Independent Auditors' Report and Financial Statements

PAIR Investment Company Limited

For the period ended December 31, 2013

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Anjum Asim Shahid Rahman

Chartered Accountants

Grant Thornton

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PAIR INVESTMENT COMPANY LIMITED

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We have audited the annexed statement of financial position of **PAIR Investment Company Limited** (the Company) as at **December 31, 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 Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with approved accounting standards and the requirements of the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

(b) in our opinion:

(i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes as stated in note 3.2 to the 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 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 the December 31, 2013, and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

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

Anjum Asim Shahid Rahman
Anjum Asim Shahid Rahman
Chartered Accountants
Muhammad Shaukat Naseeb

Date: February 25, 2014
Karachi.

PAIR Investment Company Limited

Financial Statements

For the year ended December 31, 2013

PAIR INVESTMENT COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013

	Note	2013	2012 (Restated)	2011 (Restated)
		----------------(Rupees in '000)----------------		
ASSETS				
Cash and balances with treasury banks	5	**27,829**	43,999	9,143
Balances with other banks	6	**158,417**	106,586	20,675
Lendings to financial institutions		**-**	-	-
Investments - net	7	**12,745,355**	10,841,572	8,974,337
Advances - net	8	**3,678,206**	4,325,337	2,475,156
Operating fixed assets	9	**196,201**	56,047	48,060
Deferred tax assets - net	10	**204,896**	110,582	80,756
Other assets - net	11	**270,782**	253,291	237,980
		17,281,686	15,737,414	11,846,107
LIABILITIES				
Bills payable		**-**	-	-
Borrowings	12	**8,489,171**	6,721,178	3,695,484
Deposits and other accounts	13	**25,080**	545,080	260,000
Sub-ordinated loans		**-**	-	-
Liabilities against assets subject to finance lease		**-**	-	-
Deferred tax liabilities		**-**	-	-
Other liabilities - net	14	**326,705**	273,446	161,760
		8,840,956	7,539,704	4,117,244
NET ASSETS		**8,440,730**	8,197,710	7,728,863
REPRESENTED BY				
Share capital	15	**6,000,000**	6,000,000	6,000,000
Reserves	16	**483,592**	415,746	327,714
Unappropriated profit		**1,781,247**	1,611,197	1,309,028
		8,264,839	8,026,943	7,636,742
Surplus on revaluation of assets - net of deferred tax	17	**175,891**	170,767	92,121
		8,440,730	8,197,710	7,728,863
CONTINGENCIES AND COMMITMENTS	18			

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

Chairman	**Chief Executive and Managing Director**	**Director**	**Director**

PAIR INVESTMENT COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013	2012 (Restated)
		-----(Rupees in '000)-----	
Mark-up / return / interest earned	21	1,153,996	1,487,341
Mark-up / return / interest expensed	22	488,889	678,102
Net mark-up / Interest income		665,107	809,239
Provision against non-performing loans and advances	8.4	341,044	87,500
(Reversal) against / provision for diminution in the value of investments	7.3	(66,482)	19,453
Bad debts written-off directly		-	-
		274,562	106,953
Net mark-up / Interest income after provisions		390,545	702,286
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		18,210	23,359
Dividend income		22,765	18,093
Income from dealing in foreign currencies		664	745
Gain on sale of securities - net	23	246,533	128,809
Unrealised (loss) / gain on revaluation of investments classified as 'held for trading'	7.7	(4,334)	608
Other income	24	2,581	477
Total non mark-up / interest income		286,419	172,091
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	25	272,175	224,193
Other provisions / write offs		-	-
Other (reversal) / charges	26	(51,692)	14,605
Total non mark-up / interest expenses		220,483	238,798
		456,481	635,579
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		456,481	635,579
Taxation			
- Current		192,284	232,659
- Prior years		22,716	-
- Deferred		(97,749)	(37,242)
	27	117,251	195,417
PROFIT AFTER TAXATION		339,230	440,162
Unappropriated brought forward		1,611,197	1,309,028
Profit available for appropriation		1,950,427	1,749,190
Basic and diluted earnings - after tax Rupees per share	28	0.57	0.73

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

Chairman	Chief Executive and Managing Director	Director	Director

PAIR INVESTMENT COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012 (Restated)
	------- (Rupees in '000) -------	
Profit after taxation for the year	**339,230**	440,162
Other comprehensive income:		
Items that will not be reclassified to profit and loss account in subsequent periods:		
Actutrial (loss) / gain on re-measurement of defined benefit obligation	**(2,021)**	60
Deferred tax on re-measurement of liability	**687**	(21)
	(1,334)	39
Comprehensive income transferred to equity	**337,896**	**440,201**
Components of comprehensive income not reflected in equity:		
Surplus on revaluation of available for sale securities - net	**186,994**	177,748
Deferred tax on revaluation	**(11,103)**	(6,981)
	175,891	170,767
Total comprehensive income	**513,787**	610,968

The surplus / deficit on revaluation of "Available-for-Sale" securities is presented under a separate head below equity as "surplus / deficit on revaluation of assets" in accordance with the requirements specified by the Companies Ordinance, 1984, and the State Bank of Pakistan (SBP) vide its BSD Circular 20 dated August 4, 2000 and BSD Circular 10 dated July 13, 2004.

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

Chairman | **Chief Executive and Managing Director** | **Director** | **Director**

PAIR INVESTMENT COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013	2012 (Restated)
		------ (Rupees in '000) ------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		456,481	635,579
Less: Dividend income		(22,765)	(18,093)
		433,716	617,486
Adjustments for:			
Depreciation	9.2	25,563	20,472
Amortisation	9.3	3,899	3,105
Provision against non-performing loans and advances	8.4	341,044	87,500
Provision for diminution in the value of investments	7.3	(66,482)	19,453
Gain on sale of operating fixed assets	24	(3,021)	(431)
(Reversal) / provision for government levies	26	(64,902)	14,604
Charge for defined benefit plan	25	7,368	6,349
Unrealised (gain) / loss on revaluation of 'held for trading' investments	7.7	4,334	(608)
Unrealised loss derivative financial instruments	24	1,527	-
		249,330	150,444
		683,046	767,930
(Increase) / decrease in operating assets			
Lendings to financial institutions		-	-
Held-for-trading securities		(5,950,807)	(2,869)
Advances - net		306,087	(1,937,681)
Others assets (excluding advance taxation) - net		(16,796)	(16,299)
		(5,661,516)	(1,956,849)
Increase / (decrease) in operating liabilities			
Borrowings from financial institutions		1,767,993	3,025,694
Deposits and other accounts		(520,000)	285,080
Other liabilities (excluding current taxation) - net		1,294	137,729
		1,249,287	3,448,503
		(3,729,183)	2,259,584
Income tax paid		(156,761)	(295,131)
Defined benefits paid		(2,288)	(1,081)
Net cash flows from operating activities		(3,888,232)	1,963,372
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in 'available for sale' securities		4,265,693	(1,804,565)
Net investments in 'held to maturity' securities		(147,275)	-
Dividend income received		22,070	18,093
Investment in operating fixed assets		(171,735)	(32,865)
Sale proceeds of property and equipment disposed off		5,140	1,732
Net cash flows from investing activities		3,973,893	(1,817,605)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(50,000)	(25,000)
Net cash flows from financing activities		(50,000)	(25,000)
Increase in cash and cash equivalents		35,661	120,767
Cash and cash equivalents at beginning of the year	29	150,585	29,818
Cash and cash equivalents at end of the year	29	186,246	150,585

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

Chairman	**Chief Executive / Managing Director**	**Director**	**Director**

PAIR INVESTMENT COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	Issued, subscribed and paid-up capital	Reserve: Statutory reserves	Reserve: Unappropriated profit	Total
		(Rupees in '000)			
Balance as at December 31, 2011		**6,000,000**	**327,714**	**1,310,862**	**7,638,576**
Effect of change in accounting policy - note 4.19		-	-	(1,834)	(1,834)
Balance as at December 31, 2011 - restated		**6,000,000**	**327,714**	**1,309,028**	**7,636,742**
Profit after tax for the year ended 31 December 2012 - restated		-	-	440,162	440,162
Remeasurement of defined benefit liability - net of tax		-	-	39	39
Transfer to statutory reserve - restated	16	-	88,032	(88,032)	-
Transactions with owners recognised directly in equity:					
Cash dividend		-	-	(50,000)	(50,000)
Balance as at December 31, 2012 - restated		**6,000,000**	**415,746**	**1,611,197**	**8,026,943**
Profit after tax for the year ended 31 December 2013		-	-	339,230	339,230
Remeasurement of defined benefit liability - net of tax		-	-	(1,334)	(1,334)
Transfer to statutory reserve	16	-	67,846	(67,846)	-
Transactions with owners recognised directly in equity					
Cash dividend		-	-	(100,000)	(100,000)
Balance as at December 31, 2013		**6,000,000**	**483,592**	**1,781,247**	**8,264,839**

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

Chairman

Chief Executive and Managing Director

Director

Director

1. STATUS AND NATURE OF BUSINESS

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

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

2. BASIS OF PRESENTATION

2.1 Basis of measurement

These financial statements have been prepared on the historical cost basis as modified for revaluation of certain investments at market rates in accordance with the requirements of BSD Circular No. 10 dated July 13, 2004 as amended through BSD Circular No. 11 dated August 04, 2004 and BSD Circular No. 14 dated September 24, 2004.

2.2 Functional and presentation currency

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

3. STATEMENT OF COMPLIANCE

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

The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for DFIs through BSD Circular Letter No. 10 dated August 26, 2002. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for financial institutions. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.

IFRS 8, 'Operating Segments' is effective for the Company's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial statements', effective from the accounting year ended December 31, 2006. The management of the Company believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.

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

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after January 1, 2013:

- IAS 1 ' Financial statements presentation' has been amended effective January 1, 2013. The main change resulting from these amendments is a requirement for entities to group items presented in 'Other Comprehensive Income' (OCI) on the basis of whether they are potentially reclassifiable to profit and loss subsequently. The specified changes has been made in the statements of other comprehensive income for the year.

- IAS 19 (Amendment), 'Employee Benefits', is effective for the accounting periods beginning on or after January 1, 2013. It eliminates the corridor approach and recognises all actuarial gains and losses in other comprehensive income as they occur, immediately recognises all past service costs and replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset. The effect of this applicability has been explained in note 4.19 to these financial statements.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2013 but are considered not relevant or do not have a significant effect on the Company's operations and therefore are not detailed in the financial statements.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2014:

Title of Standard	Effective for accounting periods beginning on or after
- IAS 32 - Financial Instruments: Presentation (Amendment)	January 01, 2014
- IFRS 12 Disclosure of Interests in Other Entities	January 01, 2014
- IFAS 3 - Profit and Loss Sharing on Deposits	January 01, 2014

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Cash and cash equivalents

Cash and cash equivalents represent cash and balances with treasury banks and balances with other banks in current, deposit and saving accounts.

4.2 Sale and re-purchase agreements

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

Sale under re-purchase obligations

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

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

4.3 Critical accounting estimates and judgments

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

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

The significant judgments made by the management in applying the accounting policies and the key sources of estimating uncertainty were the same as those applied to financial statements for the year ended December 31, 2012 except operating fixed assets and depreciation.

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

- Classification and valuation of financial instruments and impairment (Note 4.4)
- Provision against non-performing advances (Note 4.5)
- Valuation and depreciation rates for fixed assets (Note 4.6)
- Deferred taxation (Note 4.7)
- Income taxes (Note 4.7)
- Employees' defined benefit plan (Note 4.19)
- Government levies (Note 26)

4.4 Investments

The Company classifies its investments as follows:

Held for trading

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

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

Held to maturity

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

In accordance with the BSD circular No. 14 dated September 24, 2004 issued by the SBP, investments classified as 'held to maturity' are carried at amortised cost less impairment, if any.

Available for sale

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

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

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

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

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

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

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

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

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

4.5 Advances

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

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

4.6 Operating fixed assets and depreciation

Tangible assets

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

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

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

Intangible assets

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

Capital works-in-progress

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

4.7 Taxation

Current

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

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

Deferred

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

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

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

4.8 Borrowings / deposits

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

4.9 Foreign currencies

Foreign currency transactions

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

Functional and presentation currency

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

Translation gains and losses

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

4.10 Revenue recognition

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

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

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

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

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

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

4.11 Impairment

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

4.12 Off setting

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

4.13 Other provisions

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

4.14 Financial assets and liabilities

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

4.15 Dividend and appropriation to reserves

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

4.16 Derivative financial instruments

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

4.17 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

4.18 Segment information

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

Business segments

Following are the main segments of the Company:

Corporate Finance	Undertakes advisory services including mergers and acquisitions, listed and unlisted debt syndications, trustee activities and other investment banking activities.

Trading and Sales	Undertakes Company's fund management activities through leveraging and investing in liquid assets such as short term placements, government securities and reverse repo activities. It carries out spread based activities in the inter bank market and manages the interest rate risk exposure of the Company.
Commercial Banking	Includes loans, advances, leases and other transactions with corporate customers.

4.19 Staff retirement benefit

Defined benefit plan

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

The benefit is equal to one month's last drawn salary for each year of eligible service or part thereof, subject to a minimum of two years of service.

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

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

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

During the current year, the Company has changed its accounting policy in respect of post retirement defined benefits plans as required under International Accounting Standard IAS 19, 'Employee Benefits'. Previously, the net cumulative actuarial gains / losses at each balance sheet date were recognized equally over a period of three years or the expected remaining average working lives of employees, whichever was lower. According to new policy actuarial gains and losses are recognized in other comprehensive income (OCI) in the periods in which they occur. Amounts recorded in the profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit obligation are recognized directly in other comprehensive income with no subsequent recycling through the profit and loss account.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated. The effect of the change in accounting policy on the prior periods financial statements have been summarised below:

	December 31, 2012	December 31, 2011
	-----(Rupees in '000)-----	
Increase/ (decrease) in un-appropriated profit	150	(1,834)
Increase in statutory reserve	28	-
(Decrease) / increase in other liabilities	(273)	2,822
Decrease / (increase) in deferred tax assets	(95)	(988)

	For the year ended	
	December 31, 2012	December 31, 2011
	-----(Rupees in '000)-----	
Increase in profit before tax	212	-
Decrease in taxation - deferred	(74)	-
Increase in profit after tax	138	-
Increase in other comprehensive income - net of deferred tax	177	-

Defined contribution plan

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

4.20 Employees' compensated absences

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

	Note	2013	2012
5. CASH AND BALANCES WITH TREASURY BANKS		**Rupees in '000**	
In hand			
Local currency		**70**	29
Foreign currencies		**194**	658
		264	687
With State Bank of Pakistan in			
Local currency current account	5.1	**26,976**	43,282
With National Bank of Pakistan in			
Local currency current account		**80**	30
Local currency deposit account	5.2	**509**	-
		589	30
		27,829	43,999

5.1 This represent current account maintained with SBP for Cash Reserve Requirement of SBP.

5.2 This carries mark-up at the rate 6.5% per annum. (2012: Nil).

	Note	2013	2012
6. BALANCES WITH OTHER BANKS		**Rupees in '000**	
In Pakistan			
On current accounts		**5,385**	29,062
On deposits accounts	6.1	**153,032**	77,524
		158,417	106,586

6.1 These carry mark-up at the rate of 5% to 8% per annum (2012: 5% to 7.5% per annum)

7. INVESTMENTS - NET

7.1 Investments by types

	Note	2013 Held by the Company	2013 Given as collateral	2013 Total	2012 Held by the Company	2012 Given as collateral	2012 Total
		---------- (Rupees in '000) ----------					
Held for trading securities	7.5						
Market treasury bills		79,482	5,874,844	5,954,326	-	-	-
Listed ordinary shares		1,686	-	1,686	5,476	-	5,476
		81,168	5,874,844	5,956,012	5,476	-	5,476
Available for sale securities	7.6						
Market treasury bills		493,407	-	493,407	547,714	4,654,098	5,201,812
Mutual funds units		2,200,000	-	2,200,000	1,304,564	-	1,304,564
Listed ordinary shares		733,043	-	733,043	424,132	-	424,132
Unlisted ordinary shares		296,860	-	296,860	296,860	-	296,860
Sukuk bonds		307,465	-	307,465	368,655	-	368,655
Term finance certificates - Listed		1,420,686	-	1,420,686	2,841,581	-	2,841,581
Term finance certificates - Unlisted		1,380,690	-	1,380,690	660,240	-	660,240
		6,832,151	-	6,832,151	6,443,746	4,654,098	11,097,844
Held to maturity securities							
Commercial papers		36,636	-	36,636	-	-	-
Preference shares		110,639	-	110,639	-	-	-
		147,275	-	147,275	-	-	-
Investments at cost		7,060,594	5,874,844	12,935,438	6,449,222	4,654,098	11,103,320
Provision for diminution in value of investments	7.3	(372,743)	-	(372,743)	(439,225)	-	(439,225)
Investments - net of provisions		6,687,851	5,874,844	12,562,695	6,009,997	4,654,098	10,664,095
Surplus / (deficit) on revaluation of 'held for trading securities'	7.7	3	(4,337)	(4,334)	(271)	-	(271)
Surplus on revaluation of 'available for sale securities'	17	186,994	-	186,994	174,816	2,932	177,748
Total investments at market value		6,874,848	5,870,507	12,745,355	6,184,542	4,657,030	10,841,572

7.2 Investments by segments	Note	2013	2012
		Rupees in '000	
Federal Government securities			
- Market treasury bills		6,447,733	5,201,812
Fully paid up ordinary shares			
- Listed companies		734,729	429,608
- Unlisted companies		296,860	296,860
		1,031,589	726,468
Term finance certificates			
- Listed		1,420,686	2,841,581
- Unlisted		1,380,690	660,240
		2,801,376	3,501,821
Mutual funds units - Listed		2,200,000	1,304,564
Sukuk certificates - Unlisted		307,465	368,655
Commercial paper		36,636	-
Preference shares		110,639	-
Total investments at cost		12,935,438	11,103,320
Provision for diminution in value of investments	7.3	(372,743)	(439,225)
Investments - net of provisions		12,562,695	10,664,095
(Deficit) on revaluation of 'held for trading' securities	7.7	(4,334)	(271)
Surplus on revaluation of 'available for sale' securities	17	186,994	177,748
Total investments at market value		12,745,355	10,841,572

7.3 Particulars of provision held against diminution in value of investments

	2013	2012
Opening balance	439,225	419,772
Charge for the year	6,022	74,622
Reversals	(72,504)	(55,169)
	(66,482)	19,453
Closing balance	372,743	439,225

Particulars of provision in respect of types and segments

	2013	2012
Available for sale securities		
Fully paid up ordinary shares - Listed	164,232	158,904
Fully paid up ordinary shares - Unlisted	192,959	192,959
Sukuk bonds - Unlisted	3,308	45,129
Term finance certificates - Listed	999	14,394
Term finance certificates - Unlisted	11,245	27,839
	372,743	439,225

7.4 Market treasury bills carry yield ranging from 8.94% to 11.92% per annum (2012: 9.23% to 11.83% per annum) with maturities upto March 06, 2014 (2012: May 16, 2013).

7.5 Quality of held for trading securities

Number of Shares 2013	Number of Shares 2012		Market value 2013	Market value 2012	Cost 2013	Cost 2012	Long / medium term credit (Entity)	Rated by
			----------------	-(Rupees in '000)-	----------------			
		Market treasury bills	5,949,983	-	5,954,326	-	Unrated - Government Securities	
		Shares in Listed Companies						
300,000	-	K-Electric (Formerly: Karachi Electric Supply Company Limited)	1,695	-	1,686	-	A-/A2	PACRA
-	300,000	Pakistan Telecommunication Company	-	5,205	-	5,476	Not Rated	
			1,695	5,205	1,686	5,476		

7.6 Quality of available for sale securities

Number of Shares 2013	Number of Shares 2012		Market value 2013	Market value 2012	Cost 2013	Cost 2012	Long / medium term credit (Entity)	Rated by
		Market treasury bills	492,922	5,205,322	493,407	5,201,812	Unrated - Government Securities	
		Shares / Certificates / Units in Listed Companies						
206,883	-	Allied Bank Limited	18,619	-	15,822	-	AA+/A1+	PACRA
580,011	125,000	Adamjee Insurance Company Limited	21,675	8,518	19,761	8,737	A	PACRA
8,332,058	8,332,058	Agritech Limited	105,567	97,235	249,962	249,962	D	PACRA
18,471	18,471	AKZO Nobel Pakistan Limited	2,303	1,598	2,565	2,565	Not Rated	
115,000	50,000	Berger Paints Pakistan Limited	8,309	1,159	3,052	1,273	Not Rated	
500,000	-	D.G. Khan Cement Company Limited	42,865	-	36,291	-	Not Rated	
355,100	-	Engro Foods Limited	37,087	-	30,863	-	Not Rated	
165,400	175,000	Engro Corporation Limited	26,196	16,107	20,884	17,191	AA-/A1+	PACRA
550,000	600,000	Fauji Fertilizer Bin Qasim Limited	24,096	23,154	23,014	26,292	Not Rated	
315,000	200,000	Fauji Fertilizer Company Limited	35,267	23,428	36,031	23,917	Not Rated	
188,000	49,500	General Tyre and Rubber Co. of Pak Limited	9,911	1,314	7,593	1,423	Not Rated	
-	25,000	GlaxoSmithKline (Pakistan) Limited	-	1,833	-	1,777	Not Rated	
30	47,300	Habib Bank Limited	5	5,572	3	5,264	AAA/A-1+	JCR-VIS
541,000	-	Hub Power Company Limited	32,850	-	32,495	-	AA+/A1+	PACRA
360,500	115,000	Kot Addu Power Company Limited	22,261	5,680	20,808	4,967	AA+/A-1+	JCR-VIS
45,000	-	MCB Bank Limited	12,653	-	12,812	-	AAA/A1+	PACRA
300,000	100,000	National Bank of Pakistan	17,418	4,939	15,129	4,663	AAA/A-1+	JCR-VIS
750,000	750,000	Next Capital Limited	2,850	3,675	7,500	7,500	Not Rated	
50,000	100,000	Nishat Chunian Power Limited	1,739	2,101	1,728	1,455	A+/A-2	JCR-VIS
500,000	120,000	Nishat Mills Limited	63,620	7,662	47,775	7,514	AA-/A1+	PACRA
75,000	75,000	PACE (Pakistan) Limited	284	224	788	788	Not Rated	
-	1,500	Packages Limited	-	227	-	199	AA/A1+	PACRA
102,100	-	Pak Suzuki Motor Company Limited	15,712	-	14,143	-	Not Rated	
127,400	-	Pakistan Petroleum Limited	27,259	-	26,420	-	Not Rated	
195,600	190,000	Pakistan State Oil Company Limited	64,982	44,120	54,710	43,121	AA+/A1+	PACRA
1,150,000	-	Pakistan Telecommunication Company Limited	32,706	-	30,627	-	Not Rated	
55	116,550	Soneri Bank Limited	1	826	1	757	AA-/A1+	PACRA
-	2,000	Shell (Pakistan) Limited	-	272	-	294	Not Rated	
200,000	99,500	Sui Northern Gas Pipelines Company Limited	4,260	2,313	4,604	2,514	AA/A1+	PACRA
525,000	218,517	Sui Southern Gas Company Limited	12,632	4,482	11,681	4,754	AA-/A1+	PACRA
598,000	720,500	TPL Trakker Limited	4,443	6,513	5,981	7,205	A-/A2	PACRA
			647,570	262,952	733,043	424,132		

Number of Certificates / Units 2013	2012	Certificates / Units in Listed Mutual Funds	Market value 2013	Market value 2012	Cost 2013	Cost 2012	Long / medium term credit (Entity)	Rated by
			---(Rupees in '000)---					
30,745,976	10,958,927	ABL Cash Fund	307,610	109,731	300,000	100,000	AA(f)	JCR-VIS
	10,069,532	ABL Income Fund	-	100,848	-	100,000	A+(f)	JCR-VIS
2,066,694	2,091,632	Askari Sovereign Cash Fund	208,322	210,271	200,000	200,638	AAA(f)	PACRA
1,027,962	-	Askari Soverign Yield Enhancer	103,146	-	100,000	-	AA-(f)	PACRA
2,010,853	-	Faysal Money Market Fund	204,544	-	200,000	-	AA+(f)	JCR-VIS
1,029,019	1,037,238	First Habib Cash Fund	103,009	103,890	100,000	100,000	AA(f)	JCR-VIS
3,031,454	2,043,571	HBL Money Market Fund	306,450	206,828	300,000	200,000	AA(f)	JCR-VIS
2,060,019	1,006,125	MCB Cash Management Optimizer Fund	206,105	100,885	200,000	100,000	AA(f)	PACRA
996,492	996,220	MCB Dynamic Cash Fund	100,715	101,173	100,000	100,000	A+(f)	PACRA
9,908,965	10,183,384	NAFA Financial Sector Income Fund	104,073	105,226	100,000	100,000	A+(f)	PACRA
10,603,112	10,903,074	NAFA Govt. Securities Liquid Fund	106,480	109,614	100,000	100,000	AAA(f)	PACRA
20,319,620	-	NAFA Money Market Fund	203,436	-	200,000	-	AA(f)	PACRA
2,068,256	2,130,394	UBL Liquidity Plus Fund	208,014	213,631	200,000	203,926	AA+(f)	JCR-VIS
1,012,378	-	UBL Savings Income Fund	101,954	-	100,000	-	AA- (f)	JCR-VIS
			2,263,858	1,362,097	2,200,000	1,304,564		

Number of Shares / Certificates / Units 2013	2012	Shares in unlisted companies	Book value 2013	Book value 2012	Cost 2013	Cost 2012	Long / medium term credit rating (Entity)	Rated by
			---(Rupees in '000)---					
29,685,986	29,685,986	Burj Bank Limited CEO: Ahmed Khizer Khan Percentage holding: 3.63% (2012: 4.01%) *7.6.1*	103,901	103,901	296,860	296,860	A/A-1	JCR-VIS

7.6.1 These shares were valued at Rs. 3.5 per share being the fair value of comparable company, as the Company considers that the breakup value is not representative of its recoverable amount. Accordingly, an impairment loss of Rs. 6.5 per share was recognized in 2011. Breakup value is Rs. 6.95 per share as at September 30, 2013.

Number of Certificates of Rs. 5,000 each 2013	2012		Market value 2013	Market value 2012	Cost 2013	Cost 2012	Long / medium term credit (Entity)	Rated by
			---(Rupees in '000)---					
		Sukuk						
30,000	30,000	Eden Housing Limited	29,520	45,994	29,520	64,650	Not Rated	
12,000	12,000	Sitara Peroxide Limited	43,649	26,473	46,957	52,947	Not Rated	
54,648	54,648	Liberty Powertech Limited	230,988	251,058	230,988	251,058	A+	PACRA
			304,157	323,525	307,465	368,655		
		Term Finance Certificates						
		Listed						
70,000	70,000	Allied Bank Limited	334,921	340,848	326,206	323,741	AA	PACRA
69,136	69,136	Askari Bank Limited	350,271	381,290	348,165	348,721	AA-	PACRA
-	5,000	Bank Alfalah Limited - III	-	16,718	-	16,338	Not Rated	
20,204	20,204	Bank Al Habib Limited - II	101,280	103,907	100,757	100,798	AA	PACRA
8,000	8,000	Escorts Investment Bank Limited	2,947	5,894	3,997	7,994	BB	JCR-VIS
39,037	39,037	Engro Fertilizer Limited - I	166,396	163,304	163,955	179,492	A	PACRA
37,024	37,024	Engro Fertilizer Limited - II	184,657	180,192	182,036	180,785	A	PACRA
38,400	-	Jahangir Siddiqui & Company Ltd (30.06.2012)	146,977	-	146,637	-	AA+	PACRA
-	89,700	NIB Bank Limited	-	448,816	-	429,411	Not Rated	
37,700	37,700	Orix Leasing Pakistan Limited (30 June 2011)	37,789	112,294	37,780	113,643	AA+	PACRA
-	40,000	Pak Arab Fertilizers Limited	-	60,023	-	59,855	Not Rated	
20,000	20,000	Summit Bank Limited	94,387	95,435	99,908	99,954	A- (SO)	JCR-VIS
6,000	6,000	Trust Investment Bank Ltd. (04.07.2008)	-	-	11,245	11,245	Not Rated	
-	113,600	United Bank Limited - IV	-	579,468	-	543,814	AA	JCR-VIS
			1,419,625	2,488,189	1,420,686	2,415,791		

Number of Certificates of Rs. 5,000 each			Market value		Cost		Long / medium term credit	Rated by
2013	2012		2013	2012	2013	2012		
			---(Rupees in '000)---				(Entity)	
		Unlisted						
60,000	60,000	Askari Bank Limited	**314,318**	322,716	**301,702**	301,984	AA-	PACRA
20,000	20,000	Bank Alfalah Limited - IV	**105,496**	104,542	**99,840**	99,880	AA-	PACRA
65,000	65,000	Faysal Bank Limited	**339,971**	332,555	**325,549**	325,910	AA-	JCR-VIS
10,000	-	Independent Media Corporation (Private) Ltd.	**47,500**	-	**47,500**	-	A+	JCR-VIS
38,400	38,400	JDW Sugar Mills Limited	**21,283**	64,152	**21,194**	62,951	A+	JCR-VIS
80,000	-	JDW Sugar Mills Limited - 2	**400,000**	-	**400,000**	-	Not Rated	
50,000	50,000	Martin Dow Pharmaceutical (Pakistan) Limited	**23,000**	133,400	**23,000**	133,400	A	JCR-VIS
40,000	40,000	Pak Electron Limited	**161,905**	134,066	**161,905**	161,905	* Withdrawn	
			1,413,473	1,091,431	**1,380,690**	1,086,030		
		Total	**6,645,506**	10,837,417	**6,832,151**	11,097,844		

* These ratings are in withdrawals list on PACRA website.

In accordance with BSD Circular No. 1 dated October 21, 2011 issued by the SBP, the Company has availed the benefit of Forced Sales Values (FSVs) against the non-performing investments. Had this benefit of FSV not been taken by the Company, the specific provision against impaired investment would have been higher by Rs. 33.724 million (2012: Rs. 53.113 million). Further, this amount arising from availing the benefit of FSV is not available for distribution amongst the shareholders either in the form of cash or stock dividend.

	Note	2013	2012
		(Rupees in '000)	
7.7 Unrealised gain / (loss) on revaluation of investments classified as 'held for trading'			
Market treasury bills		**(4,343)**	608
Ordinary shares of listed companies		**9**	-
		(4,334)	608

8. ADVANCES - NET

	Note	2013	2012
In Pakistan			
Loans		**4,114,569**	4,420,992
Staff loans		**109,694**	109,499
Advances - gross		**4,224,263**	4,530,491
Provision against non-performing loans and advances	8.3	**(546,057)**	(205,154)
Advances - net of provision		**3,678,206**	4,325,337

8.1 Particulars of advances - gross

	2013	2012
In local currency	**4,224,263**	4,530,491
In foreign currencies	**-**	-
	4,224,263	4,530,491
Short-term (upto one year)	**1,075,645**	602,778
Long-term (over one year)	**3,148,618**	3,927,713
	4,224,263	4,530,491

8.2 Staff loans include personal loans and house loans advanced to employees in accordance with their terms of employment. These personal loans and house loans carry mark-up at the rates of 3% and 5% (2012: 3% and 5%) respectively.

8.3 Advances include Rs. 889.443 million (2012: Rs. 741.447 million) which has been placed under non-performing status as detailed below:

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

	2012 (Restated)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Category of classification									
Other assets especially mentioned	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	350,000	-	350,000	87,500	-	87,500	87,500	-	87,500
Loss	391,447	-	391,447	117,654	-	117,654	117,654	-	117,654
	741,447	-	741,447	205,154	-	205,154	205,154	-	205,154

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

	Note	2013			2012		
		Specific	General	Total	Specific	General	Total
		(Rupees in '000)					
Opening balance		205,154	-	205,154	117,654	-	117,654
Charge for the year		341,044	-	341,044	87,500	-	87,500
Amounts written off	8.5	(141)	-	(141)	-	-	-
		340,903	-	340,903	87,500	-	87,500
Amounts written off		-	-	-	-	-	-
Closing balance		546,057	-	546,057	205,154	-	205,154

8.4.1 **Particulars of provision for non-performing advances**

	2013			2012		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	546,057	-	546,057	205,154	-	205,154

8.5 **Particulars of write offs**

		Note	2013	2012
			(Rupees in '000)	
8.5.1	Against provisions	8.4	141	-
	Directly charged to profit & loss account		-	-
			141	-
8.5.2	Write offs of Rs. 500,000 and above		-	-
	Write offs of below Rs. 500,000		141	-
			141	-

8.6 In accordance with BSD Circular No. 1 dated October 21, 2011 issued by the SBP, the Company has availed the benefit of Forced Sales Values (FSVs) against the non-performing advances. Had this benefit of FSV not been taken by the Company, the specific provision against non-performing advances would have been higher by Rs. 343.386 million (2012: 273.793 million). Further, this amount arising from availing the benefit of FSV is not available for distribution amongst the shareholders either in the form of cash or stock dividend.

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

Debts due by executives or officers of the Company or any of them either severally or jointly with any other persons:

	Note	2013	2012
		(Rupees in '000)	
Balance at beginning of the year		**109,257**	18,299
Loans granted during the year		**10,486**	92,927
Repayments during the year		**(10,301)**	(1,969)
Balance at end of the year		**109,442**	109,257

9. OPERATING FIXED ASSETS

	Note	2013	2012
Capital work-in-progress	9.1	**154,343**	-
Property and equipment	9.2	**37,405**	47,695
Intangible assets	9.3	**4,453**	8,352
		196,201	56,047

9.1. Capital work-in-progress

	Note	2013	2012
Civil works	9.1.1	**154,343**	-
		154,343	-

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

9.2 Property and equipment

	Cost			Accumulated depreciation			Net book value as at December 31, 2013	Annual rate of depreciation (%)
	As at January 1, 2013	Additions/ (deletion)	As at December 31, 2013	As at January 1, 2013	Charge/ (disposals)	As at December 31, 2013		
	Rupees in '000							
Furniture and fixtures	25,151	10,964 (1,451)	34,664	9,260	6,334 (481)	15,113	19,551	20%
Electrical, office and computer equipment	27,189	3,753 (1,321)	29,621	15,523	5,376 (1,266)	19,633	9,988	20% to 25%
Vehicles	37,960	2,675 (11,640)	28,995	17,822	13,853 (10,546)	21,129	7,866	25% to 48%
2013	**90,300**	**17,392** **(14,412)**	**93,280**	**42,605**	**25,563** **(12,293)**	**55,875**	**37,405**	
2012	70,155	23,031 (2,886)	90,300	23,717	20,472 (1,584)	42,605	47,695	

9.2.1 The Company revised the estimated residual values of certain motor vehicles with effect from August 1, 2013. The revisions were accounted for prospectively as a change in accounting estimates. Had this estimate not been changed by the company, the depreciation charge for the current financial year would have been lower by Rs. 5.05 million and net book value as at December 31, 2013 would have been higher by Rs. 5.05 million.

9.2.2 Reconciliation of net book value

	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Total
	Rupees in '000			
As at January 1, 2012				
Cost	24,790	25,141	20,224	70,155
Accumulated depreciation	(4,250)	(10,591)	(8,876)	(23,717)
Net book value	20,540	14,550	11,348	46,438
Year ended December 31, 2012				
Opening net book value	20,540	14,550	11,348	46,438
Additions	361	2,277	20,393	23,031
Disposals	-	(229)	(2,657)	(2,886)
Depreciation charge	(5,010)	(5,125)	(10,337)	(20,472)
Accumulated depreciation on disposal	-	193	1,391	1,584
Closing net book value	**15,891**	**11,666**	**20,138**	**47,695**
As at January 1, 2013				
Cost	25,151	27,189	37,960	90,300
Accumulated depreciation	(9,260)	(15,523)	(17,822)	(42,605)
Net book value	15,891	11,666	20,138	47,695
Year ended December 31, 2013				
Opening net book value	15,891	11,666	20,138	47,695
Additions	10,964	3,753	2,675	17,392
Disposals	(1,451)	(1,321)	(11,640)	(14,412)
Depreciation charge	(6,334)	(5,376)	(13,853)	(25,563)
Accumulated depreciation on disposal	481	1,266	10,546	12,293
Closing net book value	**19,551**	**9,988**	**7,866**	**37,405**
Annual rate of depreciation %	**20%**	**20% to 25%**	**25% to 48%**	

9.3 Intangible assets

	Cost			Accumulated Amortization				
	As at January 1, 2013	Additions/ (Deletion)	As at December 31, 2013	As at January 1, 2013	For the year/ (On disposal)	As at December 31, 2013	Net book value as at December 31, 2013	Amortization Rate (%)
	Rupees in '000							
Computer software	**17,850**	**-**	**17,850**	**9,498**	**3,899** **-**	**13,397**	**4,453**	**33%**
2013	**17,850**	**-**	**17,850**	**9,498**	**3,899**	**13,397**	**4,453**	
2012	7,760	10,090	17,850	6,393	3,105	9,498	8,352	33%

9.4 The following operating fixed assets having cost of Rs. 1 million or above /net book value of Rs. 250,000 or above (whichever is lower) were disposed off during the year:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Mode of disposal	Particulars of purchaser
	Rupees in '000						
Honda Civic	1,524	1,524	-	74	74	Settlement	Mr. Adnan Sarfraz
Toyota Camry	3,700	3,469	231	1,979	1,748	Settlement	Mr. Adnan Sarfraz
Toyota Altis	1,809	1,809	-	181	181	Terms of employment	Mr. Zulfiqar Alam (Chief Financial Officer)
Toyota Corolla XLI	1,269	1,269	-	127	127	Terms of employment	Syed Adnan Raza (Head of Internal Audit)
Honda City	1,270	1,032	238	569	331	Terms of employment	Mr. Sajjad Akhtar (Ex-Project Manager - RMU)
Toyota Corolla GLI	1,426	802	624	939	315	Terms of employment	Mr. Zeeshan Khalid (Head of IT)

9.5 Assets having cost of Rs. 8.059 million (2012: Rs 9.267 million) are fully depreciated.

	2013	2012 (Restated)
10. DEFERRED TAX ASSETS	(Rupees in '000)	
Deferred tax assets	**204,896**	110,582

The balance of deferred taxation comprises

Debit / (credit) balances arising on account of:

	2013	2012
(Surplus) / deficit on revaluation of assets	**(10,670)**	(6,981)
Accelerated tax depreciation allowance	**5,766**	2,269
Provision for gratuity, LFA and leave encashment	**7,859**	5,013
Provision against non performing loans	**185,660**	71,804
Provision against investments	**16,281**	38,477
	204,896	110,582

Movement in temporary differences during the year

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

	Balance 1 January 2012 (Restated)	Recognised in profit and loss	Recognised in equity	Balance 31 December 2012 (Restated)
	---- (Rupees in '000) ----			
Debit / (credit) balances arising on account of				
(Deficit) / Surplus on revaluation of assets	1,402	-	(8,383)	(6,981)
Accelerated tax depreciation allowance	(2,808)	5,077	-	2,269
Provision for gratuity	3,189	1,845	(21)	5,013
Provision against non performing loans	41,179	30,625	-	71,804
Provision against investments	38,782	(305)	-	38,477
	81,744	37,242	(8,404)	110,582

11. OTHER ASSETS	Note	2013 (Rupees in '000)	2012
Income / mark-up accrued in local currency		**213,290**	230,664
Advances, deposits, advance rent and other prepayments		**49,616**	16,119
Dividend receivable		**695**	-
Security deposits		**7,181**	6,508
Other assets		**270,782**	**253,291**

12. BORROWINGS FROM FINANCIAL INSTITUTIONS

In Pakistan (local currency)	12.1	**8,489,171**	6,721,178

12.1 Details of borrowings secured / unsecured

Secured			
Borrowings from State Bank of Pakistan-FFSAP	12.2	**29,598**	36,174
Repurchase agreement borrowings	12.3	**5,859,573**	4,651,671
Term borrowings	12.4	**1,500,000**	1,833,333
		7,389,171	6,521,178
Unsecured			
Call borrowings		**1,100,000**	200,000
		8,489,171	6,721,178

12.2 The Company has entered into agreement with the SBP for extending Financing Facility for Storage of Agricultural Produce (FFSAP) to a customer. This borrowing carry mark-up rate of 6.5% per annum (2012 : 6.5%). The borrowing will mature in November 2019.

12.3 These carry mark-up at the rates ranging from 9.55% to 10.05% per annum (2012: 9.3% to 9.4%) and are secured against government securities having carrying amount of Rs. 5,875 million (2012: Rs. 4,654 million). These borrowings will mature up to January 2014 (2012: January 2012).

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

13. DEPOSITS AND OTHER ACCOUNTS	Note	2013 (Rupees in '000)	2012
Certificates of Investments (COIs) - remunerative (in local currency)			
Financial institutions		-	-
Customers	13.1	**25,080**	545,080
		25,080	545,080

13.1. The mark-up rates on these COIs range between 0% to 9.15% per annum (2012 : 0% to 12% per annum). These COIs will mature up to October 2014 (2012: July 2013).

This includes non-markup COIs issued to employees including MD/CEO amounting to Rs. 0.08 million (2012: Rs. 0.08 million) maturing up to October 2014 (2012: October 2013).

14. OTHER LIABILITIES - NET

	Note	2013	2012 (Restated)
		(Rupees in '000)	
Mark-up / return / interest payable in local currency		**80,603**	87,883
Accrued expenses		**9,689**	13,243
Provision for taxation - net		**96,658**	38,419
Dividend payable		**75,000**	25,000
Unrealised loss on derivative financial instruments	14.1	**1,527**	-
Payable to defined benefit plan		**21,421**	14,320
Payable to an associated undertaking		**5,650**	5,650
Government levies payable		**2,873**	67,524
Provision for compensated absences		**1,907**	1,907
Provision for staff rewards		**31,377**	19,500
		326,705	273,446

14.1. Unrealised loss on derivative financial instruments

	Contract / notional amount 2013	Contract / notional amount 2012	Unrealised loss 2013	Unrealised loss 2012
	(Rupees in '000)			
Unrealised loss on:				
Equity future	216,214	-	1,527	-
	216,214	-	1,527	-

15. SHARE CAPITAL

15.1 Authorised capital

2013	2012		2013	2012
(Number of shares)			(Rupees in '000)	
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each	**10,000,000**	10,000,000

15.2 Issued, subscribed and paid-up capital

2013	2012		2013	2012
(Number of shares)				
		Ordinary shares of Rs. 10 each		
600,000,000	600,000,000	Fully paid in cash	**6,000,000**	6,000,000
600,000,000	600,000,000		**6,000,000**	6,000,000

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

	2013		2012	
	Number of shares held	**Percentage of shareholding**	Number of shares held	Percentage of shareholding
Name of shareholder				
Government of Pakistan *	**300,000,000**	**50%**	300,000,000	50%
Iran Foreign Investment Company *	**300,000,000**	**50%**	300,000,000	50%
	600,000,000	**100%**	600,000,000	100%

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

16. RESERVES

	2013	2012 (Restated)
	(Rupees in '000)	
Statutory Reserves		
At beginning of the year - restated	**415,746**	327,714
Transfer during the year	**67,846**	88,032
	483,592	415,746

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

17. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX

	2013	2012
	(Rupees in '000)	
Surplus / (deficit) arising on revaluation of quoted equity shares	**79,657**	(2,278)
Surplus arising on revaluation of mutual funds	**63,858**	57,533
Surplus / (deficit) arising on revaluation of market treasury bills	**(485)**	3,510
Surplus arising on revaluation of TFCs	**43,964**	118,983
	186,994	177,748
Related deferred tax (liability)	**(11,103)**	(6,981)
	175,891	170,767

18. CONTINGENCIES AND COMMITMENTS

18.1 The department of inland revenue has re-opened the assessment for the tax years 2009, 2010, 2011 and 2012 and raised an additional demand of Rs 20.7 million in respect of allocation of expenses against exempt capital gains and dividend income subject to tax at reduced rate and Workers' Welfare Fund (WWF), against which the Company has made adequate provision.

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

	2013	2012
18.2 Commitments	**(Rupees in '000)**	
Repurchase agreement borrowings	**5,879,655**	4,665,784
Credit extension	**1,739,194**	1,566,668
Sale of shares in future contracts	**216,214**	-

18.3 Transaction related contingent liabilities

Guarantees in favour of:		
- Government	-	-
- Financial institutions	-	-
- Others	**289,360**	150,000
	289,360	150,000

19. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

20. DERIVATIVE INSTRUMENTS

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

20.1 Equity Futures

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

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

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

	Note	2013	2012
21. MARK-UP/RETURN/INTEREST EARNED		**(Rupees in '000)**	
On loans and advances to			
- customers		**428,869**	401,068
- financial institutions		**4,134**	14,624
- employees		**5,761**	1,179
On investments in			
- 'held-for-trading' securities		**70,662**	-
- 'available-for-sale' securities		**626,122**	1,056,313
- 'held-to-maturity' securities		**11,877**	-
On deposits with financial institutions		**3,773**	2,137
On securities purchased under re-sale agreements		**1,224**	-
On placements		**1,574**	12,020
		1,153,996	1,487,341

22. MARK-UP/RETURN/INTEREST EXPENSED

		2013	2012
Deposits and other accounts		**42,428**	82,143
Securities sold under repurchase agreements		**232,808**	432,582
On borrowing from State Bank of Pakistan against refinance scheme for storage agriculture facility		**2,046**	2,475
Other short-term borrowings		**43,963**	48,832
Long term borrowings		**167,644**	112,070
		488,889	678,102

23. GAIN ON SALE OF SECURITIES

		2013	2012
Market treasury bills		**351**	-
Ordinary shares of listed companies		**91,719**	37,370
Units of mutual funds		**115,416**	91,439
Term finance certificates		**39,047**	-
		246,533	128,809

24. OTHER INCOME

	Note	2013	2012
Gain on sale of operating fixed assets		**3,021**	431
Unrealised loss on derivative financial instruments	14.1	**(1,527)**	-
Miscellaneous earnings	24.1	**1,087**	46
		2,581	477

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

25. ADMINISTRATIVE EXPENSES

	Note	2013	2012
		(Rupees in '000)	
			(Restated)
Salaries, allowances and benefits		**144,865**	114,246
Charge for defined benefit plan		**7,368**	6,349
Contribution to defined contribution plan		**5,187**	4,336
Non-executive directors' fee		**1,940**	2,340
Rent and utilities		**21,415**	15,102
Repairs and maintenance		**7,682**	7,080
Insurance		**2,600**	2,201
Communication		**2,258**	1,532
Advertisement		**757**	197
Depreciation	9.2	**25,563**	20,472
Amortisation	9.3	**3,899**	3,105
Printing and stationery		**2,347**	1,911
Legal and professional charges		**2,743**	2,052
Travelling, conveyance and entertainment		**25,927**	19,197
Brokerage and commissions		**3,798**	3,565
Bank charges		**432**	393
Fee and subscriptions		**7,552**	14,349
Auditors' remuneration	25.1	**1,057**	1,518
Donations and charity	25.2	**2,000**	1,000
Others		**2,785**	3,248
		272,175	224,193

25.1 Auditors' remuneration

	2013	2012
	(Rupees in '000)	
Audit fee	**450**	450
Half yearly review	**175**	175
Special certifications and others	**100**	650
Out of pocket expenses	**332**	243
	1,057	1,518

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

	2013	2012
	(Rupees in '000)	
Shaukat Khanum Memorial Hospital	**1,000**	-
Sindh Institute of Urology and Transplantation	**1,000**	-
Earth Quake Relief Fund	**-**	1,000
	2,000	1,000

26. OTHER CHARGES

	2013	2012
	(Rupees in '000)	
Penalties imposed by State Bank of Pakistan	**13,210**	-
Government levies	**(64,902)**	14,605
	(51,692)	14,605

27. TAXATION

	2013	2012 (Restated)
	(Rupees in '000)	
Current	**192,284**	232,659
Prior year	**22,716**	-
Deferred	**(97,749)**	(37,242)
	117,251	195,417

27.1 Current status of tax assessments

The return for tax years 2007 to 2013 have been filed under the Universal Self Assessment Scheme which provides that return filed is deemed to be an assessment order. However, these returns may be selected for detail audit within five years and the Commissioner of Income Tax may amend the assessment in case of objection raised in audit. The department of inland revenue has re-opened the assessment for the tax years 2009, 2010, 2011 and 2012 and raised an additional demand of Rs 20.7 million in respect of allocation of expenses against exempt capital gains and dividend income subject to tax at reduced rate and WWF, against which the Company has made adequate provision.

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

27.2 Relationship between tax expense and accounting profit

	2013	2012 (Restated)
	(Rupees in '000)	
Profit before tax	**456,481**	635,579
Tax on income @ 34% (2012: 35%)	**155,204**	222,452
Net tax effect on income taxed at reduced rates	**(86,642)**	(48,032)
Net tax effect on income subject to FTR	**(4,370)**	(5,840)
Net tax effect of income / expenses not subject to tax	**(7,090)**	(255)
Tax effect of expenses that are not deductible in determining taxable profit	**41,214**	18,444
Net deductible temporary difference	**512**	5,670
Prior years charge	**22,716**	-
Others	**(1,134)**	2,978
Effect of change in rate of tax	**(3,159)**	-
Tax charge	**117,251**	195,417

28. BASIC / DILUTED EARNINGS PER SHARE

	2013	2012 (Restated)
	(Rupees in '000)	
Profit after taxation for the year	339,230	440,162
	(Number of shares in '000)	
Weighted average number of ordinary shares outstanding during the year	600,000	600,000
	-------(Rupees)-------	
Basic / diluted earnings per share	0.57	0.73

29. CASH AND CASH EQUIVALENTS

	Note	2013	2012
		(Rupees in '000)	
Cash and balances with treasury banks	5	27,829	43,999
Balances with other banks	6	158,417	106,586
		186,246	150,585

30. STAFF STRENGTH

	2013	2012
	(Number of employees)	
Permanent	41	40
Contractual	1	2
Company's own staff strength at the end of the year	42	42
Outsourced	11	8
Total staff strength	53	50

31. DEFINED BENEFIT PLAN

31.1 General description

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

31.2 Principal actuarial assumptions

The actuarial valuation was carried out as at 31 December 2013 using the "Projected Unit Credit Actuarial Cost Method". The information provided in notes 31.3 to 31.9 has been obtained from the actuarial valuation carried out as at 31 December 2013.

Acturial Assumptions	2013	2012
Financial Assumptions		
Discount rate	12.75%	12.00%
Expected rate of increase in salaries	11.25%	10.50%
Demographic Assumptions		
Mortality rates (for death in service)	SLIC (2001-05)	LIC (1975-79)
Rates of employee turnover	"moderate"	"moderate"

	2013	2012 (Restated)
	(Rupees in '000)	

31.3 Reconciliation of amount payable to defined benefit obligation

	2013	2012
Present value of defined benefit obligation	21,421	14,320
Fair value of any assets	-	-
Payable to defined benefit plan	21,421	14,320

31.4 Movement in the present value of defined benefit

	2013	2012
Present value of defined benefit obligation at the beginning of the year	14,320	9,112
Service cost	5,081	4,889
Interest cost on define benefit obligation	2,287	1,460
Actual benefits paid during the year	(2,288)	(1,081)
Remeasurement loss / (gain) on obligation	2,021	(60)
Present value of defined benefit obligation at the end of the year	21,421	14,320

31.5 Movement in the net benefit liability (asset)

	2013	2012
Opening balance	14,320	9,112
Net periodic benefit cost for the year	7,368	6,349
Actual benefits paid during the year	(2,288)	(1,081)
Remeasurement loss / (gain) recognised in OCI during the year	2,021	(60)
Closing balance	21,421	14,320

31.6 Defined benefit cost for the year

	2013	2012 (Restated)
	(Rupees in '000)	
Cost recognised in P&L for the year		
Service cost		
Current service cost	5,081	4,577
Past service cost	-	312
	5,081	4,889
Net interest cost		
Interest cost on defined benefit obligation	2,287	1,460
Interest income on plan assets	-	-
	2,287	1,460
	7,368	6,349
Remeasurement recognised in OCI during the year		
Acturial loss / (gain) on obligation	2,021	(60)
Return on plan assets net off interest income	-	-
	2,021	(60)
	9,389	6,289

31.7 Remeasurement recognised in OCI during the year

	2013	2012
Loss / (gain) due to change in financial assumptions	89	(78)
(Gain) / loss due to change in demographic assumptions	-	-
Loss due to change in experience adjustments	1,932	18
	2,021	(60)

31.8 Sensitivity analysis on significant acturial assumptions

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

	0.5% Increase	0.5% Decrease
	(Rupees in '000)	
Discount rate	20,645	22,258
Future salary growth	22,316	20,585

31.9 The gratuity cost to be recognised in profit and loss for the year ending December 31, 2014 works out to Rs. 9.585 million (2012: Rs. 7.368 million).

32. DEFINED CONTRIBUTION PLAN

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

	2013	2012
	(Rupees in '000)	
Contribution from the Company	5,187	4,336
Contribution from the employees	5,187	4,336
Employees covered under the plan	33	33

33. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Managing Director / Chief Executive Officer		Director		Executives	
	2013	2012	2013	2012	2013	2012
	(Rupees in '000)					
Fees	-	-	1,940	2,340	-	-
Managerial remuneration	34,712	14,565	-	-	44,371	26,898
Contribution to defined contribution plan	1,873	1,457	-	-	3,155	2,690
Rent and house maintenance	8,993	6,555	-	-	11,827	10,759
Utilities	932	507	-	-	2,911	2,690
Medical	369	401	-	-	3,663	3,123
Others	1,899	1,866	-	-	8,686	6,836
	48,778	25,351	1,940	2,340	74,613	52,996
Number of persons	1	1	*7	*8	23	22

The Chief Executive Officer (CEO) and executives are provided with free use of the Company maintained cars. All directors including CEO are given traveling allowance for attending the board

*This also includes outging directors during the year.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

34.1 On balance sheet financial instruments

	2013		2012 (Restated)	
	Book value	Fair value	Book value	Fair value
	(Rupees in '000)		(Rupees in '000)	
Assets				
Cash and balances with treasury banks	27,829	27,829	43,999	43,999
Balances with other banks	158,417	158,417	106,586	106,586
Lendings to financial institutions	-	-	-	-
Investments	12,745,355	12,745,355	10,841,572	10,841,572
Advances	3,678,206	3,678,206	4,325,337	4,325,337
Other assets	270,782	270,782	253,291	253,291
	16,880,589	16,880,589	15,570,785	15,570,785
Liabilities				
Borrowings from financial institutions	8,489,171	8,489,171	6,721,178	6,721,178
Deposits and other accounts	25,080	25,080	545,080	545,080
Other liabilities	326,705	326,705	273,446	273,446
	8,840,956	8,840,956	7,539,704	7,539,704
Off-balance sheet financial instruments				
Equity Future	217,741	217,741	-	-

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

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

35. SEGMENT ANALYSIS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate finance	Trading and sales	Commercial banking	Total
	(Rupees in '000)			
2013				
Total income - Gross	18,210	754,318	667,887	1,440,415
Total markup / return / interest expense	-	319,199	169,690	488,889
Segment provision / (reversal) / impairment	-	(2,357)	276,919	274,562
	-	316,842	446,609	763,451
Net operating income	18,210	437,476	221,278	676,964
Administrative expenses and other charges				220,483
Profit before taxation				456,481
Segment assets	-	11,124,141	6,157,545	17,281,686
Segment impaired assets / non performing	-	18,595	1,496,702	1,515,297
Segment provision required and held	-	14,389	358,354	372,743
Segment liabilities	-	7,226,623	1,614,333	8,840,956
Segment return on assets (ROA)(%)	-	3.93%	3.59%	3.92%
Segment cost of funds(%)	-	4.42%	10.51%	5.53%
2012 (Restated)				
Total income - Gross	21,950	957,110	680,372	1,659,432
Total markup / return / interest expense	-	481,899	196,203	678,102
Segment provision / (reversal) / impairment	-	(33,681)	140,634	106,953
	-	448,218	336,837	785,055
Net operating income	21,950	508,892	343,535	874,377
Administrative expenses and other charges				238,798
Profit before taxation				635,579
Segment assets	-	9,091,508	6,645,980	15,737,488
Segment non performing loans	-	25,306	1,522,324	1,547,630
Segment provision required and held	-	16,746	627,633	644,379
Segment liabilities	-	4,998,015	2,541,901	7,539,916
Segment return on assets (ROA)(%)	-	5.60%	5.17%	5.56%
Segment cost of funds(%)	-	9.64%	7.72%	8.99%

36. RELATED PARTY TRANSACTIONS

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

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

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

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

	2013	2012
	(Rupees in '000)	
Loans and advances to key management personnel:		
Balance at beginning of the year	**107,051**	18,299
- Loans granted during the year	**4,195**	90,677
- Repayments during the year	**(10,034)**	(1,925)
Balance at end of the year	**101,212**	107,051
Mark-up earned on loans and advances to key management personnel	**5,294**	1,096
Non-executive directors' remuneration	**1,940**	2,340
Salaries and benefits	**105,719**	59,090
Contribution to defined contribution plan	**4,238**	3,345
Disposal of fixed assets to key personnel	**3,869**	1,541
36.2. Contribution to defined contribution plan	**5,187**	4,336
36.3. Receivable / (payable) to Iran Foreign Investment Company - Net (Associates)	**1,217**	675
36.4. Dividend payable to an Associate	**75,000**	25,000
36.5. Dividend paid to Ministry of Finance Government of Pakistan	**50,000**	25,000

37 CAPITAL ADEQUACY RATIO (CAR)

Rows #	Common Equity Tier 1 capital (CET1): Instruments and reserves		2013 Rupees in '000 Amount	2013 Rupees in '000 Amounts subject to Pre - Basel III treatment*	2012 Amount
1	Fully Paid-up Capital/ Capital deposited with SBP		6,000,000		6,000,000
2	Balance in Share Premium Account				
3	Reserve for issue of Bonus Shares				
4	General/ Statutory Reserves		483,592		415,719
5	Gain/(Losses) on derivatives held as Cash Flow Hedge				
6	Unappropriated/unremitted profits/ (losses)		1,781,247		1,612,881
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)				
8	**CET 1 before Regulatory Adjustments**		8,264,839		8,028,600
	Common Equity Tier 1 capital: Regulatory adjustments				
9	Goodwill (net of related deferred tax liability)				
10	All other intangibles (net of any associated deferred tax liability)		(4,453)		(8,352)
11	Shortfall of provisions against classified assets				
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)		-	-	
13	Defined-benefit pension fund net assets				
14	Reciprocal cross holdings in CET1 capital instruments				
15	Cash flow hedge reserve				
16	Investment in own shares/ CET1 instruments				
17	Securitization gain on sale				
18	Capital shortfall of regulated subsidiaries				
19	Deficit on account of revaluation from bank's holdings of property/ AFS				

20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		-	(104,442)	
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)				
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)				
23	Amount exceeding 15% threshold				
24	of which: significant investments in the common stocks of financial entities				
25	of which: deferred tax assets arising from temporary differences				
26	National specific regulatory adjustments applied to CET1 capital				
27	Investment in TFCs of other banks exceeding the prescribed limit		(166,768)	-	(2,297,340)
28	Any other deduction specified by SBP (mention details)				
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		-		
30	Total regulatory adjustments applied to CET1 (sum of 9 to 25)		(4,453)		(8,352)
	Common Equity Tier 1	(a)	8,093,618		5,722,908
	Additional Tier 1 (AT 1) Capital				
31	Qualifying Additional Tier-1 instruments plus any related share premium				
32	of which: Classified as equity				
33	of which: Classified as liabilities				
34	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)				
35	of which: instrument issued by subsidiaries subject to phase out				
36	**AT1 before regulatory adjustments**		-		
	Additional Tier 1 Capital: regulatory adjustments				

37	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)				
38	Investment in own AT1 capital				
39	Reciprocal cross holdings in Additional Tier 1 capital instruments				
40	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)		-	(65,240)	
41	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation				
42	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				
43	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions				
44	Total of Regulatory Adjustment applied to AT1 capital		-		
45	Additional Tier 1 capital				
46	**Additional Tier 1 capital recognized for capital adequacy**	(b)	-		
	Tier 1 Capital (CET1 + admissible	(c=a+b)	8,093,618		5,722,908
	Tier 2 Capital				
47	Qualifying Tier 2 capital instruments under Basel III				
48	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)				
49	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)				
50	of which: instruments issued by subsidiaries subject to phase out				
51	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets				
52	Revaluation Reserves		84,147		
53	of which: Revaluation reserves on Property		-		-

54	of which: Unrealized Gains/Losses on AFS		84,147		-
55	Foreign Exchange Translation Reserves				
56	Undisclosed/Other Reserves (if any)				
57	**T2 before regulatory adjustments**		84,147		
	Tier 2 Capital: regulatory adjustments				
58	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				
59	Reciprocal cross holdings in Tier 2 instruments				
60	Investment in own Tier 2 capital instrument				
61	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)		-	(1,022,932)	
62	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation				
63	Amount of Regulatory Adjustment applied to T2 capital				
64	Tier 2 capital (T2)				
65	Tier 2 capital recognized for capital adequacy				
66	Excess Additional Tier 1 capital recognized in Tier 2 capital				
67	Total Tier 2 capital admissible for capital adequacy	(d)	84,147		
	TOTAL CAPITAL (T1 + admissible T2)	(e=c+d)	**8,177,765**		5,722,908
	Total Risk Weighted Assets	(i=f+g+h)	**11,211,316**		10,545,185
68	Total Credit Risk Weighted Assets	(f)	7,864,777		8,310,735
69	Risk weighted assets in respect of amounts subject to Pre-Basel III				
70	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		517,436		
71	of which: deferred tax assets				

72	of which: Defined-benefit pension fund net assets			
73	of which: [insert name of adjustment]			
74	Total Market Risk Weighted Assets	(g)	1,765,217	536,300
75	Total Operational Risk Weighted Assets	(h)	1,581,322	1,698,150
	Capital Ratios and buffers (in percentage of risk weighted assets)			
76	CET1 to total RWA	(a/i)	72.19%	54.27%
77	Tier-1 capital to total RWA	(c/i)	72.19%	54.27%
78	Total capital to RWA	(e/i)	72.94%	54.27%
79	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		10.00%	10.00%
80	of which: capital conservation buffer requirement			
81	of which: countercyclical buffer requirement			
82	of which: D-SIB or G-SIB buffer requirement			
83	CET1 available to meet buffers (as a percentage of risk weighted assets)		67.19%	
	National minimum capital requirements prescribed by SBP			
84	CET1 minimum ratio		5.00%	
85	Tier 1 minimum ratio		6.50%	
86	Total capital minimum ratio		10.00%	
	Amounts below the thresholds for deduction (before risk weighting)			
87	Non-significant investments in the capital of other financial entities		829,842	
88	Significant investments in the common stock of financial entities			
89	Deferred tax assets arising from temporary differences (net of related tax liability)		204,896	
	Applicable caps on the inclusion of provisions in Tier 2			
90	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)			
91	Cap on inclusion of provisions in Tier 2 under standardized approach			

92	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)			
93	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach			

37.1 Risk-Weighted Exposures

	2013		2012	
	-------------------- Rupees in '000	--------------------		
	Book Value	Risk Adjusted Value	Book Value	Risk Adjusted Value
Credit Risk				
Balance Sheet Items:-				
Cash and other liquid Assets	186,246	31,801	150,585	21,322
Money at call				
Investments	2,604,690	1,752,010	8,346,550	2,726,306
Loans and Advances	3,678,206	3,096,444	4,325,337	3,476,320
Fixed Assets	196,201	196,201	56,047	56,047
Other Assets	768,283	1,027,581	490,565	463,587
	7,433,626	6,104,037	13,369,084	6,743,582
Off Balance Sheet items				
Loan Repayment Guarantees				
Purchase and Resale Agreements	5,870,507	2,187	4,654,098	485
Commitments to extend credit	1,739,193	1,544,193	1,566,668	1,491,668
Guarantees	289,360	214,360	150,000	75,000
Performance Bonds etc	-	-	-	-
Revolving underwriting Commitments	-	-	-	-
Stand By Letters of Credit	-	-	-	-
Outstanding Foreign Exchange Contracts				
-Purchase	-	-	-	-
-Sale	-	-	-	-
	7,899,060	1,760,740	6,370,766	1,567,153
Credit risk-weighted exposures		7,864,777		8,310,735
Market Risk				
General market risk		895,482		268,150
Specific market Risk		869,735		268,150
Market risk-weighted exposures		1,765,217		536,300
Operational Risk		1,581,322		1,698,150
Total Risk-Weighted Exposures		11,211,316		10,545,185

37.2 Capital Structure Reconciliation

Table: 37.2.1	Balance sheet as in published financial statements	Under regulatory scope of consolidation
(in thousand PKR)	As at period end	As at period end
Assets		
Cash and balances with treasury banks	27,829	27,829
Balanced with other banks	158,417	158,417
Lending to financial institutions	-	-
Investments	12,745,355	12,745,355
Advances	3,678,206	3,678,206
Operating fixed assets	196,201	196,201
Deferred tax assets	204,896	204,896
Other assets	270,782	270,782
Total assets	**17,281,686**	**17,281,686**
Liabilities & Equity		
Bills payable	-	-
Borrowings	8,489,171	8,489,171
Deposits and other accounts	25,080	25,080
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	326,705	326,705
Total liabilities	**8,840,956**	**8,840,956**
Share capital/ Head office capital account	6,000,000	6,000,000
Reserves	483,592	483,592
Unappropriated/ Unremitted profit/ (losses)	1,781,247	1,781,247
Minority Interest	-	-
Surplus on revaluation of assets	175,891	175,891
Total liabilities & equity	**8,440,730**	**8,440,730**

Table: 37.2.2	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period end	As at period end	
Assets			
Cash and balances with treasury banks	27,829	27,829	
Balanced with other banks	158,417	158,417	
Lending to financial institutions	-	-	
Investments	12,745,355	12,745,355	
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	1,192,698	1,192,698	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 (mention details)	-	-	e
Advances	3,678,206	3,678,206	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital	-	-	g
Fixed Assets	196,201	196,201	
Deferred Tax Assets	204,896	204,896	
of which: DTAs excluding those arising from temporary differences	-	-	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Other assets	270,782	270,782	
of which: Goodwill	-	-	j
of which: Intangibles	4,453	4,453	k
of which: Defined-benefit pension fund net assets	-	-	l
Total assets	**17,281,686**	**17,281,686**	

Liabilities & Equity

Bills payable	-	-	
Borrowings	8,489,171	8,489,171	
Deposits and other accounts	25,080	25,080	
Sub-ordinated loans	-	-	
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier 2	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	-	
of which: DTLs related to goodwill	-	-	o
of which: DTLs related to intangible assets	-	-	p
of which: DTLs related to defined pension fund net assets	-	-	q
of which: other deferred tax liabilities	-	-	r
Other liabilities	326,705	326,705	
Total liabilities	**8,840,956**	**8,840,956**	

Share capital	6,000,000	6,000,000	
of which: amount eligible for CET1	6,000,000	6,000,000	s
of which: amount eligible for AT1	-	-	t
Reserves	483,592	483,592	
of which: portion eligible for inclusion in CET1 (provide breakup)	483,592	483,592	u
of which: portion eligible for inclusion in Tier 2	-	-	v
Unappropriated profit/ (losses)	1,781,247	1,781,247	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	175,891	175,891	
of which: Revaluation reserves on Property	-	-	aa
of which: Unrealized Gains/Losses on AFS	175,891	175,891	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total liabilities & Equity	**8,440,730**	**8,440,730**	

Basel III Disclosure (with added column)			
	Table: 37.2.3	Component of regulatory capital reported by bank (amount in thousand PKR)	Source based on reference number from step 2
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	6,000,000	(s)
2	Balance in Share Premium Account	-	
3	Reserve for issue of Bonus Shares	-	
4	General/ Statutory Reserves	483,592	(u)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated/unremitted profits/(losses)	1,781,247	(w)
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)
8	**CET 1 before Regulatory Adjustments**	**8,264,839**	
	Common Equity Tier 1 capital: Regulatory adjustments		
9	Goodwill (net of related deferred tax liability)	-	(j) - (o)
10	All other intangibles (net of any associated deferred tax liability)	(4,453)	(k) - (p)
11	Shortfall of provisions against classified assets	-	(f)
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{(h) - (r} * x%
13	Defined-benefit pension fund net assets	-	{(l) - (q)} *
14	Reciprocal cross holdings in CET1 capital instruments	-	(d)
15	Cash flow hedge reserve	-	
16	Investment in own shares/ CET1 instruments	-	
17	Securitization gain on sale	-	
18	Capital shortfall of regulated subsidiaries	-	
19	Deficit on account of revaluation from bank's holdings of property/ AFS	-	(ab)

20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ac) - (ae)
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23	Amount exceeding 15% threshold	-	
24	of which: significant investments in the common stocks of financial entities	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments applied to CET1 capital	-	
27	Investment in TFCs of other banks exceeding the prescribed limit	(166,768)	
28	Any other deduction specified by SBP (mention details)	-	
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	
30	Total regulatory adjustments applied to CET1 (sum of 9 to 25)	(4,453)	
	Common Equity Tier 1	**8,093,618**	

Additional Tier 1 (AT 1) Capital

31	Qualifying Additional Tier-1 instruments plus any related share premium	-	
32	of which: Classified as equity	-	(t)
33	of which: Classified as liabilities	-	(m)
34	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
35	of which: instrument issued by subsidiaries subject to phase out	-	
36	**AT1 before regulatory adjustments**	**-**	

	Additional Tier 1 Capital: regulatory adjustments		
37	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
38	Investment in own AT1 capital instruments	-	
39	Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
40	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
41	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
42	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	-	
43	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
44	Total of Regulatory Adjustment applied to AT1 capital	-	
45	Additional Tier 1 capital	-	
46	**Additional Tier 1 capital recognized for capital adequacy**	**-**	

	Tier 1 Capital (CET1 + admissible AT1)		

	Tier 2 Capital		
47	Qualifying Tier 2 capital instruments under Basel III	-	(n)
48	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	
49	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier	-	(z)
50	of which: instruments issued by subsidiaries subject to phase out	-	
51	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	-	(g)
52	Revaluation Reserves eligible for Tier 2	84,147	
53	of which: portion pertaining to Property	-	portion of (aa)
54	of which: portion pertaining to AFS securities	84,147	
55	Foreign Exchange Translation Reserves	-	(v)
56	Undisclosed/Other Reserves (if any)	-	
57	**T2 before regulatory adjustments**	84,147	

Tier 2 Capital: regulatory adjustments

58	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	-	
59	Reciprocal cross holdings in Tier 2 instruments	-	
60	Investment in own Tier 2 capital instrument	-	
61	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
62	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
63	Amount of Regulatory Adjustment applied to T2 capital	-	
64	Tier 2 capital (T2)	-	
65	Tier 2 capital recognized for capital adequacy	84,147	
66	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
67	Total Tier 2 capital admissible for capital adequacy	84,147	
	TOTAL CAPITAL (T1 + admissible T2)	**8,177,765**	

37.3 Main Features Template of Regulatory Capital Instruments

Disclosure for main features of regulatory capital instruments		
	Main Features	**Common Shares**
1	Issuer	PAIR Investment Company
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	Not Applicable
3	Governing law(s) of the instrument	Banking Companies Ordinance 1962, Companies Ordinance 1984 and other corporate laws as promulgated by SECP
	Regulatory treatment	
4	Transitional Basel III rules	Not Applicable
5	Post-transitional Basel III rules	Not Applicable
6	Eligible at solo/ group/ group&solo	Solo
7	Instrument type	Ordinary Shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	PKR 6,000,000
9	Par value of instrument	PKR 10
10	Accounting classification	Shareholders's equity
11	Original date of issuance	2007
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not Applicable
16	Subsequent call dates, if applicable	Not Applicable
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	Not Applicable
18	Coupon rate and any related index/ benchmark	Not Applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Not Applicable
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	No
25	If convertible, fully or partially	Not Applicable
26	If convertible, conversion rate	Not Applicable
27	If convertible, mandatory or optional conversion	Not Applicable
28	If convertible, specify instrument type convertible into	Not Applicable
29	If convertible, specify issuer of instrument it converts into	Not Applicable
30	Write-down feature	No
31	If write-down, write-down trigger(s)	Not Applicable
32	If write-down, full or partial	Not Applicable

33	If write-down, permanent or temporary	Not Applicable
34	If temporary write-down, description of write-up mechanism	Not Applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument	Not Applicable
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not Applicable

37.4 CAPITAL-ASSESSMENT AND ADEQUACY BASEL III SPECIFIC

37.4.1 Scope Of Applications

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

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

37.4.2 Capital structure

The capital adequacy ratio is calculated in accordance with SBP's guidelines on capital adequacy. The capital structure of the company includes common shares (paid-up capital) of PKR 6bn as required under BSD Circular No. 19 of 2008 dated September 05, 2008. At time point in time no other capital instrument is part of PICL capital structure considering the adequacy of the capital and compliance with the minimum capital requirement of SBP.

	2013	2012
	(Rupees in '000)	
Regulatory Capital Base		
Tier I Capital		
Shareholders Capital/Assigned Capital	6,000,000	6,000,000
Reserves	483,592	415,719
Unappropriated / unremitted profits (Net of Losses)	1,781,247	1,612,881
	8,264,839	8,028,600
Less: Adjustments		
Book value of intangible assets	(4,453)	(8,352)
Investments in TFCs of other banks exceeding the prescribed limit	(166,768)	(2,297,340)
	(171,221)	(2,305,692)
Total Tier I Capital	8,093,618	5,722,908
Tier II Capital	84,147	-
Eligible Tier III Capital	-	-
Total Regulatory Capital	8,177,765	5,722,908

37.5 Capital adequacy

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

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

Goals of managing capital

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

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

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

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

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

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

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

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

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

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

	2013		2012	
	Capital requirements	**Risk weighted assets**	Capital requirements	Risk weighted assets
Credit risk				
Claims on:				
Banks	**3,399**	**33,988**	2,181	21,808
Corporate	**572,949**	**5,729,490**	520,884	5,208,835
Public sector entities	**-**	**-**	-	-
Retail portfolio	**139**	**1,394**	120	1,201
Secured by residential property	**3,777**	**37,765**	3,772	37,715
Past due loans	**64,680**	**646,797**	83,543	835,432
Listed equity investments	**51,744**	**517,436**	186,153	1,861,529
Unlisted equity investments	**13,204**	**132,038**	15,585	155,852
Investments in fixed assets	**19,620**	**196,201**	5,605	56,047
All other assets	**56,967**	**569,668**	13,232	132,316
	786,479	**7,864,777**	831,075	8,310,735
	2013		2012	
Market risk				
Interest rate risk	**9,261**	**115,766**	-	-
Equity risk	**131,956**	**1,649,451**	42,904	536,300
	141,217	**1,765,217**	42,904	536,300
Operational risk	**126,506**	**1,581,322**	135,852	1,698,150
	1,054,202	**11,211,316**	1,009,831	10,545,185

Capital adequacy ratio

	2013	2012
Total eligible regulatory capital held (a)	**8,177,765**	5,722,908
Total risk weighted assets (b)	**11,211,316**	10,545,185
Capital adequacy ratio (a) / (b)*100	**72.94%**	54.27%

38. RISK MANAGEMENT

The primary risks associated with the Company's exposure are:

Credit Risk: the risk of loss resulting from client or counterparty default.

Market Risk: the exposure to market variables such as interest rates and equity prices.

Operational Risk: the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and therefore includes legal risk.

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

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

38.1. Credit risk

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

- Participation in portfolio planning and management.

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

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

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

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

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

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

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

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

38.1.1 Credit Risk – General Disclosures Basel II/ III specific

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

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

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

Types of exposures and ECAI's used

Exposures	JCR-VIS	PACRA
Banks	✓	✓
Corporate	✓	✓

Credit exposures subject to standardised approach

Exposures

	Rating Category	Amount Outstanding	Deduction	Net amount
		(Rupees in '000)		
Corporate	1	857,435	-	857,435
	2	1,142,674	-	1,142,674
	3,4	3,041	-	3,041
	5,6	165,191	-	165,191
	Unrated	4,735,839	-	4,735,839
Banks	1	6,029,513	5,859,573	169,940
Sovereigns		519,898	-	519,898
Retail Portfolio		1,858	-	1,858
Residential Mortgage Finance		107,901	-	107,901
Past Due Loans		688,996	-	688,996
Listed Equity investmnents		517,436	-	517,436
Unlisted Equity investmnents		88,025	-	88,025
Cash and Cash Equivalents		264	-	264
Others		438,495	-	438,495
		15,296,566	5,859,573	9,436,993

CRM = Credit Risk Mitigation

38.1.2.1 Credit Risk: Disclosure with respect to Credit Risk Mitigation for Standardized

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

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

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

38.1.3 Segmental information

38.1.3.1 Segments by class of business

	2013					
	Advances - Gross		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Cement	75,000	2%	-	-	-	-
Sugar	860,610	20%	-	-	850,000	10%
Electronics and electrical appliances	21,000	-	-	-	-	-
Construction	314,443	7%	-	-	-	-
Power (electricity), water & sanitary	666,541	16%	-	-	-	-
Financial	-	-	-	-	6,095,869	75%
Services	-	-	-	-	90,000	1%
Textile	500,000	12%	-	-	150,000	2%
Transport, storage and communication	-	-	-	-	-	-
Fertilizer	500,000	12%	-	-	-	-
Infrastructure	261,081	6%	-	-	-	-
Individuals	109,693	3%	15,080	60%	-	-
Paper and board	133,333	3%	-	-	-	-
Steel	210,170	5%	-	-	142,207	2%
Oil and gas	100,000	2%	-	-	150,000	2%
Provident fund trust	-	-	10,000	40%	-	-
Dairy farm	264,451	6%	-	-	-	-
Others	207,941	6%	-	-	646,347	8%
	4,224,263	100%	25,080	100%	8,124,423	100%

	2012					
	Advances - Gross		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Cement	75,000	2%	-	-	-	-
Sugar	685,108	15%	-	-	600,000	9%
Electronics and electrical appliances	60,000	1%	30,000	5%	-	-
Construction	563,365	12%	-	-	-	-
Power (electricity), water, sanitary	998,804	22%	-	-	-	-
Financial	66,667	1%	-	-	4,665,784	73%
Services	58,333	1%	500,000	92%	-	-
Textile	500,000	11%	-	-	150,000	2%
Transport, storage and communication	44,444	1%	-	-	-	-
Fertilizer	500,000	11%	-	-	-	-
Infrastructure	268,576	6%	-	-	-	-
Individuals	159,499	4%	5,080	1%	-	-
Paper and board	177,778	4%	-	-	-	-
Steel	100,000	2%	-	-	446,668	8%
Oil and gas	91,667	2%	-	-	150,000	2%
Others	181,250	4%	10,000	2%	370,000	6%
	4,530,491	100%	545,080	100%	6,382,452	100%

38.1.3.2 **Segment by sector**

	2013					
	Advances - Gross		**Deposits**		**Contingencies and commitments**	
	(Rupees in '000)	**Percent**	**(Rupees in '000)**	**Percent**	**(Rupees in '000)**	**Percent**
Public / Government	-	-	-	-	**5,879,655**	**72%**
Private	**4,224,263**	**100%**	**25,080**	**100%**	**2,244,768**	**28%**
	4,224,263	**100%**	**25,080**	**100%**	**8,124,423**	**100%**

	2012					
	Advances - Gross		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	-	-	500,000	92%	4,665,784	73%
Private	4,530,491	100%	45,080	8%	1,716,668	27%
	4,530,491	100%	545,080	100%	6,382,452	100%

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

	2013		2012	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	(Rupees in '000)			
Cement	75,000	75,000	75,000	75,000
Construction	314,443	42,513	316,306	42,513
Textile	500,000	428,544	350,000	87,500
Others	-	-	141	141
	889,443	546,057	741,447	205,154

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

Public / Government	-	-	-	-
Private	889,443	546,057	741,447	205,154
	889,443	546,057	741,447	205,154

38.1.3.5 Geographical segment analysis

	2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
	(Rupees in '000)			
Pakistan	456,481	17,281,686	8,440,730	8,124,423

	2012 (Restated)			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
	(Rupees in '000)			
Pakistan	635,579	15,737,414	8,197,710	6,382,452

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

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

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

38.3. Market risk

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

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

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

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

38.3.1 Foreign exchange risk

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

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

	2012 (Restated)			
	Assets	Liabilities	Off - balance sheet items	Net currency exposure
	(Rupees in '000)			
Pakistan Rupees	15,736,756	7,539,704	-	8,197,052
US Dollars	192	-	-	192
Euros	466	-	-	466
	15,737,414	7,539,704	-	8,197,710

38.3.2 Equity position risk

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

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

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

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

38.3.4 Mismatch of interest rate sensitive assets and liabilities

	2013											
	Effective yield / interest rate	Total	Exposed to yield / interest risk									Non-interest bearing financial instruments
			Upto one month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 year to 3 years	Over 3 year to 5 years	Over 5 year to 10 year	Over 10 years	
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.13%	27,829	509	-	-	-	-	-	-	-	-	27,320
Balances with other banks	7.16%	158,417	153,032	-	-	-	-	-	-	-	-	5,385
Lendings to financial institutions	0.00%	-	-	-	-	-	-	-	-	-	-	-
Investments - net	10.39%	12,745,355	4,518,334	3,393,040	1,702,473	2,947	-	-	-	-	-	3,128,561
Advances - net	12.27%	3,678,206	648,269	2,075,622	541,186	327	679	773	29,598	2,763	35,603	343,386
Other assets - net	0.00%	270,782	-	-	-	-	-	-	-	-	-	270,782
		16,880,589	5,320,144	5,468,662	2,243,659	3,274	679	773	29,598	2,763	35,603	3,775,434
Liabilities												
Borrowings from financial institutions	9.83%	8,489,171	6,309,573	2,150,000	-	-	-	-	29,598	-	-	-
Deposits and other account	9.12%	25,080	25,000	-	-	-	-	-	-	-	-	80
Other liabilities - net	0.00%	326,705	-	-	-	-	-	-	-	-	-	326,705
		8,840,956	6,334,573	2,150,000	-	-	-	-	29,598	-	-	326,785
On-balance sheet gap		8,039,633	(1,014,429)	3,318,662	2,243,659	3,274	679	773	-	2,763	35,603	3,448,649
Non financial net assets		401,097										
Total net assets		8,440,730										

	2013										
	Effective yield / interest rate	Total	Exposed to yield / interest risk								Non-interest bearing financial instruments
			Upto one month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 year to 3 years	Over 3 year to 5 years	Over 5 year to 10 year	Over 10 years	
	(Rupees in '000)										
Off-balance sheet financial instruments											
Equity Future		217,741	-	217,741	-	-	-	-	-	-	-	-
Forward Lending (including call lending, repurchase agreement lending, commitments to extend credit. etc.)		-	-	-	-	-	-	-	-	-	-	-
Forward borrowings (including call borrowing, repurchase agreement borrowing, etc.)		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		217,741	-	217,741	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		8,257,374	(1,014,429)	3,536,403	2,243,659	3,274	679	773	-	2,763	35,603	
Cumulative yield / interest risk sensitivity			(1,014,429)	2,521,974	4,765,633	4,768,907	4,769,586	4,770,359	4,770,359	4,773,122	4,808,725	

		2012 (Restated)										
	Effective yield / interest rate	Total	Exposed to yield / interest risk									Non-interest bearing financial instruments
			Upto one month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 year to 3 years	Over 3 year to 5 years	Over 5 year to 10 year	Over 10 years	
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.00%	43,999	-	-	-	-	-	-	-	-	-	43,999
Balances with other banks	5.00%	106,586	77,524	-	-	-	-	-	-	-	-	29,062
Lendings to financial institutions	0.00%	-	-	-	-	-	-	-	-	-	-	-
Investments - net	10.99%	10,841,572	1,246,803	4,510,311	3,345,460	-	-	4,845	-	-	-	1,734,153
Advances - net	12.38%	4,325,337	1,065,390	2,091,751	559,102	232	72,380	851	-	39,114	32,815	463,702
Other assets - net	0.00%	253,291	-	-	-	-	-	-	-	-	-	253,291
		15,570,785	2,389,717	6,602,062	3,904,562	232	72,380	5,696	-	39,114	32,815	2,524,207
Liabilities												
Borrowings from financial institutions	9.81%	6,721,178	4,851,671	1,833,333	-	-	-	-	-	36,174		-
Deposits and other account	11.86%	545,080	10,000	35,000	-	500,000	-	-	-	-	-	80
Other liabilities - net	0.00%	273,446	-	-	-	-	-	-	-	-	-	273,446
		7,539,704	4,861,671	1,868,333	-	500,000	-	-	-	36,174	-	273,526
On-balance sheet gap		8,031,081	(2,471,954)	4,733,729	3,904,562	(499,768)	72,380	5,696	-	2,940	32,815	2,250,681
Non financial net assets		166,629										
Total net assets		8,197,710										

	2012										
	Effective yield / interest rate	Total	Exposed to yield / interest risk								Non-interest bearing financial instruments
			Upto one month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 year to 3 years	Over 3 year to 5 years	Over 5 year to 10 year	Over 10 years	
		----- (Rupees in '000) -----										
Off-balance sheet financial instruments												
Forward Lending (including call lending, repurchase agreement lending, commitments to extend credit, etc.)		-	-	-	-	-	-	-	-	-	-	-
Forward borrowings (including call borrowing, repurchase agreement borrowing, etc.)		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		8,031,081	(2,471,954)	4,733,729	3,904,562	(499,768)	72,380	5,696	-	2,940	32,815	
Cumulative yield / interest risk sensitivity			(2,471,954)	2,261,775	6,166,337	5,666,569	5,738,949	5,744,645	5,744,645	5,747,585	5,780,400	

38.4 Liquidity risk

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

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

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

38.4.1 Maturity of assets and liabilities

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

38.4.1.1 Maturities of assets and liabilities

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

Represented by:	
Share capital	**6,000,000**
Reserves	**483,592**
Unappropriated profit	**1,781,247**
Surplus on revaluation of assets-net of deferred tax	**175,891**
	8,440,730

	2012 (Restated)									
	Total	Upto One month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 years to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	43,999	43,999	-	-	-	-	-	-	-	-
Balances with other banks	106,586	106,586	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments - net	10,841,572	1,015,770	2,569,893	3,174,056	468,724	408,744	578,508	765,744	1,860,133	-
Advances - net	4,325,337	310,435	533,473	264,571	693,623	778,969	561,234	864,901	300,572	17,559
Other assets - net	253,291	71,403	107,850	58,820	7,736	6,325	-	-	-	1,157
Operating fixed assets	56,047	-	406	833	1,885	1,266	30,049	21,608	-	-
Deferred tax asset - net	110,582	-	-	-	110,582	-	-	-	-	-
	15,737,414	1,548,193	3,211,622	3,498,280	1,282,550	1,195,304	1,169,791	1,652,253	2,160,705	18,716
Liabilities										
Borrowings from financial institutions	6,721,178	4,854,959	166,666	-	169,955	589,909	423,243	513,152	3,294	-
Deposits and other accounts	545,080	10,000	35,000	-	500,080					-
Other liabilities - net	273,446	128,334	37,602	34,196	64,902	8,412	-	-	-	-
	7,539,704	4,993,293	239,268	34,196	734,937	598,321	423,243	513,152	3,294	-
Net assets	8,197,710	(3,445,100)	2,972,354	3,464,084	547,613	596,983	746,548	1,139,101	2,157,411	18,716

Represented by:	
Share capital	6,000,000
Reserves	415,746
Unappropriated profit	1,611,197
Surplus on revaluation of assets-net of deferred tax	170,767
	8,197,710

38.5 Operational risk

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

38.5.1 Operational risk disclosure - Basel II/III specific

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

39. DATE OF AUTHORIZATION

These financial statements were authorized for issue on 25 FEB 2014 by the Board of Directors of the Company.

Chairman

Chief Executive and Managing Director

Director

Director