ICBC 中国工商银行股份有限公司 卡拉奇分行
INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED KARACHI BRANCH

March 28, 2014

Ms. Lubna Farooq Malik
Director
Off Site Supervision & Enforcement Department
State Bank of Pakistan
II Chundrigar Road
Karachi

Dear Madam,

Financial statement of Industrial and Commerical Bank of China (the Bank) the period end 31 December 2013

We are writing with reference to the Section 34 and Section 36 of the Banking Companies Ordinance, 1962 requiring all banks to submit their approved annual audited financial statements to the State Bank of Pakistan within 3 months of the year end.

In view of the above, kindly find enclosed a copy of our audited annual report, statement on Internal Control and Risk Management Framework. We appreciate your understanding in this matter and thank you for the continued support extended to Industrial and Commercial Bank of China.

Kindly let us know if any additional information is required.

Sincerely,

Xu Keen
CEO

王欣
Wang Xin
General Manager Finance

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Auditors' Report to the Directors

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

It is the responsibility of the branches' management 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 Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

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

a) in our opinion, proper books of account have been kept by the branches 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 Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change in accounting policy as disclosed in note 5.1 to the accompanying financial statements, with which we concur;

   ii) the expenditure incurred during the year was for the purpose of the branches' business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the branches and the transactions of the branches which have come to our notice have been within the powers of the branches;

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 Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the branches' affairs as at 31 December 2013 and its true balance of profit, its cash flows and changes in equity for the year then ended; and

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

The financial statements of the branches for the year ended 31 December 2012 were audited by another firm of Chartered Accountants, who vide their report dated 29 March 2013, addressed to the directors, had expressed an unmodified opinion thereon.

KPMG Taseer Hadi

Date: 28 March 2014

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Iftikhar Anjum

Industrial and Commercial Bank of China Limited - Pakistan Branches

Statement of Financial Position

As at December 31, 2013

	Note	2013	2012
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	6	**4,462,227**	4,063,541
Balances with other banks	7	**163,630**	1,336,371
Lendings to financial institutions	8	**3,490,017**	1,554,395
Investments - net	9	**47,547,395**	13,596,093
Advances	10	**3,894,413**	56,596
Operating fixed assets	11	**243,293**	316,663
Deferred tax assets	12	**54,325**	-
Other assets	13	**2,189,505**	1,123,957
		62,044,805	22,047,616
LIABILITIES			
Bills payable	14	**172,309**	738
Borrowings	15	**40,028,520**	12,221,381
Deposits and other accounts	16	**14,986,537**	4,167,644
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	17	**3,162,092**	2,509,152
		58,349,458	18,898,915
NET ASSETS		**3,695,347**	3,148,701
REPRESENTED BY			
Head office capital account	18	**3,802,007**	3,506,910
Reserves		-	-
Accumulated losses		**(70,240)**	(364,645)
		3,731,767	3,142,265
(Deficit) / Surplus on revaluation of investments - net	19	**(36,420)**	6,436
		3,695,347	3,148,701
CONTINGENCIES AND COMMITMENTS	20		

The annexed notes 1 to 36 form an integral part of these financial statements.

Xu Keen	**Wang Xin**
Chief Executive Officer	**Head of Finance**

Industrial and Commercial Bank of China Limited - Pakistan Branches

Profit and Loss Account

For the year ended December 31, 2013

	Note	2013	2012
		(Rupees in '000)	
Mark-up / Return / Interest Earned	21	3,700,571	771,801
Mark-up / Return / Interest Expensed	22	(738,992)	(682,804)
Net mark-up / Interest Income		2,961,579	88,997
Provision against non-performing loans and advances - net		-	-
Provision for diminution in the value of investments - net		-	-
Bad debts written off directly		-	-
		-	-
Net Mark-up / Interest Income after provisions		2,961,579	88,997
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		141,895	122,650
Dividend income		-	-
(Loss) / income from dealing in foreign currencies		(2,182,599)	18,703
Gain / (loss) on sale of securities		-	-
Unrealised Gain / (loss) on revaluation of investments classified as held for trading		-	-
Other income		349	142
Total non-mark-up / interest income		(2,040,355)	141,495
		921,224	230,492
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	23	661,533	410,799
Other provisions / write-offs		-	-
Other charges		-	-
Total non-mark-up / interest expenses		661,533	410,799
		259,691	(180,307)
Extra ordinary / unusual items		-	-
PROFIT/ (LOSS) BEFORE TAXATION		259,691	(180,307)
Taxation - Current	24	-	-
- Prior Years		-	-
- Deferred		(34,714)	-
		(34,714)	-
PROFIT/ (LOSS) AFTER TAXATION		294,405	(180,307)

The annexed notes 1 to 36 form an integral part of these financial statements.

Xu Keen	**Wang Xin**
Chief Executive Officer	**Head of Finance**

Industrial and Commercial Bank of China Limited - Pakistan Branches

Statement of Comprehensive Income

For the year ended December 31, 2013

	2013	2012
	(Rupees in '000)	
Profit / (Loss) after taxation for the year	**294,405**	(180,307)
Other comprehensive income		
Items that will not be reclassified subsequently to profit and loss account		
Exchange adjustments on revaluation of capital	**295,097**	259,509
	589,502	79,202
Components of comprehensive income not reflected in Head Office account		
(Deficit) / surplus on revaluation of available for sale securities - net of tax	**(42,856)**	4,678

The annexed notes 1 to 36 form an integral part of these financial statements.

Xu Keen
Chief Executive Officer

Wang Xin
Head of Finance

Industrial and Commercial Bank of China Limited - Pakistan Branches

Cash Flow Statement

For the year ended December 31, 2013

	Note	2013	2012
		(Rupees in '000)	
CASH FLOW FROM OPEARTING ACTIVITIES			
Profit / (loss) before taxation		**259,691**	(180,307)
Adjustments:			
Depreciation	11	**82,376**	36,871
		342,067	(143,436)
(Increase) / decrease in operating assets			
Lending to financial institutions		**(455,455)**	5,331
Advances		**(3,837,817)**	(30,173)
Others assets		**(1,065,548)**	(1,103,195)
		(5,358,820)	(1,128,037)
Increase / (decrease) in operating liabilities			
Bills payable		**171,571**	(21,659)
Borrowings		**35,555,400**	569,726
Deposits and other accounts		**10,818,893**	2,643,573
Other liabilities		**652,940**	1,113,568
		47,198,804	4,305,208
		42,182,051	3,033,735
Income tax paid		**-**	-
Net cash flow from operating activities		**42,182,051**	3,033,735
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in operating fixed assets	11	**(9,006)**	(59,218)
Net investments in available -for- sale securities		**(34,013,770)**	(12,107,291)
Net cash flow from investing activities		**(34,022,776)**	(12,166,509)
CASH FLOW FROM FINANCING ACTIVITES			
Remittance received from head office		**-**	54,509
Net cash flow from financing activities		**-**	54,509
Exchange adjustments on revaluation of capital		**295,097**	259,509
Increase/ (decrease) in cash and cash equivalents		**8,454,372**	(8,818,756)
Cash and cash equivalents at beginning of the year		**(5,474,545)**	3,344,211
Cash and cash equivalents at end of the year	*25*	**2,979,827**	(5,474,545)

The annexed notes 1 to 36 form an integral part of these financial statements.

Xu Keen
Chief Executive Officer

Wang Xin
Head of Finance

Industrial and Commercial Bank of China Limited - Pakistan Branches
Statement of Changes in Equity
For the year ended December 31, 2013

	Note	Head office capital account	Accumulated losses	Total
		-------------------	(Rupees in '000)	-------------------
Balance as at January 01, 2012		3,192,892	(184,338)	3,008,554
Transaction with owners recorded directly in Equity				
Remittances received from head office		54,509	-	54,509
Total Comprehensive income for the year ended December 31, 2012				
Loss for the year ended December 31, 2012		-	(180,307)	(180,307)
Exchange adjustments on revaluation of capital	*18*	259,509	-	259,509
Balance as at December 31, 2012		3,506,910	(364,645)	3,142,265
Total Comprehensive income for the year ended December 31, 2013				
Profit for the year ended December 31, 2013		-	294,405	294,405
Exchange adjustments on revaluation of capital	*18*	295,097	-	295,097
Balance as at December 31, 2013		**3,802,007**	**(70,240)**	**3,731,767**

The annexed notes 1 to 36 form an integral part of these financial statements.

Xu Keen
Chief Executive Officer

Wang Xin
Head of Finance

1. STATUS AND NATURE OF BUSINESS

The Pakistan branches of Industrial and Commercial Bank of China Limited ("the branches") have commenced their operations in Pakistan with effect from August 18, 2011. Industrial and Commercial Bank of China Limited is incorporated in the People's Republic of China.

The Bank presently operates through two branches (December 31, 2012: two branches) and one service centre in Pakistan and is engaged in banking activities permissible under the Banking Companies Ordinance, 1962. The registered office of the Bank is located at Parsa Tower, P.E.C.H.S, Main Shahrah -e-Faisal, Karachi. The credit rating of the Bank is disclosed in note 26 to these financial statements.

2 BASIS OF PRESENTATION

2.1 These financial statements have been prepared in conformity with the format of financial statements prescribed by SBP vide BSD circular No. 04, dated 17 February 2006.

2.2 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible form of trade-related modes of financing includes purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.

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 International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and regulations/ directives issued by the Securities and Exchange Commission of Pakistan (SECP) and SBP. Wherever the requirements of Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or regulations / directives issued by the SECP and the SBP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said regulations/ directives shall prevail.

3.2 The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the Securities and Exchange Commission of Pakistan has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' on banks through its notification S.R.O 411(I)/2008 dated April 28, 2008. 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 prescribed by the State Bank of Pakistan through various circulars.

3.3 New disclosure requirements

Minimum Capital Requirement

In the current year, the State Bank of Pakistan, vide BPRD Circular No. 06 of 2013 dated August 15, 2013 issued Basel III guidelines pertaining to eligible capital and related disclosures. The Bank in accordance with the said guidelines calculated/presented the eligible capital and related disclosures. Credit risk, Market risk and Operational risk were calculated in accordance with the provisions of Basel II as Basel III guidelines for Credit Risk, Market Risk and Operational Risk are expected to be issued in the year 2014. Accordingly, eligible capital and related disclosures of the comparative period were represented for better comparison.

3.4 Standards, interpretations and amendments to Approved Accounting Standards that are 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:

- IFRIC 21- Levies ‘an Interpretation on the accounting for levies imposed by governments’ (effective for annual periods beginning on or after January 01, 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The amendment is not likely to have an impact on the financial statements of the Bank.

- Amendment to IAS 36 “Impairment of Assets” Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after January 01, 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendment is not likely to have an impact on the financial statements of the Bank.

- Amendments to IAS 19 “Employee Benefits” Employee contributions – a practical approach (effective for annual periods beginning on or after July 01, 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. The amendment is not likely to have an impact on the financial statements of the Bank.

- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after July 01, 2014). The new cycle of improvements contain amendments to the following standards:

  - IFRS 2 ‘Share-based Payment’. IFRS 2 has been amended to clarify the definition of ‘vesting condition’ by separately defining ‘performance condition’ and ‘service condition’. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

  - IFRS 3 ‘Business Combinations’. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further, IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition, this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

- Amendments to IAS 16'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

The above amendments are not likely to have an impact on the financial statements of the Bank other than additional disclosures.

4 BASIS OF MEASUREMENT

4.1 Accounting convention

These financial statements have been prepared under the historical cost convention except that available for sale investments are measured at fair value.

4.2 Functional and Presentation Currency

These financial statements are presented in Pakistani Rupees, which is the branches' functional and presentation currency. The amounts are rounded off to the nearest thousand rupees except as stated otherwise.

4.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are 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 periods if the revision affects both current and future periods.

S Significant accounting estimates and areas where judgments were made by the management in the application of accounting policies are as follows:

- classification of investments (note 5.4)
- income taxes (note 5.8)
- depreciation of operating fixed assets (note 5.6)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These have been consistently applied to all years presented, except for the changes mentioned in note 5.1 to these financial statements.

5.1 Change in accounting policy

Presentation of items of other comprehensive income

As a result of the amendments to IAS 1, the Bank has modified the presentation of items of other comprehensive income in its statement of comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be. The adoption of the amendment to IAS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Bank.

5.2 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, balances with treasury banks, balances with other banks in current and deposit accounts and lendings and borrowings having original maturity of three months or less.

5.3 Lendings to / borrowings from financial institutions

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

Sale of securities under repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings. The difference between the sale and contracted repurchase price is accrued on a time proportion basis over the period of the contract and recorded as an expense.

Purchase of securities under resale agreements

Securities purchased under agreement to resell (reverse repo) are not recognised in the financial statements as investments and the amount extended to the counter party is included in lendings. The difference between the purchase and contracted resale price is accrued on a time proportion basis over the period of the contract and recorded as income.

5.4 Investments

5.4.1 Classification

The Bank classifies its investments as follows:

Held for trading

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

Available for sale

These are investments which do not fall under the 'held for trading' and 'held to maturity' categories.

Held to maturity

These are investments with fixed or determinable payments and fixed maturities and the Bank has the positive intent and ability to hold them till maturity.

5.4.2 Regular way contracts

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognised at settlement date, which is the date at which the Bank agrees to settle the purchase or sale of investments.

5.4.3 Initial recognition and measurement

Investments other than those categorized as 'held for trading' are initially recognised at fair value. Transaction costs associated with the investment are included in cost of investments.

5.4.4 Subsequent measurement

In accordance with the requirements of State Bank of Pakistan, quoted securities other than those classified as 'held to maturity' are subsequently remeasured to market value. Surplus / (deficit) arising on revaluation of securities classified as 'held for trading' is taken to profit and loss account and for securities classified as 'Available for sale' is taken to a separate account shown in the statement of financial position below equity. Investments classified as 'Held to maturity' are carried at amortised cost.

5.4.5 Impairment

Provision for diminution in the values of securities is made after considering impairment, if any, in the value. Provision for impairment against debt securities is made as per the aging criteria prescribed by the Prudential Regulations of SBP.

5.5 Loans and advances

Loans and advances are stated net off provisions against non-performing advances. Specific and general provisions are made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time. The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted-off against advances. Advances are written off when there are no realistic prospects of recovery.

5.6 Operating fixed assets

Operating fixed assets except capital work-in-progress are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Depreciation is charged to income by applying the straight-line method using the rates specified in note 11.1 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 reporting date. Depreciation on additions is charged from the date on which the assets are available for use and ceases on the date on which they are disposed off.

Maintenance and normal repairs are charged to income as and when incurred. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

5.7 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under this head. These are transferred to specific assets as and when assets become available for use.

5.8 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to items recognised directly in other comprehensive income or surplus on revaluation of investments in which case it is recognised in other comprehensive income or surplus on revaluation of investments.

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into consideration available tax credit and rebates, if any. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arise from assessments / developments made during the year.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantially enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available and the credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

5.9 Employee benefits

Defined benefit plan

The branches operate an approved funded gratuity scheme covering eligible employees whose period of employment with branches is five years or more. Gratuity is payable to staff on completion of the prescribed qualifying period of service under the scheme.

Defined contribution plan

The branches operate an approved provident fund for all of its local permanent employees in respect of which contributions are made to discharge liability under the respective rules of the schemes.

5.10 Borrowings / deposits and their cost

a) Borrowings / deposits are recorded at the proceeds received.

b) Borrowing costs are recognised as an expense in the period in which these are incurred using effective mark-up / interest rate method to the extent that they are not directly attributable to the acquisition of or construction of qualifying assets. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) are capitalized as part of the cost of that asset.

5.11 Provisions

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

5.12 Acceptances

Acceptances comprise undertakings by the branches to pay bills of exchange drawn on customers. The branches expect most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as off balance sheet transactions and are disclosed as contingent liabilities and commitments.

5.13 Revenue recognition

Advances and investments

Mark-up income on loans and advances and debt securities is recognised on a time proportion basis. Where debt securities are purchased at a premium or discount, those premiums / discounts are amortised through the profit and loss account over the remaining maturity, using the effective yield method.

Fee, commission and brokerage

Fee, commission and brokerage income except income from guarantees are accounted for on receipt basis. Commission on guarantees is recognised on time proportion basis.

Other income is recognised on accrual basis.

5.14 Foreign currency translation

Transactions in foreign currencies are translated into Pakistani rupees at the exchange rates prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into Pakistan Rupees at the exchange rates prevailing at the reporting date.

Forward contracts are valued at forward rates applicable to the respective maturities of the relevant foreign exchange contract.

Exchange gains and losses are included in income.

Commitments for outstanding forward foreign exchange contracts are disclosed at contracted rates.

5.15 Off-setting

Financial assets and financial liabilities are off-set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amount and the branches intend either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

5.16 Segment reporting

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

Business segments

Trading and sales

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

Corporate finance

This represents provision of banking services including treasury and international trade activities to large corporate customers, multinational companies, government and semi government departments and institutions and SMEs treated as corporate under Prudential Regulations.

6 CASH AND BALANCES WITH TREASURY BANKS		**2013**	2012
	Note	**(Rupees in '000)**	
In hand:			
Local currency		**24,164**	6,770
Foreign currencies		**24,964**	42,369
		49,128	49,139
With State Bank of Pakistan in:			
Local currency current account	*6.1*	**408,086**	226,280
Foreign currency current accounts	*6.2*	**34,486**	34,452
Foreign currency deposit accounts	*6.3*	**3,970,527**	3,753,670
		4,462,227	4,063,541

6.1 This includes statutory liquidity reserve maintained with the SBP under Section 22 of the Banking Companies Ordinance, 1962.

6.2 As per BSD Circular No. 9 dated December 3, 2007, cash reserve of 5% is required to be maintained with the State Bank of Pakistan on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).

6.3 This includes special cash reserve of 15% required to be maintained with the State Bank of Pakistan on FE-25 deposits as specified in BSD Circular No. 14 dated June 21, 2008. Profit rates on these deposits are fixed by SBP on a monthly basis. The State Bank of Pakistan has not remunerated these deposit accounts during the year. It also includes capital maintained with SBP in accordance with the requirements of Section 13 of Banking Companies Ordinance 1962 amounting to USD 36.098 million (December 31, 2012: USD 36.098 million).

7 BALANCES WITH OTHER BANKS

	Note	2013	2012
		(Rupees in '000)	
In Pakistan			
On current accounts		**382**	379
Outside Pakistan			
On current accounts		**-**	23,834
On deposit accounts		**163,248**	1,312,158
		163,630	1,336,371

8 LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2013	2012
Call money lendings	*8.1*	**2,500,932**	1,554,395
Repurchase agreement lendings (Reverse repo)	*8.2*	**989,085**	-
		3,490,017	1,554,395

8.1 These represent call lendings to financial institutions and other branches of ICBC at mark-up rates ranging from 0.1% to 10.3% per annum (December 31, 2012: 1.0% to 1.55% per annum) with maturities up to April 2014 (December 31, 2012: June 2013).

8.2 This carries mark-up at 9.50% per annum (2012: NIL) with maturity in January 2014.

8.3 Particulars of lending

	2013	2012
	(Rupees in '000)	
In local currency	**1,889,085**	-
In foreign currencies	**1,600,932**	1,554,395
	3,490,017	1,554,395

8.4 Securities held as collateral against lending to financial institutions

	2013			2012		
	Held by bank	**Further given as collateral**	**Total**	Held by bank	Further given as collateral	Total
	---------------- (Rupees in '000) ----------------			---------------- (Rupees in '000) ----------------		
Market Treasury Bills	**909,288**	**79,797**	**989,085**	-	-	-
	909,288	**79,797**	**989,085**	-	-	-

8.5 The market value of securities held as collateral against lendings to financial institutions as at December 31, 2013 amounts to Rs. 994 million (2012: Nil).

9 INVESTMENTS - NET

9.1 Investments by type

	Note	**December 31, 2013**			December 31, 2012		
		Held by Bank	**Given as Collateral**	**Total**	Held by Bank	Given as Collateral	Total
		------------- (Rupees in '000) -------------			------------- (Rupees in '000) -------------		
Available-for-sale securities							
Market Treasury Bills	*9.1.1*	**47,523,629**	**79,797**	**47,603,426**	13,019,931	569,726	13,589,657
Investments at cost		**47,523,629**	**79,797**	**47,603,426**	13,019,931	569,726	13,589,657
(Deficit) / surplus on revaluation of available for sale securities	*19*	**(55,937)**	**(94)**	**(56,031)**	6,166	270	6,436
Total investments at market value		**47,467,692**	**79,703**	**47,547,395**	13,026,097	569,996	13,596,093

9.1.1 These Market Treasury Bills will mature upto May 2014 (December 31, 2012: upto July 2013) and carry interest at 8.93% to 10.30% per annum (December 31, 2012: from 9.2% to 11.85%).

9.2 Investments by segments

	2013	2012
	(Rupees in '000)	
Federal Government Securities		
Market treasury bills	**47,603,426**	13,589,657
Total investments at cost	**47,603,426**	13,589,657
(Deficit) / surplus on revaluation of available for sale securities	**-56,031**	6,436
Total investments at market value	**47,547,395**	13,596,093

9.3 Quality of available for sale securities

	Market value		**Cost**		
	2013	2012	**2013**	2012	
Market Treasury Bills	**47,547,395**	13,596,093	**47,603,426**	13,433,609	(Unrated-Government Securities)

10 ADVANCES

	Note	2013	2012
		(Rupees in '000)	
Loans, cash credits, running finances, etc.			
In Pakistan		**830,000**	-
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		**3,064,413**	56,596
		3,894,413	56,596

10.1 Particulars of advances

	2013	2012
In local currency	**980,000**	-
In foreign currencies	**2,914,413**	56,596
	3,894,413	56,596
Short-term for upto one year	**3,894,413**	56,596
Long-term for over one year	**-**	-
	3,894,413	56,596

10.2 No advances have been placed under non-performing status (December 31, 2012: Nil).

11 OPERATING FIXED ASSETS

	Note	2013	2012
Property and equipment	*11.1*	**243,293**	316,663
		243,293	316,663

11.1 Property and equipment

2013

	Cost			Accumulated Depreciation			Book value	
	As at January 01, 2013	**Additions**	**As at December 31, 2013**	**As at January 01, 2013**	**Charge for the year**	**As at December 31, 2013**	**As at December 31, 2013**	**Rate of Depreciation**
	(Rupees in '000)							**%**
Leasehold improvements	277,664	4,526	282,190	11,243	55,918	67,161	215,029	20%
Furniture and fixture	14,575	1,805	16,380	3,918	3,057	6,975	9,405	20%
Electrical, office and computer equipment	69,548	2,675	72,223	29,963	23,401	53,364	18,859	33%
	361,787	**9,006**	**370,793**	**45,124**	**82,376**	**127,500**	**243,293**	

2012

	Cost			Accumulated Depreciation			Book value	
	As at January 01, 2012	Additions	As at December 31, 2012	As at January 01, 2012	Charge for the year	As at December 31, 2012	As at December 31, 2012	Rate of Depreciation
	(Rupees in '000)							%
Leasehold improvements	-	277,664	277,664	-	11,243	11,243	266,421	20%
Furniture and fixture	13,739	836	14,575	1,014	2,904	3,918	10,657	20%
Electrical, office and computer equipment	66,124	3,424	69,548	7,239	22,724	29,963	39,585	33%
	79,863	281,924	361,787	8,253	36,871	45,124	316,663	

12 DEFERRED TAX ASSETS

	2013	2012
	(Rupees in '000)	
Deferred debits arising in respect of		
- Unabsorbed tax losses and depreciation	**57,740**	146,040
- Investments - available for sale	**19,611**	(2,253)
	77,351	143,787
Deferred credits arising due to		
- Operating fixed assets	**(23,026)**	(18,415)
	54,325	125,372
Deferred tax asset not recognised	**-**	(125,372)
	54,325	-

12.1 Movement in deferred tax balances

	As at January 01, 2013	Recognised in profit or loss	Recognised in revaluation surplus	As at December 31, 2013
	----------------------------(Rupees in '000)	---------------------		
Operating fixed assets	**-**	**(23,026)**	**-**	**(23,026)**
Investments - available for sale	**-**	**-**	**19,611**	**19,611**
Unabsorbed tax losses	**-**	**57,740**	**-**	**57,740**
	-	**34,714**	**19,611**	**54,325**

13 OTHER ASSETS

	2013	2012
	(Rupees in '000)	
Income / Mark-up accrued in local currency	**20,484**	-
Income / Mark-up accrued in foreign currencies	**17,497**	1,612
Advances, deposits, advance rent and other prepayments	**37,672**	34,146
Unrealized gain on forward foreign exchange contracts	**2,076,914**	1,087,199
Others	**36,938**	1,000
	2,189,505	1,123,957

14 BILLS PAYABLE

In Pakistan	**119,647**	738
Outside Pakistan	**52,662**	-
	172,309	738

15 BORROWINGS

In Pakistan	**79,797**	569,726
Outside Pakistan	**39,948,723**	11,651,655
	40,028,520	12,221,381

15.1 Particulars of borrowings with respect to currencies

In local currency	**79,797**	569,726
In foreign currencies	**39,948,723**	11,651,655
	40,028,520	12,221,381

15.2 Details of borrowings Secured / Unsecured

	Note	2013	2012
		(Rupees in '000)	
Secured			
Repurchase agreement borrowings (Repo)	*15.3*	**79,797**	569,726
Unsecured			
Call borrowings	*15.4*	**39,948,723**	11,651,655

15.3 This represents repurchase agreement borrowings from other banks at the rate of 10% per annum (2012: 7% to 11.9% per annum) maturing by January 2014 (2012: April 2013).

15.4 This represents borrowings from financial institutions and other ICBC branches at mark-up rates ranging from 0.55% to 1.1% per annum (2012: 0.1% to 11.90%) maturing by May 2014 (2012: March 2013).

16 DEPOSITS AND OTHER ACCOUNTS

	Note	2013	2012
		(Rupees in '000)	
Customers			
Fixed deposits		**11,260,149**	2,937,759
Savings deposits		**1,090,885**	357,053
Current accounts - Non-remunerative		**2,625,997**	872,832
		14,977,031	4,167,644
Financial institutions			
Non-remunerative deposits		**9,506**	-
		14,986,537	4,167,644

16.1 Particulars of deposits

	2013	2012
In local currency	**8,469,614**	3,111,010
In foreign currencies	**6,516,923**	1,056,634
	14,986,537	4,167,644

17 OTHER LIABILITIES

	Note	2013	2012
Mark-up / Return / Interest payable in local currency		**152,624**	25,894
Mark-up / Return / Interest payable in foreign currencies		**98,014**	2,743
Staff performance bonus payable		**95,849**	48,957
Payable to head office	*17.1*	**1,464,223**	1,350,575
Unrealized loss on forward foreign exchange contracts		**985,076**	964,873
Commission received in advance against unfunded exposure		**305,754**	-
Payable to employee benefit plans		**907**	1,090
Provision for WWF		**5,300**	-
Others		**54,345**	115,020
		3,162,092	2,509,152

17.1 This represents interest free advance of USD 13.9 million (December 31, 2012: USD 13.9 million) provided by the head office for the purpose of initial set up of branches' operations. The terms of repayment have not yet been agreed.

18 HEAD OFFICE CAPITAL ACCOUNT

	2013	2012
	(Rupees in '000)	
Capital held as interest free deposit in approved foreign exchange USD 36.098 million (2012: USD 36.098 million)		
Balance at beginning of the year	**3,506,910**	3,247,401
Revaluation advised by the State Bank of Pakistan during the year	**295,097**	259,509
	3,802,007	3,506,910

19 (DEFICIT) / SURPLUS ON REVALUATION OF INVESTMENTS - AVAILABLE FOR SALE

	2013	2012
(Deficit)/ Surplus on revaluation of Government securities	**(56,031)**	6,436
Related deferred tax asset	**19,611**	-
	(36,420)	6,436

20 CONTINGENCIES AND COMMITMENTS

20.1 Transaction related contingent liabilities

	2013	2012
Government	**20,514,530**	8,756,228
Others	**20,313,722**	7,387,444
	40,828,252	16,143,672

20.2 Trade related contingent liabilities

	2013	2012
Letters of credit	**162,078**	26,945

20.3 Commitments in respect of forward foreign and local exchange contracts

	2013	2012
Purchase	**128,520,658**	55,170,660
Sale	**127,786,139**	45,939,105

20.4 Commitments in respect of repo transactions

	2013	2012
Repurchase	**79,797**	569,726
Resale	**989,085**	-

20.5 Commitments to extend credit - syndicated loan

	2013	2012
Commitments to extend credit - syndicated loan	**500,000**	-

21 MARK-UP/ RETURN/ INTEREST EARNED

	2013	2012
Loans and advances	**113,777**	3,082
Investments in available for sale securities	**3,360,473**	661,684
Deposits with financial institutions	**8,481**	-
Securities purchased under resale agreements	**102,988**	-
Call money lendings	**114,852**	107,035
	3,700,571	771,801

22 MARK-UP/ RETURN/ INTEREST EXPENSED

	Note	2013	2012
		(Rupees in '000)	
Deposits		**492,541**	650,054
Securities sold under repurchase agreements		**24,209**	-
Other short term borrowings		**222,242**	32,750
		738,992	682,804

23 ADMINISTRATIVE EXPENSES

	Note	2013	2012
Salaries, allowances, etc.		**397,156**	271,268
Charge for defined benefit plan	*23.1 & 29*	**459**	-
Contribution to defined contribution plan	*23.1 & 29*	**440**	-
Charge for Workers' Welfare Fund		**5,300**	-
Rent, taxes, insurance, electricity, etc.		**82,751**	48,171
Legal and professional charges		**3,488**	354
Communications		**16,874**	17,106
Stationery and printing		**3,020**	779
Advertisement and publicity		**3,439**	5,391
Depreciation	*11.1*	**82,376**	36,871
Travelling and entertainment		**47,987**	17,178
Auditors' remuneration	*23.2*	**952**	590
Others		**17,291**	13,091
		661,533	410,799

23.1 During the year, the Bank has registered an approved defined benefit and defined contribution plan. The Bank was previously operating an unapproved contribution plan which was discontinued and the contribution pertaining to it was paid to the employees.

23.2 Auditors' remuneration

	2013	2012
	(Rupees in '000)	
Audit fee	**952**	590

24 TAXATION

	2013	2012
For the year		
- Current	**-**	-
- Deferred	**(34,714)**	-
	(34,714)	-

24.1 Relationship between tax expense and accounting profit

	2013	2012
Profit before taxation	**259,691**	(180,307)
Tax at the applicable rate of 35% (2012: 35%)	**90,892**	(63,107)
Effect of:		
- Recognition of previously unrecognised deferred tax assets	**(125,372)**	-
- Unrecognised deferred tax asset	**-**	63,107
- Others	**(234)**	-
Tax expense for the year	**(34,714)**	-

25 CASH AND CASH EQUIVALENTS

	2013	2012
Cash and balances with treasury banks	**4,462,227**	4,063,541
Balance with other banks	**163,630**	1,336,371
Short term lending	**2,257,364**	777,198
Short term borrowings	**(3,903,394)**	(11,651,655)
	2,979,827	(5,474,545)

26 CREDIT RATING

Moody's Investor Services Inc. has assigned a long term credit rating of A1 and a short term credit rating of P-1 to the head office of the Bank.

27 STAFF STRENGTH

	2013	2012
	(Number of employees)	
Permanent	**47**	33
Temporary/on contractual basis	**6**	6
Bank's own staff strength at the end of the year	**53**	39
Outsourced	**2**	1
Total Staff Strength	**55**	40

28 EMPLOYEES RETIREMENT BENEFITS

The branches operate an approved gratuity fund registered in October 2013 w.e.f July 2013 for all its local permanent employees.
During the year, the Bank has contributed an amount of Rs. 459,151 (2012: Nil) to the fund which has been charged to profit and loss account.

Gratuity is payable to the staff on completion of the prescribed qualifying period under the scheme.

The Bank contributed an amount of Rs. 760,800 against an unrecognised Provident Fund upto 30 June 2013 which was returned to the employees and further, Rs. 440,044 were contributed during the year.

29 COMPENSATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive		Executives	
	2013	2012	2013	2012
	(Rupees in '000)		(Rupees in '000)	
Managerial remuneration	**39,384**	27,926	**307,894**	188,901
Charge for defined benefit plan	**-**	-	**100**	-
Contribution to defined contribution plan	**-**	-	**240**	210
Rent and house maintenance	**-**	-	**872**	822
Utilities	**-**	-	**360**	300
Medical	**-**	-	**240**	210
Conveyance	**-**	-	**984**	984
Others	**-**	-	**424**	425
	39,384	27,926	**311,114**	191,852
Number of persons	**1**	1	**23**	18

29.1 The chief executive and certain executives have been provided with free use of branches' rented and maintained cars in accordance with the terms of their employment and are also entitled to branches' rented and maintained accommodation and medical benefits. In addition, the chief executive and certain executives are also provided with drivers, security arrangements and payment of travel bills in accordance with their terms of employment.

30 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The fair value of government securities is based on market prices available from reuters and is disclosed in the relevant note 9.

The re-pricing profile, effective rates and maturity are stated in note 34 to these financial statements.

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

31 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	2013			
	Corporate Finance	**Trading & Sales**	**Others**	**Total**
	(Rupees in '000)			
Total income	**255,672**	**2,848,151**	**-**	**3,103,823**
Total expenses	**(90,335)**	**(2,671,421)**	**(82,376)**	**(2,844,132)**
Net income	**165,337**	**176,730**	**(82,376)**	**259,691**
Segment assets	**3,894,413**	**55,663,269**	**2,487,123**	**62,044,805**
Segment liabilities	**3,597,376**	**51,417,681**	**3,334,401**	**58,349,458**
Segment return on assets (ROA) (%)	**6.57%**	**5.12%**	**0.00%**	
Segment cost of funds (%)	**2.51%**	**5.20%**	**2.47%**	

	2012			
	Corporate Finance	Trading & Sales	Others	Total
Total income	3,082	910,214	-	913,296
Total expenses	(3,566)	(1,053,166)	(36,871)	(1,093,603)
Net income	(484)	(142,952)	(36,871)	(180,307)
Segment assets (Gross)	56,596	20,550,400	1,440,620	22,047,616
Segment liabilities	45,012	16,344,013	2,509,890	18,898,915
Segment return on assets (ROA) (%)	5.45%	4.43%	0.00%	
Segment cost of funds (%)	7.92%	6.44%	1.47%	

32 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and includes head office, other branches of the Bank and Key Management personnel and staff retirement benefit funds. The transactions with related parties are conducted under normal course of business 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. Pakistan branches of the Bank also provide advances to employees in accordance with their terms of employment.

Details of the transactions with related parties during the year and balances with them as at year end are as follows:

		December 31,2013				
	Note	**Staff retirement Benefits**	**Key Management Personnel**	**Other ICBC branches**	**Head Office**	**Total**
		(Rupees in '000)				
Balance Sheet						
Balances with other banks		**-**	**-**	**797**	**162,451**	**163,248**
Lendings to financial institutions		**-**	**-**	**1,600,932**	**-**	**1,600,932**
Borrowings		**-**	**-**	**5,930,089**	**34,018,634**	**39,948,723**
Other liabilities		**899**	**373**	**-**	**1,464,223**	**1,465,495**
Profit and Loss						
Interest / other income		**-**	**-**	**52,021**	**2,099**	**54,120**
Interest / other expense	*32.1*	**899**	**350,498**	**16,567**	**204,682**	**572,646**

		December 31, 2012			
		Key Management Personnel	Other ICBC branches	Head Office	Total
		(Rupees in '000)			
Balance Sheet					
Balances with other banks		-	1,312,158	23,834	1,335,992
Lendings to financial institutions		-	11,651,655	-	11,651,655
Borrowings		35,548	23,131	-	58,679
Other liabilities		97	-	1,350,575	1,350,672
Profit and Loss					
Interest / other income		-	743	-	743
Interest / other expense	*32.1*	219,778	1,762	-	221,540

32.1 Key Management Personnel

	2013	2012
	(Rupees in '000)	
Managerial remuneration (including allowances)	**349,918**	219,358
Contribution to provident and benevolent fund	**340**	210
Medical	**240**	210
	350,498	219,778
Number of persons	**24**	19

33 Capital Adequacy Ratio (CAR) as at 31 December 2013

Rows #	CAPITAL STRUCTURE	Note	2013	Amounts subject to Pre - Basel III treatment*	2012**
			----------------------- (Rupees in '000) -----------------------		
	Common Equity Tier 1 capital (CET1): Instruments and reserves				
1	Capital deposited with SBP		3,802,007		3,506,910
2	Balance in Share Premium Account				
3	Reserve for issue of Bonus Shares				
4	General/ Statutory Reserves				
5	Gain/(Losses) on derivatives held as Cash Flow Hedge				
6	Accumulated losses		(70,240)		(364,645)
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**		**3,731,767**		**3,142,265**
	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)				
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)		-	54,325	-
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 AFS		36,420		
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)				
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				
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)		36,420		-
	Common Equity Tier 1	(a)	**3,695,347**		**3,142,265**
	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 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)		-		-
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 recognised for capital adequacy**	(b)	-		-
	Tier 1 Capital (CET1 + admissible AT1)	(c=a+b)	**3,695,347**		**3,142,265**
	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		-		2,896
53	of which: Revaluation reserves on Property		-		-
54	of which: Unrealized Gains/Losses on AFS		-		2,896
55	Foreign Exchange Translation Reserves		-		-
56	Undisclosed/Other Reserves (if any)		-		-
57	**T2 before regulatory adjustments**		-		-
	Tier 2 Capital: regulatory adjustments		**-**		**2,896**
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)		-		-

	CAPITAL STRUCTURE	Note	2013	Amounts subject to Pre - Basel III treatment*	2012**
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 recognised for capital adequacy		-		-
66	Excess Additional Tier 1 capital recognised in Tier 2 capital		-		-
67	Total Tier 2 capital admissible for capital adequacy	(d)	-		-
	TOTAL CAPITAL (T1 + admissible T2)	(e=c+d)	**3,695,347**		3,145,161
	Total Risk Weighted Assets	(i=f+g+h)	**17,059,844**		4,432,835
68	Total Credit Risk Weighted Assets	(f)	14,041,906		3,841,469
69	Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment				
70	of which: recognised 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				
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)	2,291,560		349,308
75	Total Operational Risk Weighted Assets	(h)	726,378		242,058
	Capital Ratios and buffers (in percentage of risk weighted assets)				
76	CET1 to total RWA	(a/i)	21.66%		70.89%
77	Tier-1 capital to total RWA	(c/i)	21.66%		70.89%
78	Total capital to RWA	(e/i)	21.66%		70.95%
79	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)				
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)				
	National minimum capital requirements prescribed by SBP				
84	CET1 minimum ratio		5.0%		5.0%
85	Tier 1 minimum ratio		6.5%		6.5%
86	Total capital minimum ratio		10.0%		10.0%
	Amounts below the thresholds for deduction (before risk weighting)				
87	Non-significant investments in the capital of other financial entities				
88	Significant investments in the common stock of financial entities				
89	Deferred tax assets arising from temporary differences (net of related tax liability)				
	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				

* The amount represents regulatory deductions that are still subject to pre- Basel III treatment during the transitional period.

** 2012 amounts are based on Basel II framework.

33.1 Risk-Weighted Exposures

	2013		2012	
	Book Value of Risk Weighted assets	**Risk Adjusted Value**	**Book Value of Risk Weighted assets**	**Risk Adjusted Value**
	---------- (Rupees in '000) ----------			
Credit Risk				
Balance Sheet Items:-				
Cash and other liquid Assets	6,725,591	504,898	6,177,109	422,713
Money at call	1,390,283	278,057	777,198	155,440
Investments	47,547,395	-	13,596,093	-
Loans and Advances	3,894,413	2,141,065	56,596	11,319
Fixed Assets	243,293	243,293	316,663	316,663
Other Assets	166,916	148,856	1,123,957	1,123,957
	59,967,891	**3,316,169**	**22,047,616**	**2,030,092**
Off Balance Sheet items				
Loan Repayment Guarantees	40,828,251	9,269,224	16,143,672	1,614,367
Stand By Letters of Credit	162,078	21,450	26,945	1,081
Outstanding Foreign Exchange Contracts				
-Purchase	128,520,658	796,132	55,170,660	104,051
-Sale	127,786,139	638,931	45,939,105	91,878
	297,297,126	**10,725,737**	**117,280,382**	1,811,377
Credit risk-weighted exposures		**14,041,906**		**3,841,469**
Market Risk				
General market risk		2,291,560		349,308
Specific market Risk		-		-
Market risk-weighted exposures		**2,291,560**		**349,308**
Operational Risk		**726,378**		**242,058**
Total Risk-Weighted Exposures		**17,059,844**		**4,432,835**

33.2 Capital Structure Reconciliation

Table: 33.2.1	Balance sheet as in published financial statements 2013	Under regulatory scope of consolidation 2013
	(Rupees in '000)	
Assets		
Cash and balances with treasury banks	4,462,227	4,462,227
Balanced with other banks	163,630	163,630
Lending to financial institutions	3,490,017	3,490,017
Investments	47,547,395	47,547,395
Advances	3,894,413	3,894,413
Operating fixed assets	243,293	243,293
Deferred tax assets	54,325	54,325
Other assets	2,189,505	2,189,505
Total assets	62,044,805	62,044,805
Liabilities & Equity		
Bills payable	172,309	172,309
Borrowings	40,028,520	40,028,520
Deposits and other accounts	14,986,537	14,986,537
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	3,162,092	3,162,092
Total liabilities	58,349,458	58,349,458
Head office capital account	3,802,007	3,802,007
Reserves	-	-
Accumulated losses	(70,240)	(70,240)
Surplus on revaluation of assets	(36,420)	(36,420)
Total liabilities & equity	3,695,347	3,695,347

Table: 33.2.2	Balance sheet as in published financial statements 2013	Under regulatory scope of consolidation 2013	Reference
	(Rupees in '000)		
Assets			
Cash and balances with treasury banks	4,462,227	4,462,227	
Balanced with other banks	163,630	163,630	
Lending to financial institutions	3,490,017	3,490,017	
Investments	47,547,395	47,547,395	
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	-	-	a
of which: significant capital investments in financial sector entities exceeding regulatory threshold	-	-	b
of which: Mutual Funds exceeding regulatory threshold	-	-	c
of which: reciprocal crossholding of capital instrument	-	-	d
of which: others (mention details)	-	-	e
Advances	3,894,413	3,894,413	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital	-	-	g
Fixed Assets	243,293	243,293	
Deferred Tax Assets	54,325	54,325	
of which: DTAs excluding those arising from temporary differences	-	-	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Other assets	2,189,505	2,189,505	
of which: Goodwill	-	-	j
of which: Intangibles	-	-	k
of which: Defined-benefit pension fund net assets	-	-	l
Total assets	62,044,805	62,044,805	

Table: 33.2.2

	Balance sheet as in published financial statements 2013	Under regulatory scope of consolidation 2013	Reference
	(Rupees in '000)		
Liabilities & Equity			
Bills payable	172,309	172,309	
Borrowings	40,028,520	40,028,520	
Deposits and other accounts	14,986,537	14,986,537	
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	3,162,092	3,162,092	
Total liabilities	58,349,458	58,349,458	
Share capital	3,802,007	3,802,007	
of which: amount eligible for CET1	3,802,007	3,802,007	s
of which: amount eligible for AT1	-	-	t
Reserves	-	-	
of which: portion eligible for inclusion in CET1(provide breakup)	-	-	u
of which: portion eligible for inclusion in Tier 2	-	-	v
Unappropriated profit/ (losses)	(70,240)	(70,240)	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	(36,420)	(36,420)	
of which: Revaluation reserves on Property	-	-	aa
of which: Unrealized Gains/Losses on AFS	(36,420)	(36,420)	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total liabilities & Equity	3,695,347	3,695,347	

Table: 33.2.3

		Component of regulatory capital reported by Bank	Source based on reference number from step 2
		('Rupees in '000)	
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Capital deposited with SBP	3,802,007	
2	Balance in Share Premium Account	-	(s)
3	Reserve for issue of Bonus Shares	-	
4	General/ Statutory Reserves	-	(u)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6	Accumulated losses	(70,240)	(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**	3,731,767	
	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)	-	(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)} * x%
14	Reciprocal cross holdings in CET1 capital instruments	-	(d)
15	Cash flow hedge reserve	-	
16	Investment in own shares/ CET1 instruments	-	
17	Securitization gain on sale	-	
18	Capital shortfall of regulated subsidiaries	-	
19	Deficit on account of revaluation from bank's holdings of property/ AFS	36,420	(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	-	

	Table: 33.2.3	Component of regulatory capital reported by Bank	Source based on reference number from step 2
		('Rupees in '000)	
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	-	
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)	36,420	
	Common Equity Tier 1	3,695,347	
	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 recognised for capital adequacy**	-	
	Tier 1 Capital (CET1 + admissible AT1)	3,695,347	
	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)	-	(n)
49	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(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	-	
53	of which: portion pertaining to Property	-	portion of (aa)
54	of which: portion pertaining to AFS securities	-	
55	Foreign Exchange Translation Reserves	-	(v)
56	Undisclosed/Other Reserves (if any)	-	
57	**T2 before regulatory adjustments**	-	
	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 recognised for capital adequacy	-	
66	Excess Additional Tier 1 capital recognised in Tier 2 capital	-	
67	Total Tier 2 capital admissible for capital adequacy	-	
	TOTAL CAPITAL (T1 + admissible T2)	3,695,347	

33.3 Main Features Template of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments

	Main Features	**Common Shares**
1	Issuer	NA
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	NA
3	Governing law(s) of the instrument	NA
	Regulatory treatment	NA
4	Transitional Basel III rules	NA
5	Post-transitional Basel III rules	NA
6	Eligible at solo/ group/ group&solo	NA
7	Instrument type	NA
8	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)	NA
9	Par value of instrument	NA
10	Accounting classification	NA
11	Original date of issuance	NA
12	Perpetual or dated	NA
13	Original maturity date	NA
14	Issuer call subject to prior supervisory approval	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons / dividends	NA
17	Fixed or floating dividend/ coupon	NA
18	coupon rate and any related index/ benchmark	NA
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially discretionary or mandatory	NA
21	Existence of step up or other incentive to redeem	NA
22	Noncumulative or cumulative	NA
23	Convertible or non-convertible	NA
24	If convertible, conversion trigger (s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	NA
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument	NA
36	Non-compliant transitioned features	NA
37	If yes, specify non-compliant features	NA

33.4 CAPITAL-ASSESSMENT AND ADEQUACY BASEL III SPECIFIC

33.4.1 Scope of Applications

According to BSD Circular No. 7 dated April 15, 2009 of SBP, the branches of foreign banks operating with 1 to 5 branches are required to raise their assigned capital (free of losses) to Rs.3 billion latest by December 31, 2013 subject to the condition that their head offices have paid-up capital (free of losses) amounting to at least USD 300 million and have a Capital Adequacy Ratio (CAR) of at least 8% or minimum prescribed by their home regulators, whichever is higher. Further, the SBP requires that banks in Pakistan should maintain regulatory capital for credit, market, and operational risks, the amount of which should at least be equal to 10% of their risk weighted assets.

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

Risk Type	**Approach**
Credit	Standardised approach
Market	Standardised approach
Operational	Basic Indicator approach

Total regulatory capital should be at least 10 % of risk-weighted assets and the Bank's capital adequacy ratio is 21.90%.

	Capital Requirements		**Risk Weighted Assets**	
	2013	2012	**2013**	2012
	----------------------- **(Rupees in '000)** -----------------------			
Credit Risk				
Portfolios subject to standardized approach (Simple or Comprehensive)				
Banks	**29,439**	5,895	**2,943,921**	589,473
All other assets	**3,722**	14,406	**372,228**	1,440,621
Off balance sheet - non-market related exposure	**92,907**	16,154	**9,290,694**	1,615,447
Off balance sheet - market related exposure	**14,351**	1,959	**1,435,063**	195,929
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Foreign exchange risk	**22,916**	3,493	**2,291,560**	349,308
Operational Risk				
Capital Requirement for operational risks	**7,264**	2,421	**726,378**	242,057
TOTAL	**170,598**	44,328	**17,059,844**	**4,432,835**

Capital Adequacy Ratio		**2013**	2012
		(Rupees in '000)	
Total eligible regulatory capital held (Note: 33)	(e)	**3,695,347**	3,145,161
Total Risk Weighted Assets (Note: 33.1)	(i)	**17,059,844**	4,432,835
Capital Adequacy Ratio (e) / (i)		**21.66%**	70.95%

34 RISK MANAGEMENT

The primary objective of the Risk Management System is to safeguard the branches capital, its financial resources and profitability from various risks. The branches risk management policies are designed to identify and analyse all risks, to set appropriate risk limits and controls, to measure and monitor the same through reliable Management Information System.

This section presents information about the branches exposure to, and its management and control of, risks, in particular the primary risks associated with its use of financial instruments. Most of the functions specified below have been performed at head office level.

34.1 Credit risk

Credit Risk Management processes encompass identification, assessment, measurement, monitoring and control of the credit exposures. In the Bank's experience, a key to effective credit risk management is a well thought out business strategy. The branches focus over the coming years will be to further enhance risk models, processes and systems infrastructure, in line with its ambition to bring maximum sophistication to the risk management function.

The branches, as per State Bank of Pakistan Guidelines, calculated its Capital Adequacy Ratio (CAR) based on the SBP Guidelines on Basel III. Processes have been set for fine-tuning the systems & procedures, information technology capabilities and risk governance structure to meet the requirements of the advanced approaches as well.

The Head Office has delegated responsibility for the management of credit risk to the credit committee which is responsible for the oversight of the branches' credit risk in respect of:
- Formulating credit policies
- Establishing the authorisation structure
- Reviewing and assessing credit risk
- Limiting concentration of exposure to counterparties
- Developing and maintaining the Bank's risk grading
- Reviewing compliance of business units
- Providing advice, guidance and specialist skills to promote best practice in the management of credit risk.

The branches have built-up and maintained a sound loan portfolio in terms of well-defined Credit Policy. Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for the purpose of emphasizing prudence in lending activities and ensuring the high quality of asset portfolio. As part of prudent practices, the management conducts pre-fact validation of major cases from integrated risk point of view. The Bank manages its portfolio of loan assets with a view to limit concentrations in terms of risk quality, geography, industry, maturity and large exposure.

34.1.1 Credit Risk - General Disclosures Basel II Specific

The branches are using The Standardised Approach (TSA) of SBP Basel II accord for the purpose of estimating Credit Risk Weighted Assets. Under TSA, banks are allowed to take into consideration external rating(s) of counter-party(s) for the purpose of calculating Risk Weighted Assets.

34.1.2 Disclosures for portfolio subject to the Standardised Approach & Supervisory risk weights in the IRB Approach-Basel II specific

34.1.2.1 External ratings

SBP Basel II guidelines require banks to use ratings assigned by specified External Credit Assessment Agencies (ECAIs) namely PACRA, JCR-VIS, Moodys, Fitch and Standard & Poors.

The branches use external ratings for the purposes of computing the risk weights as per the Basel II framework. For exposures with a contractual maturity of less than or equal to one year, short-term rating given by approved Rating Agencies is used, whereas for long-term exposure with maturity of greater than one year, long-term rating is used.

Where there are two ratings available, the lower rating is considered and where there are three or more ratings the second - lowest rating is considered.

34.1.3 Disclosures with respect to Credit Risk Mitigation for Standardised and IRB approaches-Basel II specific

34.1.3.1 Credit risk mitigation policy

The branches define collateral as the assets or rights provided to the Bank by the borrower or a third party in order to secure a credit facility. The branches would have the rights of secured creditor in respect of the assets / contracts offered as security for the obligations of the borrower / obligor.

34.1.3.2 Collateral valuation and management

As stipulated in the SBP Basel II guidelines, the branches use the comprehensive approach for collateral valuation. Under this approach, the Bank reduces its credit exposure to a counterparty when calculating its capital requirements to the extent of risk mitigation provided by the eligible financial collateral as specified in the Basel II guidelines. In line with Basel II guidelines, the branches make adjustments in eligible collaterals received for possible future fluctuations in the value of the collateral in line with the requirements specified by SBP guidelines. These adjustments, also referred to as ‘haircuts’, to produce volatility-adjusted amounts for collateral, are reduced from the exposure to compute the capital charge based on the applicable risk weights.

34.1.3.3 Types of collateral taken by the branches

The branches determine the appropriate collateral for each facility based on the type of product and counterparty. In case of corporate and small and medium enterprises financing, fixed assets are generally taken as security for long tenor loans and current assets for working capital finance usually backed by mortgage or hypothecation. For project finance, security of the assets of the borrower and assignment of the underlying project contracts is generally obtained. Additional security such as pledge of shares, cash collateral, TDRs, SSC/DSCs, charge on receivables may also be taken. Moreover, in order to cover the entire exposure Personal Guarantees of Directors / Borrowers are also obtained by the Bank.

The decision on the type and quantum of collateral for each transaction is taken by the credit approving authority as per the approved credit approval authorisation. For facilities provided as per approved product policies, collateral is taken in line with the policy.

34.1.3.4 Types of eligible financial collateral

For credit risk mitigation purposes, the branches consider all types of financial collaterals that are eligible under SBP Basel II accord. This includes Cash / TDRs, Gold, securities issued by Government of Pakistan such as T-Bills and PIBs, National Savings Certificates, certain debt securities rated by a recognised credit rating agency, mutual fund units where daily Net Asset Value (NAV) is available in public domain and guarantees from certain specified entities. In general, for Capital calculation purposes, in line with the SBP Basel II requirements, the Bank recognises only eligible collaterals as mentioned in the SBP Basel II accord.

34.1.3.5 Credit concentration risk

Credit concentration risk arises mainly due to concentration of exposures under various categories viz. industry, geography, and single/group borrower. Within credit portfolio, as a prudential measure aimed at better risk management and avoidance of concentration of risks, the SBP has prescribed regulatory limits on banks’ maximum exposure to single borrower and group borrowers.

34.2 Segments by class of business

	2013					
	Advances		**Deposits**		***Contingencies and Commitments**	
	(Rupees in '000)	**Percent**	**(Rupees in '000)**	**Percent**	**(Rupees in '000)**	**Percent**
Mining and Quarrying	**-**	**-**	**69,313**	**0.46**	**-**	**-**
Textile	**387,716**	**9.96**	**24,751**	**0.17**	**-**	**-**
Electronics and electrical appliances	**923,191**	**23.70**	**113,071**	**0.75**	**10,127,525**	**24.71**
Construction	**-**	**-**	**1,450,915**	**9.68**	**10,946,649**	**26.71**
Comunication	**-**	**-**	**3,851,194**	**25.70**	**2,653,025**	**6.47**
Power (electricity), Gas, Water, Sanitary	**2,000,000**	**51.36**	**6,839,806**	**45.64**	**-**	**-**
Wholesale and Retail Trade	**539,171**	**13.84**	**156,145**	**1.04**	**-**	**-**
Exports/Imports	**-**	**-**	**-**	**-**	**10,485,948**	**25.58**
Transport, Storage and Communication	**-**	**-**	**100,690**	**0.67**	**-**	**-**
Financial	**-**	**-**	**-**	**-**	**5,266**	**0.01**
Individuals	**-**	**-**	**179,608**	**1.20**	**-**	**-**
Others	**44,335**	**1.14**	**2,201,044**	**14.69**	**6,771,917**	**16.52**
	3,894,413	**100**	**14,986,537**	**100**	**40,990,330**	**100**

	2012					
	Advances		Deposits		*Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Mining and Quarrying	42,606	75.28	27,070	0.65	-	-
Construction	-	-	510,248	12.24	707,770	4.38
Power (electricity), Gas, Water, Sanitary	-	-	207,861	4.99	170,000	1.06
Wholesale and Retail Trade	-	-	690,620	16.57	-	-
Transport, Storage and Communication	-	-	14,647	0.35	-	-
Services	-	-	874,372	20.98	5,564,579	34.47
Individuals	-	-	167,595	4.02	-	-
Others	13,990	24.72	1,675,231	40.20	9,701,323	60.09
	56,596	100	4,167,644	100	16,143,672	100

* Contingent liabilities for the purpose of this note are presented at cost and include transaction and trade related contingent liabilities.

34.3 Segment by sector

	2013					
	Advances		**Deposits**		***Contingencies and Commitments**	
	(Rupees in '000)	**Percent**	**(Rupees in '000)**	**Percent**	**(Rupees in '000)**	**Percent**
Public/ Government	**2,000,000**	**51.4**	-	-	-	-
Private	**1,894,413**	**48.6**	**14,986,537**	**100**	**40,990,330**	**100**
	3,894,413	**100**	**14,986,537**	**100**	**40,990,330**	**100**

	2012					
	Advances		Deposits		*Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public/ Government	-	-	-	-	8,756,228	54.24
Private	56,596	100	4,167,644	100	7,387,444	45.76
	56,596	100	4,167,644	100	16,143,672	100

34.4 GEOGRAPHICAL SEGMENT ANALYSIS

	2013			
	(Loss) / Profit before taxation	**Total assets employed**	**Net assets employed**	***Contingencies and commitments**
	---------------------------- (Rupees in '000) ------------------------			
Pakistan	**259,691**	**62,044,805**	**3,695,347**	**42,990,330**

	2012			
	(Loss) / Profit before taxation	Total assets employed	Net assets employed	*Contingencies and commitments
	---------------------------- (Rupees in '000) ------------------------			
Pakistan	(180,307)	3,279,813	3,148,701	16,143,672

34.5 Market risk

Market risk is the risk of loss arising from movement in market variables including observable variables such as interest rates, exchange rates and equity indices, and others which may be only indirectly observable such as volatilities and correlations. The branches' policy is that all market risk taking activity is undertaken within approved market risk limits, and that the branches' standards/ guiding principles are upheld at all times.

Market Risk Management is an independent control function with clear segregation of duty and reporting line with the business-line. Its main responsibility is to ensure that the risk-taking units manage the Bank's market risk exposure within a robust market risk framework and within the Bank's risk appetite. The Bank's standard systems are used to furnish senior trading and Market Risk staff with risk exposures. All trading activities and any business proposal that commit or may commit the Bank (legally or morally) to deliver risk sensitive products require approval by independent authorised risk professionals or committees, prior to commitment.

34.6 Foreign exchange risk

Foreign exchange risk arises from the fluctuation in the value of financial instruments consequent to the changes in foreign exchange rates. The Bank manages this risk by setting and monitoring dealer, currency and counter-party limits for on and off-balance sheet financial instruments.

FX risk is mainly managed through matched positions. Unmatched positions are covered substantially through derivative instruments such as Forwards and Swaps.

The currency risk is regulated and monitored against the regulatory/statutory limits enforced by the State Bank of Pakistan. The foreign exchange exposure limits in respective currencies are managed against the prescribed limits.

The analysis below represents the concentration of the Bank's foreign currency risk for on and off balance sheet financial instruments:

	2013			
	Assets	**Liabilities**	**Off-balance sheet items**	**Net foreign currency exposure**
	(Rupees in '000)			
Pakistan Rupee	**55,309,947**	**6,464,450**	**(44,545,669)**	**4,299,828**
United States Dollar	**5,323,231**	**17,299,162**	**11,127,305**	**(848,626)**
Great Britain Pound	**68**	**-**	**-**	**68**
Japanese Yen	**17**	**-**	**-**	**17**
Euro	**2,707**	**34,108,630**	**34,018,634**	**(87,289)**
Chinese Yuan	**1,408,835**	**477,216**	**(600,270)**	**331,349**
Total foreign currency exposure	**6,734,858**	**51,885,008**	**44,545,669**	**(604,481)**
Total currency exposure	**62,044,805**	**58,349,458**	**-**	**3,695,347**

	2012			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan Rupee	14,678,497	6,208,848	(9,523,080)	8,469,649
United States Dollar	7,360,896	1,968,651	(1,247,503)	5,392,245
Great Britain Pound	-	-	-	-
Japanese Yen	-	-	-	-
Euro	60	10,254,344	10,623,560	(10,254,284)
Chinese Yuan	8,163	467,072	147,023	(458,909)
Total foreign currency exposure	7,369,119	12,690,067	9,523,080	(5,320,948)
Total currency exposure	22,047,616	18,898,915	-	3,148,701

34.7 Interest rate risk

34.7.1 The interest rate risk arises from the fluctuation in the value of financial instruments consequent to changes in market interest rates. The branches are exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or are re-priced in a given period. In order to ensure that this risk is managed within acceptable limits, branches' Asset and Liability Management Committee (ALCO) monitors various gap limits and re-pricing of the assets and liabilities on a regular basis.

34.7.2 Mismatch of interest rate sensitive financial assets and financial liabilities

	Effective Yield / Interest rate	Total	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-interest bearing financial instruments
			2013									
			Exposed to yield Interest Risk									
On-balance sheet financial instruments	%											
Assets												
Cash and balances with treasury banks	-	4,462,227	-	-	-	-	-	-	-	-	-	4,462,227
Balances with other banks	0-0.47	163,630	163,630	-	-	-	-	-	-	-	-	
Lendings to financial institutions	0.1-10.3	3,490,017	2,559,241	687,209	243,567	-	-	-	-	-	-	
Investments - net	8.93-10.3	47,547,395	25,101,430	5,382,069	17,063,896	-	-	-	-	-	-	
Advances - net	1.74-12.08	3,894,413	156,430	2,674,111	233,872	830,000	-	-	-	-	-	
Other assets	-	2,114,895	-	-	-	-	-	-	-	-	-	2,114,895
		61,672,577	27,980,731	8,743,389	17,541,335	830,000	-	-	-	-	-	6,577,122
Liabilities												
Bills payable	-	172,309	-	-	-	-	-	-	-	-	-	172,309
Borrowings	0.55-10	40,028,520	23,128,004	-	16,900,516	-	-	-	-	-	-	-
Deposits and other accounts	0-9.45	14,986,537	8,374,566	3,865,974	120,000	-	-	-	-	-	-	2,625,997
Other liabilities	-	3,101,540	2,608,058	172,889	148,929	171,664	-	-	-	-	-	-
		58,288,906	34,110,628	4,038,863	17,169,445	171,664	-	-	-	-	-	2,798,306
On-balance sheet gap		3,383,671	(6,129,897)	4,704,526	371,890	658,336	-	-	-	-	-	3,778,816
Off-balance sheet financial instruments												
Forward exchange contracts - purchase		128,520,658	62,526,741	33,680,954	2,420,705	29,892,258	-	-	-	-	-	-
Forward exchange contracts - sale		127,786,139	61,800,509	33,678,953	2,419,952	29,886,725	-	-	-	-	-	-
Off-balance sheet gap		734,519	726,232	2,001	753	5,533	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap			(5,403,665)	4,706,527	372,643	663,869						
Cumulative Yield / Interest Risk Sensitivity gap			(5,403,665)	(697,138)	(324,495)	339,374						

	Effective Yield / Interest rate	Total	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-interest bearing financial instruments
	2012											
			Exposed to yield Interest Risk									
	%											
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	4,063,541	556,631	-	-	-	-	-	-	-	-	3,506,910
Balances with other banks	0.56	1,336,371	1,336,371	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	1.1-5.5	1,554,395	-	777,197	777,198	-	-	-	-	-	-	-
Investments - net	8-9	13,596,093	7,261,158	1,337,631	4,997,304	-	-	-	-	-	-	-
Advances - net	2.1-5	56,596	7,573	42,013	7,010	-	-	-	-	-	-	-
Other assets	-	1,088,811	-	810,996	46,541	-	-	-	-	-	-	231,274
		21,695,807	9,161,733	2,967,837	5,828,053							3,738,184
Liabilities												
Bills payable	-	738	-	-	-	-	-	-	-	-	-	738
Borrowings	0.51-0.52	12,221,381	1,967,037	-	10,254,344	-	-	-	-	-	-	-
Deposits and other accounts	0.4-9	4,167,644	3,294,812	-	-	-	-	-	-	-	-	872,832
Other liabilities	-	2,393,042	2,059,022	206,974	127,046	-	-	-	-	-	-	-
		18,782,805	7,320,871	206,974	10,381,390							873,570
On-balance sheet gap		2,913,002	1,840,862	2,760,863	(4,553,337)	-	-	-	-	-	-	2,864,614
Off-balance sheet financial instruments												
Forward exchange contracts - purchase		55,170,660	4,211,327	10,258,298	35,435,683	5,265,352	-	-	-	-	-	-
Forward exchange contracts - sale		45,939,105	3,954,761	9,782,406	26,830,892	5,371,046	-	-	-	-	-	-
Off-balance sheet gap		9,231,555	256,566	475,892	8,604,791	(105,694)	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap			2,097,428	3,236,755	4,051,454	(105,694)	-	-	-	-	-	
Cumulative Yield / Interest Risk Sensitivity gap			2,097,428	5,334,183	9,385,637	9,279,943	-	-	-	-	-	

34.7.3 Reconciliation of Assets and Liabilities exposed to yield / interest rate risk with Total Assets and Liabilities

	2013	2012
	(Rupees '000)	
Total financial assets as per note 34.7.2	61,672,577	21,695,807
Add: Non financial assets		
Operating fixed assets	243,293	316,663
Deferred tax assets	54,325	-
Other Assets	74,610	35,146
Total assets as per statement of financial position	62,044,805	22,047,616
Total liabilities as per note 34.7.2	58,288,906	18,782,805
Add: Non financial liabilities		
Other liabilities	60,552	116,110
Total liabilities as per statement of financial position	58,349,458	18,898,915

34.8 Liquidity risk

Liquidity risk is the risk that the branches will be unable to meet their net funding requirements. Liquidity risk can be caused by market destruction of credit downgrades, which may cause certain sources of fundings to become unavailable. To guard against this risk the branches' assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity is maintained.

The table below summarises the maturity profile of the branches assets and liabilities. The contractual maturities of assets and liabilities at the year end have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date and do not take account of the effective maturities as indicated by the branches deposit retention history and the availability of liquid funds. Assets and liabilities not having a contractual maturity are assumed to mature on the expected date on which the assets /liabilities will be realised / settled.

34.8.1 Maturities of assets and liabilities - based contractual maturity of the branches

	2013									
	Total	**Up to 1 month**	**Over 1 to 3 Months**	**Over 3 to 6 Months**	**Over 6 Months to 1 Year**	**Over 1 to 2 Years**	**Over 2 to 3 Years**	**Over 3 to 5 Years**	**Over 5 to 10 Years**	**Above 10 Years**
Assets	---- (Rupees in '000) ----									
Cash and balances with treasury banks	4,462,227	49,128	-	-	-	-	-	-	-	4,413,099
Balances with other banks	163,630	163,630	-	-	-	-	-	-	-	-
Lendings to financial institutions	3,490,017	2,559,241	687,209	243,567	-	-	-	-	-	-
Investments - net	47,547,395	25,101,430	5,382,069	17,063,896	-	-	-	-	-	-
Advances - net	3,894,413	156,430	2,674,111	233,872	830,000	-	-	-	-	-
Operating fixed assets	243,293	-	-	-	-	-	243,293	-	-	-
Deferred tax assets	54,325	-	-	-	54,325	-	-	-	-	-
Other assets	2,189,505	1,879,058	5,402	22,203	282,842	-	-	-	-	-
	62,044,805	29,908,917	8,748,791	17,563,538	1,167,167	-	243,293	-	-	4,413,099
Liabilities										
Bills payable	172,309	172,309	-	-	-	-	-	-	-	-
Borrowings	40,028,520	23,128,004	-	16,900,516	-	-	-	-	-	-
Deposits and other accounts	14,986,537	11,000,563	3,865,974	120,000	-	-	-	-	-	-
Other liabilities	3,162,092	331,102	172,889	148,929	2,509,172	-	-	-	-	-
	58,349,458	34,631,978	4,038,863	17,169,445	2,509,172	-	-	-	-	-
Net assets	3,695,347	(4,723,061)	4,709,928	394,093	(1,342,005)	-	243,293	-	-	4,413,099
Head Office-capital account	3,802,007									
Accumulated loss	(70,240)									
Surplus on revaluation of asset - net	-36,420									
	3,695,347									

2012

	Total	Up to 1 month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets	----- (Rupees in '000) -----									
Cash and balances with treasury banks	4,063,541	556,631	-	-	-	-	-	-	-	3,506,910
Balances with other banks	1,336,371	1,336,371	-	-	-	-	-	-	-	-
Lending to financial institutions	1,554,395	-	777,197	777,198	-	-	-	-	-	-
Investments - net	13,596,093	7,261,158	1,337,631	4,997,304	-	-	-	-	-	-
Advances - net	56,596	7,573	42,013	7,010	-	-	-	-	-	-
Operating fixed assets	316,663	-	-	-	-	-	-	-	-	316,663
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	1,123,957	-	810,996	46,541	-	-	-	-	-	266,420
	22,047,616	9,161,733	2,967,837	5,828,053	-	-	-	-	-	4,089,993
Liabilities										
Bills payable	738	738	-	-	-	-	-	-	-	-
Borrowings	12,221,381	1,967,037	-	10,254,344	-	-	-	-	-	-
Deposits and other accounts	4,167,644	858,150	-	584,289	2,725,205	-	-	-	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	2,509,152	824,732	206,974	127,046	-	-	-	-	-	1,350,400
	18,898,915	3,650,657	206,974	10,965,679	2,725,205	-	-	-	-	1,350,400
Net assets	3,148,701	5,511,076	2,760,863	(5,137,626)	(2,725,205)	-	-	-	-	2,739,593
Head Office-capital account	3,506,910									
Accumulated loss	(364,645)									
Surplus on revaluation of asset - net	6,436									
	3,148,701									

34.9 Operational risk

The branches' operational risk is related to possible losses which may be incurred as a result of failures occurring in the branches' day to day operations, such as breakdown in electronic and telecommunication, routines or other systems. Additional factors being insufficient levels of professional skills or human errors. In order to keep the branches' operational risks to a minimum level, various suites of risk tools are used to manage operational risk using a common categorization of risk.

Branches' approach to operational risk is not designed to eliminate risk, rather, to contain it within the acceptable levels, as determined by senior management, and to ensure that the branches have used sufficient information to make informed decisions about additional controls, adjustments to controls, or other risk responses.

Operational risk disclosures - Basel II Specific

The branches use Basic Indicator Approach to calculate capital charge for operational risk as per Basel II regulatory framework. This approach is considered to be most suitable in view of the business model of the branches.

35 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on 27 March 2014 by the Chief Executive Officer and Manager Finance of the branches.

36 GENERAL

Figures have been rounded off to nearest thousand.

Xu Keen
Chief Executive Officer

Wang Xin
Head of Finance

STATEMENT ON INTERNAL CONTROL

It is the responsibility of the management of ICBC Pakistan to establish, improve and effectively implement internal controls and to evaluate the effectiveness of the internal controls of the Branch. The objective for the internal control system of the Bank is to reasonably assure that the Bank's operations and management are in compliance with relevant laws, safety of Bank assets, as well as the timeliness, authenticity and completeness of its business record, financial information and other management information, to enhance operation efficiency and results, and to facilitate the Bank in achieving its development strategy and operating target.

The Bank has adopted internationally accepted COSO Internal Control - Integrated Framework covering all sets of Internal Controls and ensuring compliance with SBP Guidelines. Since the Bank only recently commenced business it is in the process of Implementing SBP's Guidelines on ICFR.

The Internal Audit Department of the Branch conducted assessments on the effectiveness of the bank-wide internal control during the reporting period, and believed that during the reporting period, internal control system of the Bank was sound and effectively implemented. Keeping in view the risk exposure, internal controls are regularly reviewed and reported on their soundness.

For the year under review, it has been endeavored to follow the Guidelines on Internal Controls and that it is an ongoing process for the identification, evaluation and management of significant risks faced by the bank. The system is designed to manage, rather than eliminate the risk of failure in order to achieve the business objectives, and can only provide reasonable assurance against material misstatement or loss.

Xu Keen
Chief Executive Officer

Kashif Abdur Rahman
Head of Compliance

Risk Management Framework

ICBC has risk management guidelines to counter Credit Risk, Market Risk, Operational Risk.

ICBC Head Office is responsible for formulating high-level policies; independent review of the large credit exposure, as well as those tom banks; and the portfolio management of risk concentrations. It also reviews the efficiency of credit approval process, a key element of which is the Bank's universal facility grading system (GCMS).ICBC has dedicated standards, policies and procedures in place to control and monitor all such risks. ICBC has a well-established credit risk management process, which involves control of exposure, monitoring exposure.

The management of market risk is controlled through risk limits. The Bank fully launched the construction of the global market risk management system (GMRM) to establish an integrated and unified data management platform and risk measurement management platform, and implemented the measurement and monitoring of interest rate risk, exchange rate risk.

In order to guarantee the bank liquidity, ICBC has adopted the following measures:

a. Strengthen the forecast of the asset and liabilities of the Bank and properly arrange the relevant capital

b. Enhance the communication with the trade banks and positively expand the counterparty scope

c. Flexible pricing based on marketing research to attract more customer deposit

ICBC establish formal policies and manuals to ensure that the control environment is formal and documented. Each policy and manual has its owner and is approved and documented. ICBC promotes compliance culture, advises management and line staff on regulations, assists in designing internal controls, monitors compliances with laws and regulations, liaises with solicitors, communicates with the regulator, and provides training to staff, all of which helps raise staff awareness and enhance compliance controls.

Xu Keen
Chief Executive Officer

Zhang Rongxiang
Head of Risk