or kind, shall be paid out of the benefits realized through the relaxations allowed therein.

9.3.1.3 General provision is maintained at the rate of 2% of the performing portfolio of advances.

9.4 PARTICULARS OF WRITE-OFFS

The Company has not written-off any loans and advances, or allowed any financial relief, during the year.

10. OPERATING FIXED ASSETS

	Note	2013 Rupees	2012 Rupees
Capital Work-In-Progress	10.1	-	172,454,526
Property and equipment	10.2	218,912,454	46,586,815
Intangible assets	10.5	5	497,523
		218,912,459	219,538,864

10.1 CAPITAL WORK-IN-PROGRESS

		2013	2012
Advances to suppliers		-	17,434,224
Civil works		-	155,020,302
	10.1.1	-	172,454,526

10.1.1 During the year, the Company's office building located at DHA Karachi, upon completion, has been transferred to property and equipment.

10.2 PROPERTY AND EQUIPMENT

	COST			DEPRECIATION			NET BOOK VALUE	
	As at 01 January 2013	Additions / (deletions)	As at 31 December 2013	As at 01 January 2013	Charge during the year (On deletions)	As at 31 December 2013	As at 31 December 2013	Rate of depreciation per annum
	Rupees							%
Freehold land	-	136,000,000	136,000,000	-		-	136,000,000	-
Building	-	40,341,662	40,341,662	-	2,689,444	2,689,444	37,652,218	10%
Leasehold improvements	12,354,940	-	12,354,940	9,118,571	2,171,634	11,290,205	1,064,735	20%
Electrical fittings	6,161,835	-	6,161,835	4,304,176	1,139,139	5,443,315	718,520	20%
Furniture and fixtures	13,021,242	1,840,834	14,596,305	10,152,706	2,389,379	12,276,314	2,319,991	20%
		(265,771)			(265,771)			
Computers and office equipment	22,681,841	15,961,893	37,781,662	17,939,203	5,723,554	22,800,685	14,980,977	33%
		(862,072)			(862,072)			
Vehicles	40,431,609	-	40,431,609	6,549,996	7,705,600	14,255,596	26,176,013	20%
	94,651,467	194,144,389	287,668,013	48,064,652	21,818,750	68,755,559	218,912,454	
		(1,127,843)			(1,127,843)			

	COST			DEPRECIATION			NET BOOK VALUE	
	As at 01 January 2012	Additions / (deletions)	As at 31 December 2012	As at 01 January 2012	Charge during the year (On deletions)	As at 31 December 2012	As at 31 December 2012	Rate of depreciation per annum
				Rupees				%
Leasehold improvements	12,354,940	-	12,354,940	6,647,583	2,470,988	9,118,571	3,236,369	20%
Electrical fittings	6,161,835	-	6,161,835	3,071,809	1,232,367	4,304,176	1,857,659	20%
Furniture and fixtures	13,021,242	-	13,021,242	7,548,459	2,604,247	10,152,706	2,868,536	20%
Computers and office equipment	18,826,821	5,058,820	22,681,841	15,501,832	3,641,171	17,939,203	4,742,638	33%
		(1,203,800)			(1,203,800)			
Vehicles	3,073,716	37,357,893	40,431,609	2,224,951	4,325,045	6,549,996	33,881,613	20%
	53,438,554	42,416,713	94,651,467	34,994,634	14,273,818	48,064,652	46,586,815	
		(1,203,800)			(1,203,800)			

10.2.1 Included in the cost of property and equipment, are fully depreciated items still in use and having costs of:

	2013 Rupees
Leasehold improvements	**5,987,075**
Electrical fittings	**1,864,575**
Furniture and fixtures	**8,249,886**
Computers and office equipment	**13,810,148**
Vehicles	**3,073,716**
	32,985,400

10.3 During the year, computers, office equipment and furniture and fixtures having book values of Nil (2012: Nil) were sold for Rs. 178,886 (2012: Rs. 90,294 to employees of the Company, in accordance with the Company's policy).

10.4 The Company has not disposed off fixed assets whose original cost or book value exceeded Rs. 1 million or Rs. 250,000, which ever is less, and the Company also has not disposed of fixed assets to the chief executive or to a director or to executives or to any related party, irrespective of the value.

10.5 INTANGIBLE ASSETS

	COST			AMORTISATION			NET BOOK VALUE	
	As at 01 January 2013	Additions / (deletions)	As at 31 December 2013	As at 01 January 2013	Charge during the year (On deletions)	As at 31 December 2013	As at 31 December 2013	Rate of amortisation per annum
				Rupees				%
Computer software	**4,674,479**	**-**	**4,674,479**	**4,176,956**	**497,518**	**4,674,474**	**5**	**33%**

	COST			AMORTISATION			NETBOOKVALUE	
	As at 01 January 2012	Additions / (deletions)	As at 31 December 2012	As at 01 January 2012	Charge during the year (On deletions)	As at 31 December 2012	As at 31 December 2012	Rate of amortisation per annum
				Rupees				%
Computer software	4,674,479	-	4,674,479	3,059,689	1,117,267	4,176,956	497,523	33%

11. OTHER ASSETS

	Note	2013	2012
		Rupees	
Income / mark-up accrued in local currency		**391,678,577**	389,474,325
Income / mark-up accrued in foreign currency		**3,180,719**	1,870,624
Advances, deposits and prepayments		**19,253,498**	38,276,675
Others		**1,181,196**	65,084
		415,293,990	429,686,708

12. BORROWINGS

In Pakistan		**326,089,523**	4,139,032,168

12.1 PARTICULARS OF BORROWINGS WITH RESPECT TO CURRENCIES

In local currency		**326,089,523**	4,139,032,168

12.2 DETAILS OF BORROWINGS - SECURED / UNSECURED

SECURED			
Short-term			
Repurchase agreement borrowings		-	3,116,600,529
Long-term			
Borrowing from SBP under FFSAP	12.2.1	**73,989,523**	90,431,639
Borrowing from SBP under LTFF	12.2.2	**252,100,000**	-
		326,089,523	3,207,032,168
UNSECURED			
Short-term			
Call money borrowing from a financial institution		-	932,000,000
		326,089,523	4,139,032,168

12.2.1 This represents a Financing Facility for Storage of Agricultural Produce (FFSAP) on concessional rates, to develop the agricultural produce, marketing and to enhance storage capacity. The loan availed under the facility shall be repayable within a maximum period of seven years including a maximum grace period of six months and mark-up payable at 6.5% (2012: 6.5%) per annum.

12.2.2 This represents a Long Term Finance Facility for Imported and Locally Manufactured Plant and Machinery on concessional rates, to promote industrial growth leading to exports. The loan availed under the facility shall be repayable within a maximum period of ten years including a maximum grace period of one and a half years and mark-up payable at 8.4% (2012: Nil) per annum.

13. DEFERRED TAX LIABILITIES

	01 January 2013	Recognized in profit and loss account	Recognized in equity	31 December 2013
	Rupees			
Difference between accounting book value and tax base of operating fixed assets	**(1,878,500)**	**3,345,461**	**-**	**1,466,961**
Unrealized exchange gain	**79,275,230**	**49,352,455**	**-**	**128,627,685**
Provision for staff retirement gratuity	**(1,120,151)**	**(3,347,430)**	**-**	**(4,467,581)**
Provision against non-performing advances	**(17,500,000)**	**-**	**-**	**(17,500,000)**
Provision for dimunition in the value of available-for-sale investments	**(47,877,550)**	**(30,384,307)**	**-**	**(78,261,857)**
Impairment loss on available-for-sale investments	**(27,881,016)**	**(1,449,523)**	**-**	**(29,330,539)**
Surplus on revaluation of available-for-sale securities	**19,545,889**	**-**	**(7,280,879)**	**12,265,010**
	2,563,902	**17,516,656**	**(7,280,879)**	**12,799,679**

	01 January 2012	Recognized in profit and loss account	Recognized in equity	31 December 2012
	Rupees			
Difference between accounting book value and tax base of operating fixed assets	(1,378,330)	(500,170)	-	(1,878,500)
Unrealized exchange gain	36,158,618	43,116,612	-	79,275,230
Provision for staff retirement gratuity	161,345	(1,281,496)	-	(1,120,151)
Provision against non-performing advances	(17,500,000)	-	-	(17,500,000)
Provision for dimunition in the value of available-for-sale investments	(21,325,150)	(26,552,400)	-	(47,877,550)
Impairment loss on available-for-sale investments	-	(27,881,016)	-	(27,881,016)
Surplus on revaluation of available-for-sale securities	412,727	-	19,133,162	19,545,889
	(3,470,790)	(13,098,470)	19,133,162	2,563,902

14. OTHER LIABILITIES

	Note	2013	2012
		Rupees	
Mark-up / return / interest payable in local currency		**6,545,957**	5,089,493
Accrued liabilities		**4,115,376**	3,649,584
Advance rent		**4,725,000**	-
Provision for tax - net		**50,360,331**	49,425,711
Payable to gratuity fund	27	**12,764,518**	6,785,923
Others		**158,601**	629,570
		78,669,783	65,580,281

15. SHARE CAPITAL

15.1 AUTHORISED CAPITAL

2013	2012		2013	2012
Number of shares				
1,214,000,000	1,214,000,000	Ordinary shares of Rs. 10 each	**12,140,000,000**	12,140,000,000

15.2 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2013	2012		2013	2012
Number of shares				
911,640,000	911,640,000	Ordinary shares of Rs. 10 each, issued for cash	**9,116,400,000**	9,116,400,000

15.3 The Ministry of Finance, Government of Pakistan, and the China Development Bank on behalf of the Government of Pakistan and the Government of China, respectively, each hold 455,820,000 (2012: 455,820,000) Ordinary shares of the Company, at the year end.

16. RESERVES

	Note	2013	2012
		Rupees	
Statutory reserve		**635,212,571**	523,051,091
At the beginning of the year		**523,051,091**	388,411,071
Add: transfer during the year		**112,161,480**	134,640,020
		635,212,571	523,051,091

According to BPD Circular No. 15 dated 31 May 2004, issued by the SBP, an amount not less than 20% of the after tax profits shall be transferred to create a reserve fund till such time the reserve fund equals the amount of the paid-up capital and after that a sum not less than 5% of the profit after tax shall be credited to the said reserve. During the year, the Company has transferred 20% of its after tax profit for the year to this reserve amounting to Rs. 111.396 million (2012: Rs. 134.64 million).

17. SURPLUS ON REVALUATION OF AVAILABLE-FOR-SALE SECURITIES - NET OF TAX

	Note	2013	2012
		Rupees	
Market Treasury Bills		**(1,506,000)**	6,174,700
Pakistan Investment Bonds		-	24,067,451
Shares of Agritech Limited, a listed company		**15,974,328**	-
Term Finance Certificates			
Askari Bank Ltd.		**3,656,247**	25,603,245
Bank Al Falah Ltd.		**8,483,904**	-
Bank Al Habib Ltd.		**7,684,408**	-
Standard Chartered Bank Ltd.		**750,000**	-
		35,042,887	55,845,396
Deferred tax		**(12,265,010)**	(19,545,889)
		22,777,877	36,299,507

18. CONTINGENCIES AND COMMITMENTS

Transaction related contingent liabilities			
Letters of guarantee		-	-
Trade related contingent liabilities			
Letters of credit		-	-

Commitments to extend credits

The Company makes commitments to extend credit in the normal course of its business, but these being revocable commitments do not attract any significant penalty or expense, if the facility is unilaterally withdrawn, except for Rs. 362.200 million (2012: Rs. 34.898 million).

For tax related contingencies, please see note 23.2 to these financial statements.

19. MARK - UP / RETURN / INTEREST EARNED

	Note	2013	2012
		Rupees	
On loans and advances		**606,587,367**	657,421,317
On investments;			
- Held-to-maturity		**27,475,061**	45,289,317
- Available-for-sale		**295,214,233**	504,769,011
		322,689,294	550,058,328
On deposits with banks		**48,034,128**	56,537,617
On securities purchased under resale agreements		**58,018,330**	44,445,658
		1,035,329,119	1,308,462,920

19.1. MARK - UP / RETURN / INTEREST EXPENSED

On borrowings		**34,130,732**	42,611,313
On securities sold under repurchase agreements		**67,744,566**	55,779,548
		101,875,298	98,390,861

20. OTHER INCOME

	Note	2013	2012
		Rupees	
Rent income		**3,250,000**	-
Gain on sale of operating fixed assets		**178,886**	90,294
Miscellaneous income		**25,000**	-
		3,453,886	90,294

21. ADMINISTRATIVE EXPENSES

Salaries, allowances and other benefits		**162,942,926**	120,549,006
Directors' fee		**2,179,200**	1,115,700
Charge for the defined benefit plan - gratuity		**6,308,522**	5,520,198
Contribution to the provident fund		**5,556,827**	4,318,608
Traveling, conveyance, boarding and lodging		**31,091,983**	25,948,123
Rent, rates and taxes		**27,509,645**	30,397,227
Utilities		**4,944,088**	4,518,496
Communication		**4,541,586**	3,147,619
Office security charges		**4,523,445**	3,476,380
Professional training and staff welfare		**876,589**	2,580,195
Advertisements, periodicals and membership fees		**1,030,944**	1,728,261
Printing and stationery		**3,522,959**	1,878,866
Depreciation	10.2	**21,818,750**	14,273,818
Amortization	10.5	**497,518**	1,117,267
Auditors' remuneration	21.1	**1,045,000**	877,500
Legal, consultancy and other professional services		**11,684,413**	2,103,843
Repairs and maintenance		**4,264,858**	2,856,725
Insurance		**3,065,503**	2,236,887
Entertainment		**1,165,019**	1,068,825
Bank charges		**295,807**	277,822
Miscellaneous		**5,761,598**	1,554,366
		304,627,180	231,545,732

21.1 AUDITORS' REMUNERATION

Statutory audit fee	**600,000**	475,000
Half yearly review fee	**200,000**	150,000
Special certifications and sundry services	**175,000**	230,000
Out of pocket expenses	**70,000**	22,500
	1,045,000	877,500

22. OTHER CHARGES

	Note	2013 Rupees	2012 Rupees
Penalty imposed by the SBP		**20,000**	32,100

23. TAXATION

	Note	2013 Rupees	2012 Rupees
Current		**273,175,845**	376,700,664
Prior		-	-
Deferred		**17,516,656**	(13,511,197)
	23.1	**290,692,501**	363,189,467

23.1. RELATIONSHIP BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT

	Note	2013 Rupees	2012 Rupees Restated
Profit before taxation		**854,977,943**	1,037,684,191
Tax at applicable rate of 34%		**290,692,501**	363,189,467
Tax effects of - inadmissible expenses		-	-
- other prepayment differences		-	-
		290,692,501	363,189,467

23.2 The income tax returns of the Company have been filed and are deemed assessed up to and including the Tax Year 2013. However, for the Tax Year 2009, the assessment of the Company was amended by the Taxation Officer, disallowing the "provision against lending to financial institutions" amounting to Rs. 94.518 million. The Company has filed a second appeal before the Appellate Tribunal, which is pending fixation. Based on the advice of its tax advisor, is confident that the ultimate outcome of the above matter will be in the Company's favour. Accordingly, no provision is considered necessary in these financial statements in this respect.

24. EARNINGS PER SHARE

	Note	2013 Rupees	2012 Rupees Restated
Net profit for the year (Rupees)		**564,285,442**	674,494,724
Weighted average number of ordinary shares (Number)		**911,640,000**	911,640,000
Basic earnings per share (Rupees)		**0.62**	0.74

There were no convertible dilutive potential Ordinary shares outstanding as on 31 December 2012 and 2011.

25. CASH AND CASH EQUIVALENTS

	Note	2013	2012
		Rupees	
Cash and balances with treasury banks		**41,539,691**	92,588,077
Balances with other banks		**1,883,525,361**	1,686,035,087
		1,925,065,052	1,778,623,164

26. STAFF STRENGTH

	Number of employees	Number of employees
Company's own staff strength		
Permanent	**40**	36
Temporary / on contractual basis	**-**	-
	40	36
Outsourced	**10**	10
	50	46

27. DEFINED BENEFIT PLAN

27.1 GENERAL DESCRIPTION

The Company operates an approved funded gratuity scheme for all its regular employees. Contributions are made in accordance with the actuarial recommendation. The latest actuarial valuation was carried out as at 31 December 2013.
The benefits under the gratuity scheme are payable on retirement at the age of 60 years or upon earlier cessation of service, in lump sum.
The benefit is equal to one month's last drawn basic salary for each year of eligible service or part thereof, subject to a minimum of one year of service.

27.2 PRINCIPAL ACTUARIAL ASSUMPTIONS

	2013	2012
Discount rate used for charge to profit and loss	**11.00%**	12.50%
Discount rate used for year end obligation	**12.50%**	11.00
Expected rate of increase in salary levels	**11.50%**	10.00%
Average remaining working lives of employees	**9 years**	12.7 years
Normal retirement age	**60 years**	60 years

27.3 RECONCILIATION OF AMOUNT PAYABLE TO DEFINED BENEFIT PLAN

	Note	2013	2012
		Rupees	
			Restated
Present value of defined benefit obligation		**24,751,685**	14,106,470
Fair value of plan assets		**(11,987,167)**	(7,320,547)
		12,764,518	6,785,923

27.4 MOVEMENT IN PAYABLE TO DEFINED BENEFIT PLAN

	Note	2013	2012
		Rupees	Restated
Opening balance		**6,785,923**	1,829,883
Charged during the year		**6,308,522**	5,520,198
Remeasurements chargeable to other comprehensive income		**3,478,043**	1,294,624
Company's contributions for the year		**(3,807,970)**	(1,858,782)
Closing balance		**12,764,518**	6,785,923

27.5 THE MOVEMENT IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION OVER THE YEAR IS AS FOLLOWS:

Opening balance of defined benefit obligation	**14,106,470**	8,322,034
Current service cost	**5,562,070**	5,291,463
Interest cost	**1,551,712**	1,040,254
Benefits paid	**-**	(1,858,782)
REMEASUREMENTS		
Experience adjustments	**3,531,433**	1,311,501
Closing balance of defined benefit obligation	**24,751,685**	14,106,470

27.6 THE MOVEMENT IN THE FAIR VALUE OF PLAN ASSETS FOR THE YEAR IS AS FOLLOWS:

Fair value of plan assets at 01 January	**7,320,547**	6,492,151
Contributions	**3,807,970**	1,858,782
Interest income on plan assets	**805,260**	811,519
Benefits paid	**-**	(1,858,782)
Return on plan assets, excluding interest income	**53,390**	16,877
	11,987,167	7,320,547

27.7 THE AMOUNTS RECOGNIZED IN THE PROFIT AND LOSS ARE AS FOLLOWS:

Current service cost	**5,562,070**	5,291,463
Interest cost	**1,551,712**	1,040,254
Interest income on plan assets	**(805,260)**	(811,519)
	6,308,522	5,520,198

27.8 TOTAL REMEASUREMENTS CHARGEABLE TO OTHER COMPREHENSIVE INCOME

	Note	2013 Rupees	2012 Rupees Restated
REMEASUREMENT OF PLAN OBLIGATION:			
Actuarial (gains)/losses from changes in demographic assumptions		**-**	-
Actuarial (gains)/losses from changes in financial assumptions		**-**	-
Experience adjustments		**3,531,433**	1,311,501
		3,531,433	1,311,501
Return on plan assets, excluding interest income		**(53,390)**	(16,877)
		3,478,043	1,294,624

27.9 PLAN ASSETS COMPRISE THE FOLLOWING:

	2013	2012		
National Saving Certificates	**48.80%**	79.91%	**5,850,000**	5,850,000
Accrued interest	**18.95%**	19.08%	**2,271,598**	1,397,056
Bank balances	**32.25%**	1.00%	**3,865,569**	73,491
			11,987,167	7,320,547

27.10 YEAR END SENSITIVITY ANALYSIS (+/- 100 BPS) ON THE DEFINED BENEFIT OBLIGATION

Discount rate +100 bps	**22,674,918**
Discount rate -100 bps	**27,197,853**
Average salary increase +100 bps	**27,197,853**
Average salary increase -100 bps	**22,640,301**

27.11 HISTORICAL INFORMATION OF DEFINED BENEFIT PLAN

	2013 Rupees	2012 Rupees	2011 Rupees	2010 Rupees	2009 Rupees
Present value of defined benefit obligation	**24,751,685**	14,106,470	8,322,034	8,085,333	6,648,481
Fair value of plan assets	**(11,987,167)**	(7,320,547)	(6,492,151)	(9,830,809)	(6,098,916)
Deficit/ (surplus) in the plan	**12,764,518**	6,785,923	1,829,883	(1,745,476)	549,565
Gain / (loss) due to experience					
- on obligation	**(3,531,433)**	(1,311,501)	(572,036)	41,949	(7,394)
- on plan assets	**53,390**	16,877	(576,663)	(75,862)	98,916

27.12 BASED ON ACTUARIAL ADVICE, THE MANAGEMENT ESTIMATES THAT THE GRATUITY CHARGE FOR THE NEXT YEAR WOULD BE RS. 9.926 MILLION.

28. DEFINED CONTRIBUTION PLAN

The Company also operates a recognised provident fund scheme for all its regular employees.

Contributions made to the provident fund during the year are as follows:

	2013	2012
	Rupees	
Contribution from the Company	**5,556,827**	4,318,608
Contribution from the employees	**5,556,827**	4,318,608
	11,113,654	8,637,216

28.1 PROVIDENT FUND TRUST

	2013	2012
Size of the trust (Rupees)	**37,116,749**	26,003,095
Cost of investments made (Rupees)	**37,116,749**	25,726,004
Percentage of investment made (%)	**100.00%**	98.93%
Fair value of investment made (Rupees)	**37,116,749**	26,003,095

	2013	2012	2013	2012
	%		Rupees	
Breakup of investments				
With a scheduled bank	**6.81%**	4.16%	**2,527,921**	1,069,413
In savings accounts	**93.19%**	95.84%	**34,588,828**	24,656,591
	100.00%	100.00%	**37,116,749**	25,726,004

28.1.1 Investments out of the provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for that purpose. The current year figures are un-audited.

29. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives*	
	2013	2012	2013	2012	2013	2012
	Rupees					
Fees	-	-	2,179,200	1,115,700	-	-
Managerial remuneration	**25,402,758**	19,716,403	**17,864,000**	17,864,000	**89,843,568**	58,105,623
Charge for defined benefit plan	**909,713**	732,460	**1,214,095**	1,103,723	**3,773,146**	3,673,273
Contribution to defined contribution plan	**762,298**	623,088	**1,056,000**	1,056,000	**3,276,667**	2,213,083
Rent and house maintenance	**6,380,760**	5,880,689	-	-	-	-
Utilities	**859,491**	947,832	**334,894**	285,442	-	-
Medical	**968,310**	262,574	**404,243**	825,343	**3,522,506**	2,045,905
Travelling and conveyance	**2,782,975**	2,710,367	**1,886,254**	1,176,670	-	-
Boarding and lodging	**1,753,030**	2,000,176	**872,428**	756,688	-	-
Daily Allowance	**2,919,600**	3,042,560	**500,400**	420,260	-	-
Others	**1,829,380**	2,230,637	**443,964**	1,977,758	-	-
	44,568,315	38,146,786	**26,755,478**	26,581,584	**100,415,887**	66,037,884
Number of persons	**1**	1	**5**	5	**28**	21

29.1 The Chief Executive and a Director are also provided with free use of a Company maintained car.

* All staff with gross monthly salary exceeding Rs. 500,000.

30. 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.

The fair value of government securities is based on Reuters Pages (PKRV) and for listed securities, is based on the market price of such securities. Other investments, where quoted market data is not available, are carried at cost. Fair value of fixed term loans and advances, other assets and other liabilities cannot be calculated with sufficient reliability due to the absence of a current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments.

The carrying amounts of the Company's financial assets, as of 31 December 2013, approximate their fair values.

31. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	2013			
	Corporate Finance	Trading and Sales	Others	Total
	(Rupees)			
Total income - gross	**814,797,831**	**571,909,815**	**3,453,886**	**1,390,161,531**
Total expenses	**(145,136,251)**	**(85,400,157)**	**(304,647,180)**	**(535,183,588)**
Profit / (loss) before taxation	**669,661,580**	**486,509,658**	**(301,193,294)**	**854,977,943**
Segment assets - gross	**7,870,163,483**	**4,969,428,697**	**634,206,449**	**13,473,798,629**
Segment non-performing assets	**1,051,934,062**	**-**	**-**	**1,051,934,062**
Segment provision including general provision	**(743,289,784)**	**-**	**-**	**(743,289,784)**
Segment liabilities	**(326,089,523)**	**-**	**(91,469,462)**	**(417,558,985)**
Segment return on net assets	**9.85%**	**9.79%**	**-55.50%**	

	2012			
	Corporate Finance	Trading and Sales	Others	Total
	(Rupees)			
Total income - gross	953,472,072	587,559,864	90,294	1,541,122,230
Total expenses	(179,654,008)	(92,206,200)	(232,185,373)	(504,045,581)
Profit / (loss) before taxation	773,818,064	495,353,664	(232,095,079)	1,037,076,649
Segment assets - gross	7,345,018,443	8,597,366,593	649,225,572	16,591,610,608
Segment non-performing assets	997,390,757	-	-	997,390,757
Segment provision including general provision	(618,770,166)	-	-	(618,770,166)
Segment liabilities	(90,431,639)	(4,048,600,529)	(64,953,591)	(4,203,985,759)
Segment return on net assets	11.66%	10.89%	-39.72%	

32. RELATED PARTY TRANSACTIONS

Related parties of the Company comprise of retirement funds, directors and key management personnel. Transactions and balances with related parties are disclosed in the relevant notes to the financial statements.

33. CAPITAL ADEQUACY

33.1 SCOPE OF APPLICATION

The Basel III framework has been applied in accordance with BPRD Circular No. 6, dated 15 August, 2013. The Standardized Approach is used for calculating the Capital Adequacy for Market and Credit risks while the Basic Indicator Approach (BIA) is used for calculating the Capital Adequacy for Operational risk.

33.2 CAPITAL STRUCTURE

For the main features of capital structure of the Company, please refer to note 33.12.

33.3 CAPITAL MANAGEMENT

The Company's objectives when managing capital risks are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend to shareholders, return of capital to shareholders, issue new shares or sell assets to reduce debt. The Company has implemented the capital adequacy framework under the Basel - III regime. The Company, in line with the SBP guidelines, has adopted the standardized approach for credit, market risks and BIA approach for operational risk

The Company's objectives when managing its capital are:

a) To comply with the capital requirements set by the SBP;

b) To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits to other stakeholders; and

c) To maintain a strong capital base to support the development of its business.

The growth prospects of the Company will be linked with the macroeconomic environment, industry conditions and its ability to attract quality assets. At present, the Company has restricted its market risk by not participating in secondary stock trading. It is engaged in booking quality assets the in loan segment.

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

33.4 REGULATORY CAPITAL REQUIREMENTS

The SBP vide BSD Circular No.19, dated 05 September, 2008 has set the Minimum Capital Requirement (MCR) for DFIs, up to Rs.6 billion. Further, the Company is also required to maintain a Capital Adequacy Ratio (CAR) of at least 10% of its risk weighted assets.

The paid up capital of the Company as of 31 December 2013 amounted to Rs. 9,116 million while CAR stands at 98.07% as of that date.

33.5 REGULATORY CAPITAL BASE

	2013	Amount subject to pre BASEL III treatment 2013	2012
		Rupees ('000)	
Common Equity Tier 1 capital (CET1): Instruments and reserves			
Fully Paid-up Capital/ Capital deposited with SBP	**9,116,400**	-	9,116,400
Balance in share premium account	-	-	-
Reserve for issue of bonus shares	-	-	-
General/ Statutory Reserves	**635,213**	-	523,231
Gain / (losses) on derivatives held as cash flow hedge	-	-	-
Unappropriated/unremitted profits/ (losses)	**2,538,559**	-	2,092,924
Minority Interests arising from CET1 capital instruments issued to	-	-	-
third party by consolidated bank subsidiaries (amount allowed in	-	-	-
CET1 capital of the consolidation group)	-	-	-
CET 1 before Regulatory Adjustments	**12,290,172**	-	11,732,555
Common Equity Tier 1 capital: Regulatory adjustments			
Good will (net of related deferred tax liability)	**-**	-	-
All other intangibles (net of any associated deferred tax liability)	**0**	-	498
Shortfall of provisions against classified assets	-	-	-
Deferred tax assets that rely on future profitability excluding those	-	-	-
arising from temporary differences (net of related tax liability)	-	-	-
Defined-benefit pension fund net assets	-	-	-
Reciprocal cross holdings in CET1 capital instruments	-	-	-
Cash flow hedge reserve	-	-	-
Investment in own shares / CET1 instruments	-	-	-
Securitization gain on sale	-	-	-
Capital shortfall of regulated subsidiaries	-	-	-
Deficit on account of revaluation from bank's holdings of property / AFS	-	-	-
Investments in the capital instruments of banking, financial and	-	-	-
insurance entities that are outside the scope of regulatory	-	-	-

		2013	Amount subject to pre BASEL III treatment 2013	2012
			Rupees ('000)	
consolidation, where the bank does not own more than 10% of		-	-	-
the issued share capital (amount above 10% threshold)		-	-	-
Significant investments in the capital instruments issued by		-	-	-
banking, financial and insurance entities that are outside the		-	-	-
scope of regulatory consolidation (amount above 10% threshold0		-	-	-
Deferred Tax Assets arising from temporary differences (amount		-	-	-
above 10% threshold, net of related tax liability)		-	-	-
Amount exceeding 15% threshold		-	-	-
of which: significant investments in the common stocks of		-	-	-
financial entities		-	-	-
of which: deferred tax assets arising from temporary differences		-	-	-
National specific regulatory adjustments applied to CET1 capital		-	-	-
Investment in TFCs of other banks exceeding the prescribed limit		-	-	-
Any other deduction specified by SBP (mention details)		-	-	-
Regulatory adjustment applied to CET1 due to insufficient AT1 and		-	-	-
tier 2 to cover deductions		-	-	-
Total regulatory adjustments applied to CET1		0	-	498
Common Equity Tier 1	(a)	**12,290,172**	-	11,732,057
Additional Tier 1 (AT 1) Capital				
Qualifying Additional Tier-1 instruments plus any related share				
Premium		-	-	-
of which: Classified as equity		-	-	-
of which: Classified as liabilities		-	-	-
Additional Tier-1 capital instruments issued by consolidated		-	-	-
subsidiaries and held by third parties (amount allowed in group		-	-	-
AT 1)		-	-	-
of which: instrument issued by subsidiaries subject to phase out		-	-	-
AT1 before regulatory adjustments				
Additional Tier 1 Capital: regulatory adjustments				
Investment in mutual funds exceeding the prescribed limit (SBP		-	-	-
specific adjustment		-	-	-
Investment in own AT1 capital instruments		-	-	-
Reciprocal cross holdings in Additional Tier 1 capital instruments		-	-	-
Investments in the capital instruments of banking, financial and insurance		-	-	-

		2013	Amount subject to pre BASEL III treatment 2013	2012
			Rupees ('000)	
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)		-	-	-
Significant investments in the capital instruments issued by banking,		-	-	-
financial and insurance entities that are outside the scope of regulatory		-	-	-
consolidation		-	-	-
Portion of deduction applied 50:50 to core capital and supplementary		-	-	-
capital based on pre-Basel III treatment which, during transitional period		-	-	-
remain subject to deduction from tier-1 capital		-	-	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient		-	-	-
Tier 2 to cover deductions		-	-	-
Total of Regulatory Adjustments applied to AT1 capital		-	-	-
Additional Tier 1 capital		-	-	-
Additional Tier 1 capital recognized for capital adequacy	(b)	-	-	-
Tier 1 Capital (CET1 + admissible AT1)	(c) = (a) + (b)	**12,290,172**	-	11,732,057
Tier 2 Capital				
Qualifying Tier 2 capital instruments under Basel III				
Capital instruments subject to phase out arrangement from tier 2		-	-	-
(Pre-Basel III instruments)		-	-	-
Tier 2 capital instruments issued to third party by consolidated		-	-	-
subsidiaries (amount allowed in group tier 2)		-	-	-
of which: instruments issued by subsidiaries subject to phase out		-	-	-
General provisions or general reserves for loan losses-up to		-	-	-
maximum of 1.25% of credit Risk Weighted Assets		**101,925**	-	87,235
Revaluation Reserves		-	-	-
of which: Revaluation reserves on Property		-	-	-
of which: Unrealized Gains/ Losses on AFS		**10,250**	-	16,335
Foreign Exchange Translation Reserves		-	-	-
Undisclosed/Other Reserves (if any)		-	-	-
T2 before regulatory adjustments		**112,175**	-	10,3570
Tier 2 Capital: regulatory adjustments				
Portion of deduction applied 50:50 to core capital and		-	-	-
supplementary capital based on pre-Basel III treatment which,		-	-	-

		2013	Amount subject to pre BASEL III treatment 2013	2012
			Rupees ('000)	
during transitional period, remain subject to deduction from tier-2		-	-	-
capital		-	-	-
Reciprocal cross holdings in Tier 2 instruments		-	-	-
Investment in own Tier 2 capital instrument		-	-	-
Investments in the capital instruments of banking, financial and		-	-	-
insurance entities that are outside the scope of regulatory		-	-	-
consolidation, where the bank does not own more than 10% of		-	-	-
the issued share capital (amount above 10% threshold)		-	-	-
Significant investments in the capital instruments issued by		-	-	-
banking, financial and insurance entities that are outside the		-	-	-
scope of regulatory consolidation		-	-	-
Amount of Regulatory Adjustment applied to T2 capital		-	-	-
Tier 2 capital (T2)		-	-	-
Tier 2 capital recognized for capital adequacy		-	-	-
Excess Additional Tier 1 capital recognized in Tier 2 capital		-	-	-
Total Tier 2 capital admissible for capital adequacy		-	-	-
Tier 2 Capital after regulatory adjustments	(d)	**112,175**	-	103,507
Total Capital (T1 + admissible T2)	(e) = (c) + (d)	**12,402,347**	-	11,835,627

33.6 THE CAPITAL TO RISK WEIGHTED ASSETS CALCULATED IN ACCORDANCE WITH SBP GUIDELINES ON CAPITAL ADEQUACY ARE AS FOLLOWS:

Total Credit Risk Weighted Assets	(f)	**8,153,927**	-	6,452,069
Risk weighted assets in respect of amounts subject to Pre-Basel		-	-	-
III Treatment		-	-	-
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		-	-	-
of which: deferred tax assets		-	-	-
of which: Defined-benefit pension fund net assets		-	-	-
of which: [insert name of adjustment]		-	-	-
Total Market Risk Weighted Assets	(g)	**2,134,874**	-	2,125,569
Total Operational Risk Weighted Assets	(h)	**2,357,937**	-	2,267,605
Total Risk Weighted Assets	(i) = (f) + (g) + (h)	**12,646,783**	-	10,845,243

33.7 CAPITAL RATIOS AND BUFFERS (IN PERCENTAGE OF RISK WEIGHTED ASSETS)

		2013	Amount subject to pre BASEL III treatment 2013	2012
			%	
CET 1 to total RWA	(a) / (i)	97.18%	-	108.18%
Tier-1 capital to total RWA	(c) / (i)	97.18%	-	108.18%
Total capital to RWA	(e) / (i)	98.07%	-	109.13%
Bank specific buffer requirement (minimum CET1 requirement plus		0.00%	-	0.00%
capital conservation buffer plus any other buffer requirement)		0.00%	-	0.00%
of which: capital conservation buffer requirement		0.00%	-	0.00%
of which: countercyclical buffer requirement		0.00%	-	0.00%
of which: D-SIB or G-SIB buffer requiremnet		0.00%	-	0.00%
CET1 available to meet buffers (as a percentage of risk weighted		0.00%	-	0.00%
assets		97.18%	-	108.18%
National minimum capital requirements prescribed by SBP				
CET1 minimum ratio		**5.00%**	-	0.00%
Tier 1 minimum ratio		**6.50%**	-	0.00%
Total capital minimum ratio		**10.00%**	-	10.00%

	2013	Amount subject to pre BASEL III treatment 2013	2012
		Rupees ('000)	
Amounts below the thresholds for deduction (before risk weighting)			
Non-significant investments in the capital of other financial entities	-	-	-
Significant investments in the common stock of financial entities	-	-	-
Deferred tax assets arising from temporary differences (net of	-	-	-
related tax liability)	-	-	-
Applicable caps on the inclusion of provisions in Tier 2			
Provisions eligible for inclusion in Tier 2 in respect of exposures	-	-	-
subject to standardized approach (prior to application of cap)	-	-	-
Cap on inclusion of provisions in Tier 2 under standardized approach	-	-	-
Provisions eligible for inclusion in Tier 2 in respect of exposures	-	-	-
subject to internal ratings-based approach (prior to application of cap)	-	-	-
Cap for inclusion of provisions in Tier 2 under internal ratings-	-	-	-
based approach	-	-	-

33.8 RISK WEIGHTED EXPOSURES

	2013 Book value	2013 Risk adjusted value	2012 Book value	2012 Risk adjusted value
	Rupees ('000)			
Credit Risk				
Balance sheet items				
Cash and other liquid assets	**2,484,090**	**1,845,036**	2,712,656	1,661,607
Money at call	-	-	-	-
Investments	**4,283,208**	**1,191,727**	8,020,871	1,464,248
Loans and advances	**5,329,004**	**4,563,670**	4,590,088	3,027,671
Operating fixed assets	**218,912**	**218,912**	219,539	219,041
Other assets	**415,294**	**22,420**	429,687	61,719
	12,730,508	**7,841,765**	15,972,841	6,434,286
Off balance sheet items				
Loan repayment guarantees	-	-	-	-
Purchase and resale agreements	**559,178**	**7**	4,055,912	333
Performance bonds etc.	-	-	-	-
Revolving underwriting commitments	**362,200**	**312,200**	34,898	17,450
Stand By Letters of Credit	-	-	-	-
Outstanding Foreign Exchange Contracts	-	-	-	-
-Purchase	-	-	-	-
-Sale	-	-	-	-
Other commitments	**1,250,000**	**-**	1,077,000	-
	2,171,378	**312,207**	5,167,810	17,783
Credit risk-weighted exposures		**8,153,972**		6,452,069

	2013 Risk adjusted value Rupees ('000)	2012 Risk adjusted value Rupees ('000)
Market Risk		
General market risk	**149,922**	332,261
Specific market Risk	**1,984,952**	1,793,308
Market risk-weighted exposures	**2,134,874**	2,125,569
Operational risk	**2,357,937**	2,267,605
Total risk-weighted exposures	**12,646,783**	10,845,243

33.9 CAPITAL STRUCTURE RECONCILIATION (STEP-I)

	2013 As per audited financial statement	2013 Under regulatory scope of consolidation
	Rupees ('000)	
Assets		
cash and balance with treasury banks	**41,540**	41,540
Balance with other banks	**1,883,525**	1,883,525
Lendings to financial institutions	**559,025**	559,025
Investments	**4,283,208**	4,283,208
Advances	**5,329,004**	5,329,004
Operation fixed assets	**218,913**	218,913
Deferred tax assets	**-**	-
Other assets	**415,294**	415,294
Total Assets	**12,730,509**	12,730,509
Liabilities		
Bill payable	**-**	-
Borrowings	**326,089**	326,089
Deposits and other accounts	**-**	-
Sub-ordinated loans	**-**	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	**12,800**	12,800
Other liabilities	**78,670**	78,670
Total Liabilities	**417,559**	418,559
Share capital	**9,116,400**	9,116,400
Reserves	**635,213**	635,213
Unappropriated profit	**2,538,559**	2,538,559
Minority interest	**-**	-
Surplus on revaluation of assets	**22,778**	22,778
	12,312,950	12,312,950
Total liabilities and equity	**12,730,509**	12,730,509

33.10 CAPITAL STRUCTURE RECONCILIATION (STEP-II)

	2013 As per audited financial statement	2013 Under regulatory scope of consolidation	Reference
	Rupees ('000)		
Assets			
Cash and balance with treasury banks	**41,540**	41,540	
Balance with other banks	**1,883,525**	1,883,525	
Lendings to financial institutions	**559,025**	559,025	
Investments	**4,283,208**	4,283,208	
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	-	-	a
of which: significant capital investments in financial sector entities exceeding regulatory threshold	-	-	b
of which: Mutual Funds exceeding regulatory threshold	-	-	c
of which:reciprocal crossholding of capital instrument	-	-	d
of which: others	-	-	e
Advances	5,329,004	5,329,004	
Shorfall in provisions/ excess of total EL amount over eligible	-	-	
provisions under IRB	-	-	f
General provisions reflected in Tier 2 capital	102,503	101,925	g
Operating fixed assets	218,912	218,913	
Deferred tax assets	-	-	
of which: DTAs excluding those arising from temporary differences	-	-	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Other assets	415,294	415,294	
of which: Goodwill	-	-	j
of which: Intangibles	0	0	k
of which: Defined-benefit pension fund net assets	-	-	l
Total Assets	12,730,509	12,730,509	
Liabilities and equity			
Bills payable	-	-	
Borrowings	326,089	326,089	
Deposits and other accounts	-	-	
Sub-ordinated loans	-	-	
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier2	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	12,800	12,800	

	2013 As per audited financial statement	2013 Under regulatory scope of consolidation	Reference
	Rupees ('000)		
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	12,800	12,800	r
Other liabilities	78,670	78,670	
Total Liabilities	417,559	417,559	
Share capital	9,116,400	9,116,400	
of which: amount eligible for CET1	9,116,400	9,116,400	s
of which: amount eligible for AT1	-	-	t
Reserves	635,213	635,213	
of which: portion eligible for inclusion in CET1	635,213	635,213	u
of which: Portion eligible for inclusion in Tier 2	-	-	v
Unappropriated profit (losses)	2,538,559	2,538,559	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	22,778	22,778	
of which: Revaluation reserves on Property	-	-	aa
of which: Unrealized Gains/Losses on AFS	22,778	22,778	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
	12,312,950	12,312,950	
Total Liabilities and Equity	12,730,509	12,730,509	

33.11 CAPITAL STRUCTURE RECONCILIATION (STEP-III)

	2013 Under regulatory scope of consolidation Rupees ('000)	Reference
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully Paid-up Capital/ Capital deposited with SBP	9,116,400	
Balance in Share Premium Account	-	s
Reserve for issue of bonus Shares	-	
General/ Statutory Reserves	635,213	u
Gain/ (Losses) on derivatives held as Cash Flow Hedge	-	

	2013 Under regulatory scope of consolidation Rupees ('000)	Reference
Unappropriated/ Unremitted profits/ (losses)	2,538,559	w
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	x
CET 1 before Regulatory Adjustments	12,290,172	
Common Equity Tier 1 capital: Regulatory adjustments		
Goodwill (net of related deferred tax liability)	-	j-o
All other intangibles (net of any associated deferred tax liability)	0	k-p
Shortfall of provisions against classified assets	-	f
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	(h-r)*x%
Defined-benefit pension fund net assets	-	(l-q)*x%
Reciprocal cross holdings in CET1 capital instruments	-	d
Cash flow bedge reserve	-	
Investment in own shares/ CET1 instruments	-	
Securitization gain on sale	-	
Capital shortfall of regulated subsidiaries	-	
Deficit on account of revaluation from bank's holdings of property/ AFS	-	ab
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above10% threshold)	-	
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	i
Amount exceeding 15% threshold		
of which: significant investments in the common stocks of financial entities	-	
of which: deferred tax assets arising from temporary differences	-	
National specific regulatory adjustments applied to CET1 capital	-	
Investment in TFCs of other banks exceeding the prescribed limit	-	
Any other deduction specified by SBP (mention details)	-	
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	

	2013 Under regulatory scope of consolidation Rupees ('000)	Reference
total regulatory adjustments applied to CET1 (sum of 9 to 25)	-	
Common Equity Tier 1	**12,290,172**	
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 instruments plus any related share premium		
of which: Classified as equity	-	t
of which: Classified as liabilities	-	m
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	y
of which: instrument issued by subsidiaries subject to phase out	-	
AT1 before regulatory adjustments	-	
Additional Tier 1 Capital: regulatory adjustments		
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
Investment in own AT1 capital instruments	-	
Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
Total of Regulatory Adjustment applied to AT1 capital	-	
Additional Tier 1 capital	-	
Additional Tier 1 capital recognized for capital adequacy	-	
Tier 1 Capital (CET1 + admissible AT1)	12,290,172	
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III	-	

	2013 Under regulatory scope of consolidation Rupees ('000)	Reference
Capital instruments subject to phase out arrangement from tier 2 (Per-Basel III instruments)	-	n
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	z
Of which: instruments issued by subsidiaries subject to phase out	-	
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	101,925	g
Revaluation Reserves		
Of which: Revaluation reserves on Property	-	portion of aa
Of which: Unrealized Gains/ Losses on AFS	10,250	
Foreign Exchange Translation Reserves	-	v
Undisclosed/Other Reserves (if any)	-	
T2 before regulatory adjustments	112,175	
Tier 2 Capital: regulatory adjustments		
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which during transitional period, remain subject to deduction from tier-2 capital	-	
Reciprocal cross holdings in Tier 2 instruments	-	
Investment own Tier 2 capital instruments	-	
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)	-	
significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
Amount of Regulatory Adjustment applied to T2 capital	-	
Tier 2 capital (T2)	-	
Tier 2 capital recognized for capital adequacy	-	
Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
total Tier 2 capital admissible for capital adequacy	-	
Tier 2 Capital after regulatory adjustments	112,175	
TOTAL CAPITAL (T1 + admissible T2)	12,402,347	

33.12 REGULATORY CAPITAL INSTRUMENTS-MAIN FEATURE REPOST

Main features	Common shares	Explanation
Issuer	Pak China Investment Co Ltd,	
Unique identifier	N/A	Not Listed
Governing law(s) of the instrument	Applicable laws of Pakistan	
Regulatory treatment		
Transitional Basel III rules	Common Equity Tier I	
Post-transitional Basel III rules	Common Equity Tier I	
Eligible at solo / group / group & solo	Stand Alone	
Instrument type	Share Capital	
Amount recognized in regulatory capital (Rupees in thousands)	9,116,400,000	
Par value of instrument	PKR 10 per share	
Accounting classification	Shareholder's Equity	
Original date of issuance	2008	
Perpetual or dated	Perpetual	
Original maturity date	No Maturity	
Issuer call subject to prior supervisory approval	N/A	
Optional call date, contingent call dates and redemption amount	N/A	
Subsequent call dates, if applicable	N/A	
Coupons / dividends		
Fixed or floating dividend coupon	N/A	
Coupon rate any related index / benchmark	N/A	
Existence of a dividend stopper	No	
Fully discretionary, partially discretionary or mandatory	Fully discretionary	
Existence of step up or other incentive to redeem	No	
Noncumulative or cumulative	N/A	
Convertible or non-convertible		
If convertible, conversion trigger (s)	N/A	
If convertible, fully or partially	N/A	
If convertible, conversion rate	N/A	
If convertible, mandatory or optional conversion	N/A	
If convertible, specify instrument type convertible into	N/A	
If convertible, specify issuer of instrument it converts into	N/A	
Write-down feature		
If write-down, write-down trigger(s)	N/A	
If write-down, full or partial	N/A	
If write-down, permanent or temporary	N/A	
If temporary write-down, description of write-up mechanism	N/A	
Position in subordination hierarchy in liquidation	Common Equity (Ranks after all creditors and depositors)	
Non-compliant transitioned features	N/A	
If yes, specify non-compliant features	N/A	

33.13 THE CAPITAL REQUIREMENTS FOR THE COMPANY AS PER THE MAJOR RISK CATEGORIES IS GIVEN BELOW:

	2013	2012	2013	2012
	Capital requirements		Risk weighted assets	
	Rupees ('000)			
Credit Risk				
Claims on:				
Corporate	**459,326**	326,378	**4,593,257**	3,263,776
Banks	**184,504**	166,161	**1,845,036**	1,661,607
Sovereigns	**-**	-	**-**	-
Retail portfolio	**362**	265	**3,624**	2,646
Secured by residential property	**1,436**	973	**14,355**	9,733
Past due loans	**42,680**	47,961	**426,801**	479,608
Listed equity investments	**72,098**	73,880	**720,984**	738,803
Unlisted equity investments	**-**	-	**-**	-
Operating fixed assets	**21,891**	21,904	**218,912**	219,041
Other assets	**1,880**	5,907	**18,796**	59,072
Off balance sheet exposure - market related	**31,221**	1,778	**312,207**	17,783
Market Risk				
Capital requirement for portfolios subject to the Standardized Approach				
Interest rate risk	**-**	19,417	**-**	194,172
Equity position risk	**29,984**	27,618	**299,844**	276,178
Foreign exchange risk	**183,503**	165,522	**1,835,030**	1,655,219
Operational Risk				
Capital requirement for operational risks	**235,794**	226,761	**2,357,937**	2,267,605
	1,264,679	1,084,525	**12,646,783**	10,845,243

		2013	2012
Capital Adequacy Ratio			
Total eligible regulatory capital held - Rupees ('000)	(e)	**12,402,347**	11,835,627
Total Risk Weighted Assets - Rupees ('000)	(i)	**12,646,783**	10,845,243
Capital Adequacy Ratio - % age	(e) / (i)	**98.07%**	109.13%

34. RISK MANAGEMENT

Risk is an integral part of business and the Company aims at delivering superior shareholder value by achieving an appropriate trade-off between risk and returns. Risk Management strategy is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring. The risks that the Company takes are reasonable, controlled within its financial resources and credit competence. The primary objective of this risk management is to ensure that the process of achieving an appropriate balance between risks the Company wishes to accept (at a price that is commensurate to that risk) and risks the Company wishes to mitigate, or whenever capital is put at risk, is done in an objective, documented and transparent fashion and also to ensure that these risks are taken within predefined and pre-approved tolerance limits / levels.

The ultimate responsibility for risk management and setting of the risk management policy rests with the Board of Directors. The Board of Directors approves a policy framework and oversees Risk Management function of the Company through Risk Management Committee (RMC). RMC of the Board has been constituted to facilitate focused oversight of various risks and is updated on quarterly basis by an independent Risk Management Function on the risk exposures, trends and benchmarks for each risk type covered within the scope of policy. The main goals of Risk Management are to oversee the enterprise-wide risk policies and guidelines under the guidance of the Board of Directors and RMC, to establish and monitor limits, to set and manage decision processes and to implement risk assessment methods. Functional level committees oversee the implementation of risk management practices and exposure levels. Market and Liquidity Risks are managed by a well-represented Asset Liability Committee (ALCO) and the Credit Committee oversees Credit Risk.

The Head of Risk Management and the Risk Management Function works with the Senior Management, ALCO and Credit Committee on a day to day basis to address issues directly related to the policy as well as improve and refine the policy based on experiences and market conditions.

34.1 CREDIT RISK

Credit risk is the potential for financial loss arising from borrower's or counterparty's inability to meet its obligations under a contract.

Credit Risk is the predominant risk type faced by the Company in its lending activities. All credit risk related aspects are governed by a credit policy approved by the Board of Directors. The policy outlines the type of products that can be offered, targeted customer profile and the credit approval process and limits. In order to assess the credit risk associated with any corporate financing proposal, variety of risks relating to the borrower and relevant industry are assessed. A structured and standardized credit approval process is followed which includes a well-established procedure of comprehensive credit appraisal and credit rating. The credit evaluation system comprises of well-designed credit appraisal, review and approval procedures for the purpose of emphasizing prudence in lending activities and ensuring the high quality of asset portfolio. Each credit proposal is evaluated on standalone basis as well as its implication on the Company's portfolio in terms of portfolio pricing and rating is also assessed. The internal credit rating methodologies have been developed for rating obligors. The rating serves as the key input in the approval as well as post approval credit process. All the credit applications and reviews are thoroughly analyzed by Risk Management Function. The application approval process is further supplemented by regular review of the existing credit limits, overall credit portfolio and the monitoring of early warning indicators that can trigger a tightening of lending standards and an increase in the frequency and depth of credit portfolio review.

The Company is using Basel-III standardized approach to calculate risk weighted assets against credit risk.

34.1.1 SEGMENT BY CLASS OF BUSINESS

	2013			
	Advance - Gross		Contingencies and commitments	
	Rupees	%	Rupees	%
Fertilizer	**300,000,000**	**5.13**	**-**	**-**
Power	**2,375,998,425**	**40.62**	**-**	**-**
Steel	**285,890,000**	**4.89**	**-**	**-**
Sugar	**512,500,000**	**8.76**	**-**	**-**
Telecommunication	**300,000,000**	**5.13**	**-**	**-**
Storage	**652,692,540**	**11.16**	**-**	**-**
Real Estate	**70,000,000**	**1.20**	**-**	**-**
Cement	**200,000,000**	**3.42**	**-**	**-**
Glass	**235,293,000**	**4.02**	**-**	**-**
Textile	**137,500,000**	**2.35**	**-**	**-**
Engineering	**300,000,001**	**5.13**	**-**	**-**
Plastic	**100,000,000**	**1.71**	**-**	**-**
Financial institutions	**300,000,000**	**5.13**	**100,000,000**	**27.61**
Coal	**37,800,000**	**0.65**	**62,200,000**	**17.17**
Petroleum	**-**	**0.00**	**200,000,000**	**55.22**
Others	**41,014,765**	**0.70**	**-**	**-**
	5,848,688,731	**100**	**362,200,000**	**100**

	2012			
	Advance - Gross		Contingencies and commitments	
	Rupees	%	Rupees	%
Fertilizer	280,000,000	5.52	-	-
Power	2,613,221,760	51.52	34,898,362	100.00
Steel	297,100,000	5.86	-	-
Sugar	312,500,000	6.16	-	-
Telecommunication	300,000,000	5.91	-	-
Storage	671,436,553	13.24	-	-
Real Estate	70,000,000	1.38	-	-
Cement	200,000,000	3.94	-	-
Glass	300,000,000	5.91	-	-
Others	27,806,827	0.55	-	-
	5,072,065,140	100	34,898,362	100

34.1.2 SEGMENT BY SECTOR

	2013			
	Advance - Gross		Contingencies and commitments	
	Rupees	%	Rupees	%
Public / Government	**100,000,000**	**1.71**	**100,000,000**	**27.61**
Private	**5,748,688,731**	**98.29**	**262,200,000**	**72.39**
	5,848,688,731	**100.00**	**362,200,000**	**100.00**

	2012			
	Advance - Gross		Contingencies and commitments	
	Rupees	%	Rupees	%
Public / Government	-	-	-	-
Private	5,072,065,140	100.00	34,898,362	100.00
	5,072,065,140	100.00	34,898,362	100.00

34.1.3 DETAILS OF NON-PERFORMING ADVANCES AND SPECIFIC PROVISIONS BY CLASS OF BUSINESS

	2013		2012	
	Classified Advances	Specific Provisions	Classified Advancces	Specific Provisions
	Rupees			
Cement	**200,000,000**	**200,000,000**	200,000,000	200,000,000
Real Estate	**70,000,000**	**48,878,000**	70,000,000	38,317,000
Telecommunication	**300,000,000**	**150,000,000**	300,000,000	150,000,000
Sugar	**112,500,000**	**18,303,000**	112,500,000	6,425,000
	682,500,000	**417,181,000**	682,500,000	394,742,000

34.1.4 DETAILS OF NON-PERFORMING ADVANCES AND SPECIFIC PROVISIONS BY SECTOR

	2013		2012	
	Classified Advances	Specific Provisions	Classified Advancces	Specific Provisions
	Rupees			
Public/Government	-	-	-	-
Private	**682,500,000**	**417,181,000**	682,500,000	394,742,000
	682,500,000	**417,181,000**	682,500,000	394,742,000

34.1.5 GEOGRAPHICAL SEGMENT ANALYSIS

	2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees			
In Pakistan	**854,977,943**	**12,730,508,845**	**12,312,949,860**	**362,200,000**

	2012			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees			
In Pakistan	1,037,684,191	15,972,840,442	11,768,854,683	34,898,362

34.2 LIQUIDITY RISK

Liquidity risk is the potential loss to the Company arising from either its inability to meet its obligation or to arrange the requisite funding for its assets at a reasonable price.

This risk arises from mismatches in the timing of cashflows. The objective of the Company's liquidity management is to ensure that all foreseeable funding commitments can be met when due. The Company's Asset and Liability Committee is primarily responsible for the formulation of the overall strategy and oversight of the liquidity management. The Company manages its liquidity risk by diversifying and ensuring the stability of its liability structure (funding mix). The risk management function generates and monitors daily liquidity position of the Company.

The maturity profile of assets and liabilities has been prepared based on their contractual maturity, except for assets and liabilities that do not have contractual maturity. In this regard, assumptions for the Company's maturity profile in respect of allocation of non-contractual items based on their expected maturities were deliberated and approved by the ALCO. The ALCO agreed upon various assumptions for such allocation including the Company's historical trend and past experience, expected utilization of assets, expected useful lives of fixed assets, statutory requirements and variance approach.

34.2.1 MATURITIES OF ASSETS AND LIABILITIES

	2013									
	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years
	Rupees									
Assets										
Cash and balances with treasury banks	41,539,691	41,539,691	-	-	-	-	-	-	-	-
Balances with other banks	1,883,525,361	48,495,159	-	1,835,030,202	-	-	-	-	-	-
Lendings to financial institutions	559,025,145	559,025,145	-	-	-	-	-	-	-	-
Investments	4,283,207,947	2,444,576,042	41,790,504	75,142,253	336,600,016	169,024,572	172,177,673	407,935,668	635,961,219	-
Advances	5,329,004,252	84,390,247	130,991,054	223,097,299	410,728,953	1,256,890,479	760,091,838	1,431,581,715	1,009,441,781	21,790,885
Operating fixed assets	218,912,459	1,873,431	3,746,852	6,048,227	11,513,540	18,913,664	11,505,744	11,829,580	17,481,421	136,000,000
Other assets	415,293,990	163,206,165	42,215,325	49,698,988	35,646,464	71,077,023	53,450,025	-	-	-
	12,730,508,845	3,343,105,880	218,743,735	2,189,016,969	794,488,973	1,515,905,738	997,225,280	1,851,346,963	1,662,884,421	157,790,885
Liabilities										
Borrowings	326,089,523	25,028,058	-	16,807,000	41,835,058	83,670,116	83,670,116	75,079,175	-	-
Deferred tax liabilities	12,799,679	-	12,799,679	-	-	-	-	-	-	-
Other liabilities	78,669,783	10,247,263	64,474,849	3,272,671	675,000	-	-	-	-	-
	417,558,985	35,275,321	77,274,528	20,079,671	42,510,058	83,670,116	83,670,116	75,079,175	-	-
Net assets	12,312,949,860	3,307,830,559	141,469,207	2,168,937,298	751,978,915	1,432,235,622	913,555,164	1,776,267,788	1,662,884,421	157,790,885

	2013 Total Rupees
Share capital	**9,116,400,000**
Reserves	**635,212,571**
Unappropriated profit	**2,538,559,412**
Surplus on revaluation of available-for-sale securities	**22,777,877**
	12,312,949,860

	2012									
	Total	**Upto one month**	**Over one to three months**	**Over three to six months**	**Over six months to one year**	**Over one to two years**	**Over two to three years**	**Over three to five years**	**Over five to ten years**	**Over ten years**
	Rupees									
Assets										
Cash and balances with treasury banks	92,588,077	92,588,077	-	-	-	-	-	-	-	-
Balances with other banks	1,686,035,087	30,815,959	-	1,655,219,128	-	-	-	-	-	-
Lendings to financial institutions	934,033,000	934,033,000	-	-	-	-	-	-	-	-
Investments	8,020,870,732	9,799,903	3,558,577,128	1,945,552,505	187,941,975	297,538,513	181,220,623	879,736,974	960,503,111	-
Advances	4,590,087,974	23,988,550	11,604,643	44,680,969	141,772,492	450,848,761	670,751,762	1,313,638,094	1,918,696,123	14,106,580
Operating fixed assets	219,538,864	1,539,559	175,533,644	4,618,677	8,839,498	11,298,513	8,086,320	9,622,653	-	-
Other assets	429,686,708	129,128,564	61,375,281	37,251,654	191,352,758	8,988,992	1,589,459	-	-	-
	15,972,840,442	1,221,893,612	3,807,090,696	3,687,322,933	529,906,723	768,674,779	861,648,164	2,202,997,721	2,879,199,234	14,106,580
Liabilities										
Borrowings	4,139,032,168	4,056,821,587	-	-	8,221,058	16,442,116	16,442,116	32,884,232	8,221,059	-
Deferred tax Liabilites	2,563,902	-	-	2,563,902	-					
Other liabilities	65,580,281	7,984,507	56,966,204	629,570	-	-	-	-	-	-
	4,207,176,351	4,064,806,094	56,966,204	3,193,472	8,221,058	16,442,116	16,442,116	32,884,232	8,221,059	-
Net assets	11,765,664,091	(2,842,912,482)	3,750,124,492	3,684,129,461	521,685,665	752,232,663	845,206,048	2,170,113,489	2,870,978,175	14,106,580

	2013 Total Rupees
Share capital	**9,116,400,000**
Reserves	**523,051,091**
Un-appropriated profit	**2,089,913,493**
Surplus on revaluation of available-for-sale securities	**36,299,507**
	11,765,664,091

34.3 MARKET RISK

Market risk is the risk of losses due to adverse movements in market variables such as foreign exchange rates, interest rates and equity prices and / or commodity prices. Market risk pertaining to the trading book consists of positions in financial instruments held either with trading intent or in order to hedge other elements of the trading book. The company does not have a defined trading book and investments are classified as either available-for-sale or Held-to-maturity. Due to the diversified nature of investments in the banking book, the Company is primarily subject to interest rate risk. The Company via its JV agreement is not to engage in secondary market equity trading. The Company is using the Basel-III standardized approach to calculate risk weighted assets against market risk exposure.

34.3.1 INTEREST RATE RISK

Interest rate risk is the risk that assets value will change due to change in the market interest rates. The Company manages its interest rate risk by entering into floating rate agreements with its customers. Major portion of the credit portfolio is linked to floating rate. To further keep the Company abreast of the interest rate risk, an Asset and Liability Committee (ALCO) meets regularly to discuss the interest rate risk strategy. Interest rate risk profile is also prepared on a monthly basis to ascertain the interest rates movements with regard to the portfolio while also anticipating policy rate movements.

						2013						
						Exposed to yield / profit risk						
	Effective yield / interest rate %	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Above ten years	Not exposed to yield / interest rat risk
						Rupees						
ON BALANCE SHEET FINANCIAL INSTRUMENTS												
FINANCIAL ASSETS												
Cash and balances with treasury banks		41,539,691	-	-	-	-	-	-	-	-	-	41,539,691
Balances with other banks	6%	1,883,525,361	48,495,159	-	1,835,030,202	-	-	-	-	-	-	-
Lendings to financial institutions	10%	559,025,145	559,025,145	-	-	-	-	-	-	-	-	-
Investments	12%	4,283,207,947	2,494,883,542	37,183,505	73,729,470	179,246,267	157,507,072	156,053,173	472,355,499	562,327,388	-	149,922,032
Advances	11%	5,329,004,252	84,390,247	130,991,054	223,097,299	410,728,953	1,256,890,479	760,091,839	1,431,581,714	1,009,441,782	21,790,885	-
Other assets		403,535,165	-	-	-	-	-	-	-	-	-	403,535,165
		12,499,837,561	3,186,794,093	168,174,559	2,131,856,971	589,975,220	1,414,397,551	916,145,012	1,903,937,213	1,571,769,170	21,790,885	594,996,888
FINANCIAL LIABILITIES												
Borrowings	7%	326,089,523	25,028,058	-	16,807,001	41,835,058	83,670,116	83,670,116	66,858,116	8,221,058	-	-
Other liabilities		78,669,783	-	-	-	-	-	-	-	-	-	78,669,783
		404,759,306	25,028,058	-	16,807,001	41,835,058	83,670,116	83,670,116	66,858,116	8,221,058	-	78,669,783
ON BALANCE SHEET GAP		12,095,078,255	3,161,766,035	168,174,559	2,115,049,970	548,140,162	1,330,727,435	832,474,896	1,837,079,097	1,563,548,112	21,790,885	516,327,105
OFF-BALANCE SHEET FINANCIAL INSTRUMENTS												
Commitments to extend credits (In case materialized)		362,200,000	-	-	-	-	-	-	-	-	-	362,200,000
OFF-BALANCE SHEET GAP - NET		362,200,000	-	-	-	-	-	-	-	-	-	362,200,000
TOTAL YIELD/ INTEREST RISK SENSITIVITY GAP			3,161,766,035	168,174,559	2,115,049,970	548,140,162	1,330,727,435	832,474,896	1,837,079,097	1,563,548,112	21,790,885	878,527,105
CUMULATIVE YIELD/ INTEREST RATE SENSITIVITY GAP			3,161,766,035	3,329,940,594	5,444,990,564	5,993,130,726	7,323,858,161	8,156,333,057	9,993,412,154	11,556,960,266	11,578,751,151	12,457,278,256

	Effective yield / interest rate %	Total	2012 Exposed to yield / profit risk									Not exposed to yield / interest rat risk
			Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Above ten years	
		Rupees										
ON BALANCE SHEET FINANCIAL INSTRUMENTS												
FINANCIAL ASSETS												
Cash and balances with treasury banks	0.0	92,588,077	-	-	-	-	-	-	-	-	-	92,588,077
Balances with other banks	4.6	1,686,035,087	30,815,959	-	1,655,219,128	-	-	-	-	-	-	-
Lendings to financial institutions	7.00	934,033,000	934,033,000	-	-	-	-	-	-	-	-	-
Investments	10.10	8,020,870,732	9,799,903	3,557,872,855	1,944,846,537	48,439,996	285,498,948	166,878,407	854,398,474	960,503,111	-	192,632,501
Advances	12.28	4,590,087,974	23,988,550	11,604,643	44,680,969	141,772,492	450,848,761	670,751,762	1,313,638,094	1,918,696,123	14,106,580	-
Other assets		397,220,548	-	-	-	-	-	-	-	-	-	397,220,548
		15,720,835,418	998,637,412	3,569,477,498	3,644,746,634	190,212,488	736,347,709	837,630,169	2,168,036,568	2,879,199,234	14,106,580	682,441,126
FINANCIAL LIABILITIES												
Borrowings	8.36	4,139,032,168	4,056,821,587	-	-	8,221,058	16,442,116	16,442,116	32,884,232	8,221,059	-	-
Other liabilities		65,580,281	-	-	-	-	-	-	-	-	-	65,580,281
		4,204,612,449	4,056,821,587	-	-	8,221,058	16,442,116	16,442,116	32,884,232	8,221,059	-	65,580,281
ON BALANCE SHEET GAP		11,516,222,969	(3,058,184,175)	3,569,477,498	3,644,746,634	181,991,430	719,905,593	821,188,053	2,135,152,336	2,870,978,175	14,106,580	616,860,845
OFF-BALANCE SHEET FINANCIAL INSTRUMENTS												
Commitments to extend credit (In case materialized)		34,898,362	-	-	-	-	-	-	-	-	-	34,898,362
OFF-BALANCE SHEET GAP - NET		34,898,362	-	-	-	-	-	-	-	-	-	34,898,362
TOTAL YIELD/ INTEREST RISK SENSITIVITY GAP			(3,058,184,175)	3,569,477,498	3,644,746,634	181,991,430	719,905,593	821,188,053	2,135,152,336	2,870,978,175	14,106,580	654,737,160
CUMULATIVE YIELD/ INTEREST RATE SENSITIVITY GAP			(3,058,184,175)	511,293,323	4,156,039,957	4,338,031,387	5,057,936,980	5,879,125,033	8,014,277,369	10,885,255,544	10,899,362,124	11,554,099,284

34.3.2 FOREIGN EXCHANGE RISK

Foreign exchange risk arises in case of an on balance sheet / off balance sheet asset or liability position when there is adverse exchange rate movement. The Company has the following exposure in this category of market risk.

	2013			
	Assets	**Liabilities**	**Off balance sheet items**	**Net currency exposure**
	Rupees			
Pakistan Rupee	**10,676,566,184**	**404,759,306**	**-**	**10,271,806,878**
United States Dollar	**1,835,030,202**	**-**	**-**	**1,835,030,202**
	12,511,596,386	**404,759,306**	**-**	**12,106,837,080**

	2012			
	Assets	**Liabilities**	**Off balance sheet items**	**Net currency exposure**
	Rupees			
Pakistan Rupee	14,098,082,450	4,204,612,449	-	9,893,470,001
United States Dollar	1,655,219,128	-	-	1,655,219,128
	15,753,301,578	4,204,612,449	-	11,548,689,129

34.3.3 EQUITY RISK

Equity price risk is the risk to the Company's earnings or capital, resulting from an adverse change in the value / price of equity. The Company's exposure in the equity market is classified in the available-for-sale category, with the intent to earn profit based on fundamentals.

34.4 OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems of the Company.

The risk management function in the Company monitors the operational risk in order to ensure the safeguarding of assets and to mitigate other related risks.

The Company has invited proposals for consultancy services to implement a comprehensive Operational Risk Framework.

34.4.1 OPERATIONAL RISK-DISCLOSURES BASEL III SPECIFIC

The Company has adopted the Basic Indicator Approach for ascertaining capital requirements for its operational risk. Up to the year end, the Company has not incurred any significant loss owing to operational risk.

35. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

35.1 PROVISION AGAINST NON-PERFORMING LOANS AND ADVANCES

The management reviews the loan portfolio to assess non-performing accounts and expected recovery on a quarterly basis. In determining the non-performing accounts and provision requirements, the relevant Prudential Regulations issued by SBP, payment status of mark-up and principal, expected future cash flows of the business and the security position are taken into account.

35.2 CLASSIFICATION / VALUATION OF INVESTMENTS

For classification / valuation of investments, the Company follows the guidance provided in SBP circulars.

35.3 IMPAIRMENT OF INVESTMENTS

The management determines that 'available-for-sale' equity investments are impaired when there has been a significant or prolonged decline in market value/ fair value below its cost. In making this judgment, the management considers, among other factors, decline in market price below cost by 20% as significant, and if the decline in market price persists for 9 months, as prolonged. For debt securities, impairment loss is determined on the basis of Prudential Regulations of SBP.

35.4 PROVISION FOR INCOME TAXES

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues and the appeals of the department pending at various levels of authorities.

35.5 OPERATING FIXED ASSETS

The Company reviews the useful lives and residual values of operating fixed assets on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of fixed assets with a corresponding effect on the depreciation charge/ amortization and impairment.

35.6 CONTINGENCIES

The Company reviews the status of all the legal cases on a regular basis. Based on the expected outcome and lawyers' judgments, an appropriate provision is made.

35.7 PROVISION FOR GRATUITY

Provision for gratuity is determined using actuarial assumptions. Any change in the assumptions from actual results would change the amount of unrecognized gains and losses.

36. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue in the Board of Directors meeting held on 27 March 2014.

37. GENERAL

37.1 The Pakistan Credit Rating Agency Limited has issued long term credit rating of AA- and the short term rating of A1+ for the Company.

37.2 Captions as prescribed by BSD Circular No. 4 dated 17 February 2006 issued by the SBP for which there are no amounts have not been reproduced in these financial statements except for the statement of financial position and profit and loss account.

37.3 Figures have been rounded off to the nearest Rupees, unless otherwise stated.

CHAIRMAN	MANAGING DIRECTOR	DIRECTOR	DIRECTOR