JS BANK

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185 Branches in 100 Cities

Annual Report 2012

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JS BANK

Contents

Vision

To provide quality and innovative range of banking services and products to our customers by a highly motivated team of professionals whilst maintaining high ethical and regulatory standards thereby, generating sustainable returns to the shareholders.

Mission

To be a preferred partner of our customers by providing complete financial solutions exceeding service expectations through a single relationship via conventional and non-conventional, conveniently accessible distribution channels.

JS BANK

Corporate Social Responsibility (CSR)

At JS Bank, we believe in playing our part in building this nation which has given so much to us. We strongly believe that being one of the fastest growing banks in the Pakistan, it is our moral and ethical responsibility to step up and offer a helping hand to the members of the community in need.

JS Bank conducts its Corporate Social Responsibility through the Mahvash & Jahangir Siddiqui Foundation (MJSF). This collaboration has led them to collectively become a strong advocate of various philanthropic activities including extensive relief efforts in the 2005 earthquake 2008 IDP Crisis and the recent floods.

As a socially responsible entity, we desire to take initiatives which make us add value to people's lives and the environment around them. In line with our Corporate Social Responsibility philosophy, we have clearly defined CSR objectives which revolve around behaving ethically, following best practices and contributing to the economic development of the country. Today, we are amongst the very few organizations that have an active CSR policy in place.

Mahvash & Jahangir Siddiqui Foundation:

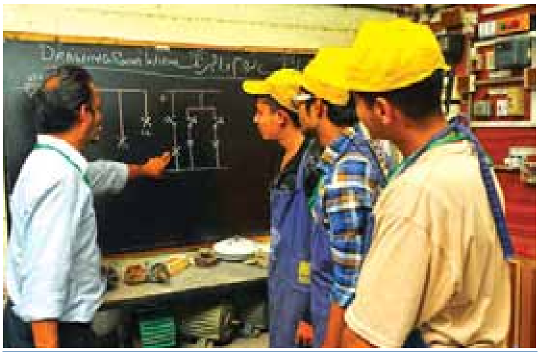
The Mahvash and Jahangir Siddiqui Foundation (MJSF) was established in 2003 under Section 42 of the Companies Ordinance, 1984 by the JS Group as a charitable, not-for-profit organization. MJSF aims to provide healthcare, education and social enterprise through sustainable development to underprivileged members of society with a special focus on women. Apart from its own efforts, MJSF has partnered with key institutions including: United Nations High Commissioner for Refugees (UNHCR); United Nations Office for Coordination of Humanitarian Affairs (UNOCHA); United Nations Children's Fund (UNICEF); World Food Program (WFP); United Nations Development Program (UNDP); and International Organization for Migrations (IOM). MJSF also works closely with Oxfam and MSB (the Swedish Civil Contingencies Agency) for disaster response and relief.

MJSF is registered with the Pakistan Center of Philanthropy and Pakistan Red Crescent.

Mahvash & Jahangir Siddiqui Foundation has long-term commitments in the following areas:

Education:

We think that for a nation to progress, investment in education is absolutely essential. MJSF educational initiatives encompass support for special education, higher education, vocational training, and development of schools in rural areas, particularly the two most populated provinces of Sindh and Punjab in Pakistan.



Students at the Karigar Training Institute

MJSF extends donations to prominent institutions like the Lahore University of Management Sciences (LUMS), Institute of Business Administration, Karachi (IBA) and the Karachi Education Initiative (KEI) for the Karachi School for Business and Leadership (KSBL).

Annual day at the JS Academy for the Deaf

At present, it is also supporting IBA Sukkur in the creation of an Endowment Fund leading to the generation of sustainable financial support programs at the Institute.

MJSF is supporting various schools in Punjab through the Progressive Education Network (PEN). MJSF has also established and is operating various schools in rural areas of Sindh through its partner Fakhr-e-Imdad Foundation and a vocational training institute, the Karigar Training Institute.

MJSF also runs scholarship programs for individuals and annually sponsors a group summer program at the National University of Singapore with its partner Sajjad Foundation, and at Weill Cornell Medical College, Qatar.

It also partners with unique organizations for children with disabilities such as the JS Academy for the Deaf. The Academy has applied with the concerned authorities for the graduation program and is currently in the process of researching, developing and patenting Islamic Sign Language.

NUS Students with the Pakistani Consul General in Singapore

Setting precedence for unique social practices within the Group, MJSF has launched an initiative facilitating the economic burden of its employees. Embedded with a sustainable mechanism, the JS-Group Education Support Scheme (JS-GESS) subsidizes the educational cost burden of the employees' children. Essentially, JS-GESS emphasizes on imparting the significance of education as a need.

Furthermore, MJSF is also currently in the process of setting up model Leadership Schools nationwide along with another summer program with the Virginia Institute of Marine Science.

Social Enterprises and Sustainable Development:

Realizing the importance of promoting social enterprises, MJSF has ventured into many projects and has partnered with organizations which have the same desire for social and sustainable development.

The goal is to promote economic development and to enhance the dignity and quality of life of individuals, families and communities by eliminating barriers to opportunity and helping people in need reach their fullest potential.

In collaboration with Acumen Fund and Rothschild Foundation, MJSF has launched the Pakistan Fellows Program to support the development of the next generation of social change leaders who are building innovative businesses and strong institutions across the country.

MJSF is also creating livelihood generation opportunities through the provision and monitoring of poultry birds to vulnerable families in the Matiari district of Sindh.

Further, in partnership with Agrow Lahore, MJSF is also in the process of initiating an income support and capacity building scheme by providing qingqi vehicles, technical selling expertise, training and avenues for trade to local farmers in the nearby districts of Lahore.

Drip irrigation introduced to farmers in Tharparkar

Healthcare:

MJSF is a strong advocate of promoting healthcare and has been involved in providing health related services since many years. From organizing eye/skin camps in the remote areas of Sindh to providing sophisticated equipment to various health facilities, MJSF actively donates to a number of hospitals as an annual commitment. Zakat funds are also utilized for the most underprivileged patients at these hospitals who cannot afford basic healthcare.

MJSF is linked with numerous projects and organizations in health care including; Sindh Institute of Urology and Transplantation (SIUT), Karachi National Hospital, The National Institute of Cardiovascular Diseases (Emergency Ward) and other notable social enterprises.

Cataract operations being conducted at the MJSF eye camp

MJSF, in partnership with the Allianz Direct Help Foundation has also initiated a project to construct a major healthcare facility in the city of Sehwan Sharif in the province of Sindh. MJSF aims to establish a full service hospital facility with emergency care, laboratories, radiology services and in-patient facilities.

Emergency Relief:

MJSF also mobilizes major relief efforts in Pakistan in times of national emergencies.

MJSF contributed immensely at the time of the 2005 earthquake, the 2008 Internally Displaced Persons Crisis and the floods in recent years, with close collaboration with almost all United Nations' clusters operating in Pakistan, along with organizations such as IOM, Oxfam, WFP and the Provincial Disaster Management Authority.

Medical relief being provided to the flood affectees

MJSF is also setting up a rehabilitation program for the flood affectees. In partnership with IOM, It is supporting a shelter project called 'One Room Shelters' in three affected districts in Sindh. The project envisages the provision of homes to hundreds of families with strong key cash for work benefits, and the incorporation of social mobilization and technical integration.

For more details, please visit Mahvash & Jahangir Siddiqui Foundation's website:
www.mjsf.net

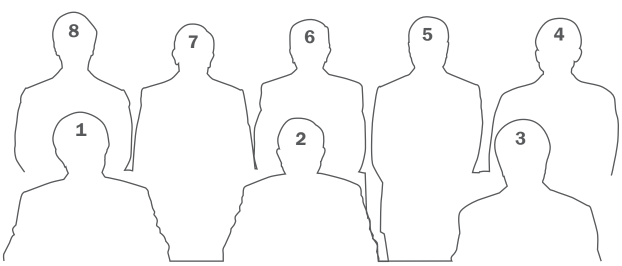
Mahvash & Jahangir Siddiqui Foundation

Company Information

Board of Directors	**Chairman**	Mr. Jahangir Siddiqui
	Independent Director	Mr. Ashraf Nawabi
	Director	Mr. Mazharul Haq Siddiqui
	Director	Mr. Rafique R. Bhimjee
	Independent Director	Mr. Shahab Anwar Khawaja
	Independent Director	Mr. Maqbool A. Soomro
	Director	Mr. Adil Matcheswala*
President & Chief Executive Officer		Mr. Kalim-ur-Rahman
Audit Committee	**Chairman**	Mr. Maqbool A. Soomro
	Member	Mr. Jahangir Siddiqui
	Member	Mr. Rafique R. Bhimjee
Human Resource Committee	**Chairman**	Mr. Jahangir Siddiqui
	Member	Mr. Mazharul Haq Siddiqui
	Member	Mr. Rafique R. Bhimjee
	Member	Mr. Kalim-ur-Rahman
Risk Management Committee	**Chairman**	Mr. Jahangir Siddiqui
	Member	Mr. Maqbool A. Soomro
	Member	Mr. Ashraf Nawabi
	Member	Mr. Kalim-ur-Rahman
Company Secretary		Mr. Muhammad Yousuf Amanullah
Auditors		M. Yousuf Adil Saleem & Co. Chartered Accountants (Member firm of Deloitte Touche Tohmatsu)
Legal Advisors		Bawaney & Partners Liaquat Merchant Associates
Share Registrar		Technology Trade (Pvt.) Limited 241-C, Block - 2, P.E.C.H.S, Karachi
Registered Office		JS Bank Limited Shaheen Commercial Complex Dr. Ziauddin Ahmed Road P.O. Box 4847 Karachi - 74200, Pakistan. www.jsbl.com

* Appointed in place of Mr. Basir Shamsie effective January 17, 2012.

Board of Directors



1 Mr. Mazharul Haq Siddiqui
Director

2 Mr. Jahangir Siddiqui
Chairman

3 Mr. Ashraf Nawabi
Director

4 Mr. Adil Matcheswala
Director

5 Mr. Shahab Anwar Khawaja
Director

6 Mr. Rafique R. Bhimjee
Director

7 Mr. Kalim ur Rahman
President & CEO

8 Mr. Ali Jehangir Siddiqui
Advisor to the Chairman & Board

Not in picture:

9 Mr. Maqbool A. Soomro
Director

JS BANK

Notice of Seventh Annual General Meeting

Notice is hereby given that the Seventh Annual General Meeting of the shareholders of JS Bank Limited (the "Bank") will be held on March 29, 2013 at 10:45 am at Carlton Hotel, Karachi to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Annual Separate and Consolidated Financial Statements of the Bank for the year ended December 31, 2012 together with the Directors' and Auditors' Reports thereon.

2. To appoint the Auditors of the Bank for the year ending 31 December 2013 and to fix their remuneration. Present auditors M. Yousuf Adil Saleem & Co. Chartered Accountants a member firm of Deloitte Touche Tohmatsu retire and being eligible have offered themselves for re-appointment.

3. To elect seven (7) directors as fixed by the Board of the Bank under Section 178(1) of the Companies Ordinance, 1984 for three years commencing from March 30, 2013. The names of retiring Directors, who are eligible to offer themselves for re-election, are as follows:

   Mr. Jahangir Siddiqui
   Mr. Maqbool Ahmed Soomro
   Mr. Ashraf Nawabi
   Mr. Adil Matcheswala
   Mr. Mazharul Haq Siddiqui
   Mr. Rafique R. Bhimjee
   Mr. Shahab Anwar Khawaja

4. Any other business with the permission of the Chairman.

Karachi: March 06, 2013

By Order of the Board
Muhammad Yousuf Amanullah
Company Secretary

Notes:

1. Share transfer books of the Bank will remain closed from March 21, 2013 to March 27, 2013 (both days inclusive) to determine the names of members entitled to attend the meeting and vote. Transfers received in order at Dagia House, 241-C, Block 2, PECHS, Karachi at the close of business on March 20, 2013 will be treated in time for the purpose of attending the meeting.

2. A member of the Bank entitled to attend and vote may appoint another member as his/her proxy to attend and vote instead of him/her.

3. Proxies must be received at the Registered Office of the Bank not less than 48 hours before the time of the meeting.

4. Beneficial owners of the shares registered in the name of Central Depository Company of Pakistan (CDC) and/or their proxies will have to follow the following guidelines as laid down by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting

a. In case of Individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original CNIC or original Passport along with Participant ID number and the account number at the time of attending the Meeting.

b. In case of corporate entity, the Board's resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies

a. In case of individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.

b. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.

c. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.

d. The proxy shall produce his original CNIC or original passport at the time of the meeting.

e. In case of corporate entity, the Board's resolution / power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Company.

5. Any person seeking to contest the election, whether retiring Director or otherwise, must file with the Company at its Registered Office the following documents not later than 14 days before the date of the meeting as required under Section 178 of the Companies Ordinance, 1984 and to obtain clearance / of the State Bank of Pakistan ('State Bank").

i) The intention to offer himself/herself for the election along with (a) Form 28 (Consent to act as a Director) duly signed;

ii) A declaration that they are aware of their duties and powers under the relevant law(s) and the Bank's Memorandum & Articles of Association and listing Regulations of Stock Exchanges, that he / she is not ineligible to become a director under any circular / directive of the State Bank of Pakistan or any other regulations, he / she is not serving more than seven (7) listed companies including JS Bank Limited by excluding the listed subsidiaries of listed holding companies wherever applicable, he/she is a registered as tax payer and has not defaulted in payment of any loan to a banking company, a DFI or an NBFI or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

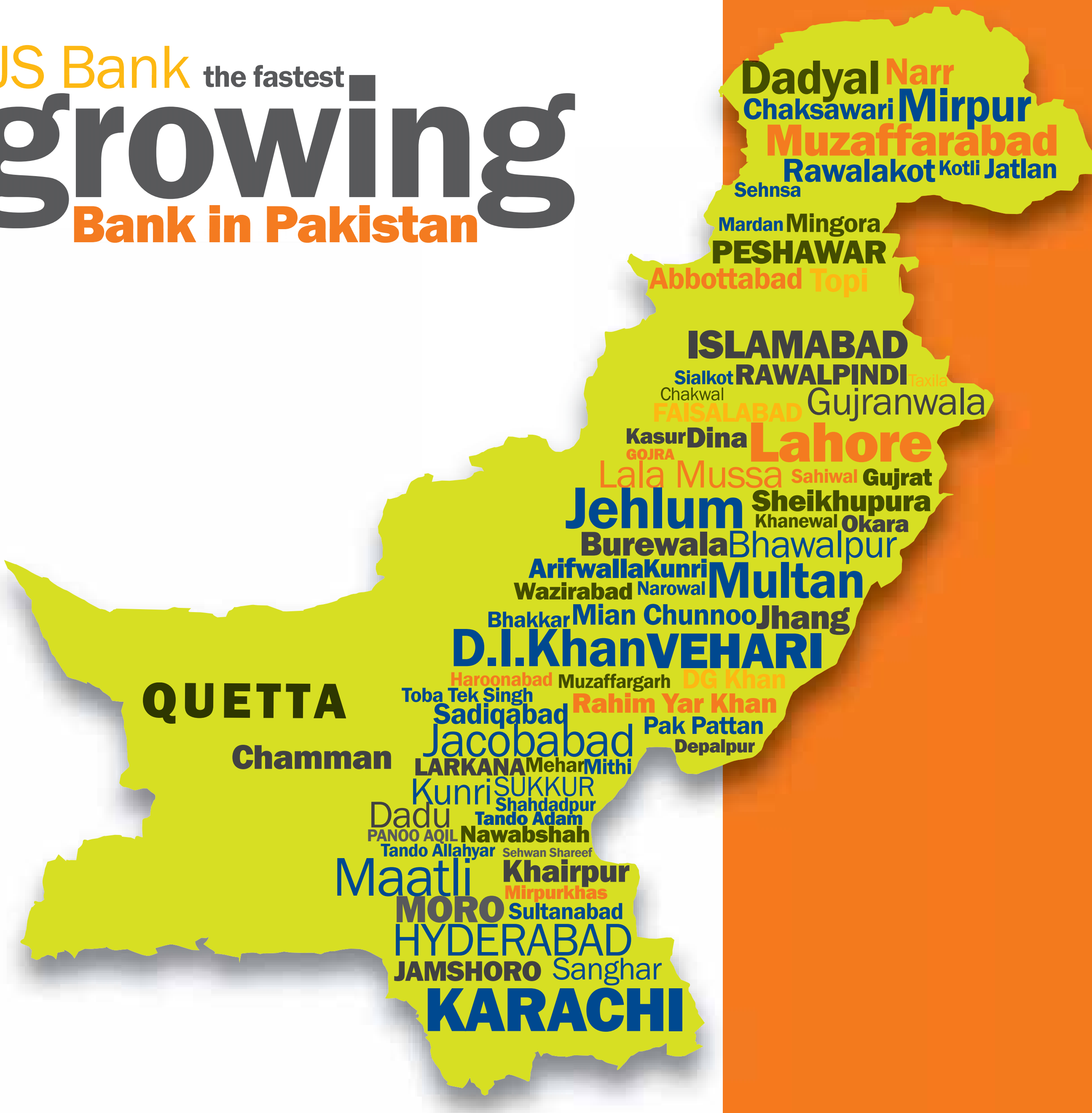
iii) Performa for fit and proper test along with questionnaire duly completed, an affidavit, recent photographs and copy of attested CNIC/passport to meet the requirement of appointment of directors as contained under State Bank's Prudential Regulation G-1;

6. Shareholders are requested to notify immediately for any change in their address.

JS BANK IS SPREAD ALL OVER PAKISTAN

185 branches in 100 cities

JS Bank the fastest growing Bank in Pakistan



JS Bank is the fastest growing bank in Pakistan. With a vast and growing online network of 185 branches in 100 cities, we are present wherever our customers need us to be. From the biggest cities to the smallest towns, we consistently offer outstanding services along with a host of innovative and growth-oriented products.

JS BANK

Directors’ Report

We are pleased to present the Seventh Annual Report of JS Bank Limited (“JSBL”) along with the audited accounts and Auditors’ report thereon for the year ended December 31, 2012.

Economic Review

The calendar year 2012 proved to be a year of monetary easing on the back of reducing inflation which hit a new low of 6.9% in November 2012 – the lowest in 63 months. Average Consumer Price Index (CPI) for FY13 so far stands at 8.3% against 10.8% during the same period last year. Declining prices of perishable food items and reduction in gas and CNG prices were amongst the major reasons for the low CPI number. Highlighting this factor and continued muted private sector credit offtake, the State Bank of Pakistan (SBP) opted to ease the Discount Rate (DR) by 2.5% to 9.5% during the current fiscal year.

Pakistan's economy witnessed a modest growth during FY12 – the real GDP growing by 3.7 percent during the year, as compared to 3.0 percent in FY11. The economy underperformed as compared to the growth target of 4.2 percent, and this outcome was expected given the energy shortages, poor law and order situation, and the after effects of floods in two previous consecutive years. Nevertheless, growth was more broad-based as compared to FY11, as it was more or less evenly distributed across agriculture, industry and the services sector.

The home remittances reached a record level of US$ 13.2 billion in FY12 (up 18%YoY) and have continued to remain robust during 7MFY13 amounting to US$ 8.21 billion (up 10%YoY). At the same time, the trade deficit came in at US$ 11.6 billion, down 12%YoY, with total exports jumping by 7%YoY to US$ 14.1 billion and imports declining by 2%YoY to US$ 25.7 billion. As a result, the current account recorded a surplus of US$ 62 million during the period as compared to a deficit of US$ 2.8 billion during the same period last year.

Banking Industry Review

The aggregate deposits grew by 14% to Rs. 6.7 trillion during CY2012 while the advances grew by 10% to Rs. 3.9 trillion, leading to a slight decline in the banking sector's Advances to Deposits Ratio (ADR) to 58%, from 59% in December 2011. The aggregate Investments, mainly in Government Treasury Bills and Pakistan Investment Bonds, increased by a massive 31% during CY2012, to also reach Rs. 3.9 trillion. On the spreads front, the number for December dipped by 13 bps MoM (104 bps YoY) to 6.54% (lowest number since 2005) – because of the substantial reduction in the KIBOR during the calendar year on the back of reduction in the DR, without a corresponding reduction to the same extent in the average cost of deposits. Average spreads for the year came in at 7.02%, down 62 bps YoY. On the asset quality front, aggregate Non Performing Loans (NPL) accretions came in at Rs. 7.4 billion till end September 2012, with aggregate NPLs rising to Rs. 617 billion as at that date.

Going forward, we anticipate the trend of weaker Net Interest Income on account of lower spreads to continue during 1HCY13, provided there is no increase in the DR or any downward revision in the minimum profit rate for Saving Accounts as prescribed by the SBP.

Financial Performance

Your bank posted a Pre-tax Profit of Rs. 1,010.99 million during 2012 as compared to a pre-tax profit of Rs. 535.75 million in the previous year, registering a healthy YoY growth of 89%. The Profit after tax came in at Rs. 708.18 million as compared to a profit of Rs. 359.69 million in 2011, an increase of 97%. Resultantly, the Earnings Per Share (EPS) of your bank was Rs. 0.70 for 2012 as compared to an EPS of Rs. 0.42 per share during 2011. The profitability ratios measured in terms of Return on Assets and Return on Equity also improved from 0.77% and 5.40% to 1.05% and 8.70%respectively, during 2012.

The Balance Sheet size of your bank registered a YoY growth of 51% to reach Rs. 81,570 million as at December 31, 2012. Deposits increased to Rs. 62,544 million compared to Rs. 41,487 million in the previous year, a YoY growth of 51%. Gross advances grew to Rs. 21,026 million as at December 31, 2012, a YoY rise of 13%, while investment in T-Bills and PIBs grew by 134% to touch Rs. 39,747 million at year end 2012. Net Mark-up/Interest Income of your bank increased by 31% to reach Rs. 2,265 million – led by a growth both in the earning assets as well as the low cost deposits. Meanwhile, the contribution of Non-Markup/Interest Income touched Rs. 1,806 million as compared to Rs. 762 million in the previous year - an increase of 137%, boosted mainly by a substantial increase in earnings from Foreign Trade business, Bancassurance, Home Remittance and Capital Gains on the sale of Government Securities. Operating Expenses increased by 22% to Rs. 2,553 million – mainly due to the effect of inflation and 38 new branches opened during the year.

Summarized financial data for the last six years is appended below:

Rupees in '000

	2012	2011	2010	2009	2008	2007
Deposits	62,543,793	41,487,031	26,276,328	21,313,791	15,294,273	13,679,898
Total assets	81,569,995	53,920,569	39,383,647	32,894,920	21,627,802	20,327,752
Investments-net	46,259,398	22,649,824	13,701,699	9,535,555	5,138,709	6,309,536
Advances-net	20,054,921	18,018,778	13,978,113	11,689,653	9,680,449	6,475,963
Profit/ (loss) before tax	1,010,994	535,752	(622,550)	(1,448,793)	111,225	(62,221)
Profit/ (loss) after tax	708,176	359,691	(407,479)	(594,936)	54,770	35,431
No of branches	185	147	126	101	39	9

Business Overview

JS Bank continued to maintain its steady growth despite a challenging operating environment. With all divisions expanding their operations and delivering robust performances, JS Bank has moved one step ahead in developing a market niche for itself. All the products and services being offered by JS Bank have been tailored to suit the clients' preferences, ensuring their complete satisfaction The Bank moved ahead with its branch expansion and has established 38 new branches during the year bringing the aggregate total to 185 branches in 100 cities. This extensive network has been established within a short span of 6 years.

- Retail Banking Group (RBG)

Retail Banking is responsible for 77% of the Bank's deposits. During the course of 2012, the Retail Banking Group stayed true to the stated vision of the bank of becoming a mid-sized, performance driven and market competitive bank with extensive outreach, product base and network to achieve a sizeable customer base across Pakistan.

Retail Banking Group continued with its impressive performance during 2012 and its notable achievements during the year were:

- An increase of 42% in the customer accounts to nearly 170,000.
- An increase of 50% in its overall deposit base to Rs. 48.2 billion.
- The addition of 38 new online branch locations, increasing the total number of branches to 185 in 100 cities across Pakistan.
- The installation of 64 new ATMs, increasing the countrywide network to 179 – an overall ratio of almost one ATM per branch.
- An increase of 30% in the Bancassurance business.
- An increase of 27% in the number of Home Remittance transactions.
- An increase of 99% in the trade business generated through the Retail Banking customers.
- A series of new value additions to the existing services through Internet Banking, Inter Bank Funds Transfer and Utility Bills Payment Services.

- Corporate Banking Group (CBG)

In view of weak economic conditions of the country and our stringent risk parameters, CBG followed a prudent strategy on asset growth – hence advances portfolio grew by only 2% to PKR 17.24 billion during the year 2012.

CBG compensated for the low advances growth through an enhanced focus on trade transactions and maximizing fee based revenue for the bank. The substantial increase in the trade business resulted in a significant growth of 67% in the Non Funds Income (NFI) during the year 2012.

The bank remained committed to maintaining a well-diversified portfolio across various economic sectors which ensured that exposure to any one sector remained well within the maximum concentration levels defined by the Risk Management Policy of the Bank.

For the year 2013, primary focus would continue to be on trade and non-fund based activities and launching new products including structured trade transactions and cash management solutions for customers.

- Treasury Group

During 2012, JS Bank's Treasury was rated by the State Bank of Pakistan (DMMD Circular No. 10 of 2012) as the No. 1 Primary Dealer of Pakistan. The Bank was also rated the No. 1 Primary Dealer of Pakistan in 2011. JS Bank is one of the 11 Primary Dealers in the country which act as underwriters and market makers for the secondary trading in Treasury Bills and Pakistan Investment Bonds. The Treasury also recorded a strong performance in its core Asset & Liability Management and Foreign Exchange activities, and efficiently capitalized on the interest rate volatility to earn handsome capital gains.

- Investment Banking Group (IBG)

JS Bank's IBG continues to maintain its leading position in the debt capital markets advisory business in the country. Focusing on the vision of the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan to develop our debt capital market, IBG placed numerous transactions in the market including OTC listed TFCs, privately placed Sukuks and Syndicated long term facilities. IBG successfully closed advisory and arrangement mandates of over Rs. 7 billion in 2012, catering to a wide array of sectors including Telecommunications, Fertilizer, Steel, Microfinance and Non Banking Financial Institutions (NBFIs). JS Bank's market share for tradable debt capital was over 30% by volume.

- Risk Management

Risk management plays a pivotal role in the governance of the Bank as we recognize the diversity and complexity of all operations and the exposure to various kinds of risks mainly on credit, market, liquidity and operational risk. Your Bank recognizes the importance of effective risk management and control measures to ensure the Bank's corporate value, sustained profitability and continued enhancement of shareholder value.

Risk management activities in the bank take place at different hierarchy levels, guided through a framework of policies duly approved by the Board of Directors. A sound structure of Risk Management Committees including Board Risk Management Committee and Audit Committee is in place which keeps an eye on the overall risk profile of the Bank.

The Integrated Risk Management Committee and Assets & Liabilities Committee operate within the established framework in order to monitor the Bank's activities and maintain the risk level within predefined limits, meeting on regular basis to review market development and the level of financial risk exposure of the Bank. A dedicated and independent Risk Management Group, staffed with professionals having diversified experience, is in place to manage all the aspects of Risk Management at the Bank.

It is the prime objective of the Bank's capital management, to ensure that the Bank complies with all regulatory capital requirements and at the same time maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

We plan to continue strengthening our Risk Management Policies and practices to best suit the ever evolving economic and business environment, based on the local as well as the international best practices and regulations.

- Operations

The Group continued to embark on operational efficiency initiatives and strengthening Bank's processes and controls through process centralization, compliance with the COSO (Committee of Sponsoring Organizations) based internal control framework, and improvements in policies and procedures including the updating of the Branch Operations Manual. Strong operational support was provided to the businesses through provision of seamless service and smooth transaction processing. Businesses were also supported through detailed reviews of new product programs and accounting manuals & processes. Awareness and implementation of our Business Continuity Plan has been notably enhanced.

- Information Technology

In 2012 your Bank continued to innovate and develop new alternate service delivery channels and further strengthened its resolve to keep high quality customer service as its prime objective. The core banking system hardware has been upgraded to meet the performance requirements in line with growth in branch network, services and customers. We also introduced virtualization at the systems level to optimize the use of computing resources, build redundancy around the information technology services, and flexibility in providing of computing resources on demand. The internet banking system now offers various branch level services both in online and off-line modes to provide customers service at their doorstep for their greater convenience. Operational controls of core IT systems and business continuity procedures have been enhanced to provide uninterrupted customer services under all circumstances. To ensure customer data security and integrity of systems, a comprehensive IT infrastructure penetration testing and vulnerability assessment exercise was conducted by certified third party professionals, with satisfactory results.

Prospective Acquisition of HSBC – Pakistan Operations

The Bank has signed a Sale and Purchase Agreement with HSBC Middle East Limited for the acquisition of HSBC - Pakistan operations. A scheme of amalgamation has been submitted to the State Bank of Pakistan for approval, which is awaited.





Equity

Core equity of the Bank expanded to Rs. 8,774 million as at December 31, 2012, a healthy growth of 17% over the previous year, due to improved profitability and a share swap with Jahangir Siddiqui & Co. Ltd. (JSCL), and certain other shareholders, for 52.24% shares of JS Investments Limited (JSIL) – which has now become a subsidiary of your Bank and should lead to synergies of business for both entities.

Earnings Per Share (EPS)

After taking into account the additional shares issued during 2012, the EPS for the year ended December 31, 2012 worked out to Re. 0.70 per share against last year's EPS of Re. 0.42 per share, i.e. an improvement of 66.67%.

Capital Adequacy

As of December 31, 2012, your bank's Capital Adequacy Ratio (CAR) stood at 16.46% as compared to last year's 16.13%, against minimum CAR of 10% prescribed by SBP. The Bank has managed to maintain its Capital Adequacy Ratio (CAR), through carefully monitoring and managing the risk profile of its increasing Assets portfolio and at the same time increasing its Paid-up Capital and overall equity. This is evident from the fact that during the year under review, your bank's risk weighted assets have increased by only 17% as compared to the Balance Sheet size which grew by 51%.

Statement on Internal Controls

The critical importance of an effective internal control environment so as to ensure that the envisioned goals and objectives of the organization are adequately achieved, continues to be a focal point both for the Board of Directors and the management of the Bank. Cognizant of the need for creating such an environment, the Board has laid down broad policies in the context of business strategies and regulatory requirements whereby the management is able to timely identify possible major risks and put in place mitigating procedures. These policies are periodically reviewed and suitably updated by the Board in the light of economic and other related developments.

In line with the policy guidelines provided by the Board, the management has in place systems, procedures and internal control evaluation charts across all areas of the Bank. Clear definition of responsibilities through effective delegation and separation of duties is abundantly ensured in the organizational structure that has been established. Operational procedures are continually monitored and updated and any gaps identified in controls are appropriately and expeditiously plugged to ensure a competitive edge in customer service while adhering to impeccable ethical and integrity standards. The Bank's Internal Audit function continues to monitor compliance with these policies and procedures and regularly keeps the Board updated on its findings, through the Audit Committee.

During the year, the management vigorously pursued the process of conducting an overall review and updating / consolidation of systems and procedures with the objective of further improving internal controls so as to be fully compliant with relevant guidelines of the State Bank of Pakistan. Special emphasis was laid on the expeditious completion of the roadmap pertaining to Internal Controls on Financial Reporting. A Steering Committee comprising of senior management actively functioned to oversee this process. The management is pleased to place on record that the process has since been successfully completed within schedule.

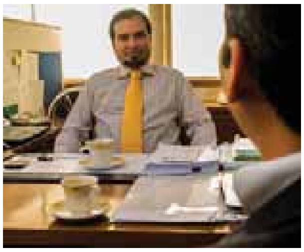
In the light of the above, the management is confident that the present internal control environment is fully geared to achieving both short-term and long-term organizational goals in a seamless fashion.

Corporate and Financial Reporting Framework

The Directors confirm compliance with the Corporate and Financial Reporting Framework of the Securities & Exchange Commission of Pakistan Code of Corporate Governance for the following:

1. The Financial statements prepared by the Management present fairly the state of affairs of the Bank, the results of its operations, Cash Flow Statement and Statement of Changes in Equity.




2. Proper books of accounts of the Bank have been maintained.
3. Accounting policies as stated in the notes to the accounts have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards as applicable in Pakistan have been followed in preparation of the financial statements.
5. The system of internal controls is sound in design and has been effectively implemented and monitored.
6. There are no doubts about the Bank's ability as a going concern.
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
8. The details of outstanding statutory payments, if any, have been adequately disclosed in the financial statements.

Holding Company

Jahangir Siddiqui & Company Limited, listed at the Karachi Stock Exchange Limited, is the holding company of JS Bank Limited, with 70.42% shareholding.

Subsidiary Companies

JS Global Capital Limited and JS Investments Limited are subsidiaries of JS Bank with the shareholding of 51.05% and 52.24% respectively. Performance of these companies has been covered under consolidated Directors' Report.

Attendance of Directors in the Board meetings

Eight meetings of the Board of Directors were held during the Year 2012. The attendance of directors at Board Meetings was as follows:

Name of Director	Eligible to attend	Meetings attended
Mr. Jahangir Siddiqui, Chairman	8	8
Mr. Mazharul Haq Siddiqui	8	7
Mr. Maqbool A. Soomro	8	5
Mr. Ashraf Nawabi	8	4
Mr. Rafique R. Bhimjee	8	7
Mr. Shahab A. Khawaja	8	7
Mr. Adil Matcheswala	7	6
Mr. Basir Shamsie	1	1
Mr. Kalim-ur-Rahman, President & CEO	8	7

The attendance of directors at Board Sub-Committees meetings was as follows:

Name of Director	Audit Committee		Risk Committee		HR Committee	
	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended
Mr. Jahangir Siddiqui	5	4	3	3	2	2
Mr. Mazharul Haq Siddiqui	-	-	-	-	2	2
Mr. Maqbool A. Soomro	5	5	3	2	-	-
Mr. Ashraf Nawabi	-	-	3	1	-	-
Mr. Rafique R. Bhimjee	5	4	-	-	2	1
Mr. Kalim-ur-Rahman President & CEO	-	-	3	3	2	2

Pattern of Shareholding

The pattern of shareholding at the close of December 31, 2012 as required u/s 236 of the Companies Ordinance, 1984 is given on page number 197.

Credit Rating

The Pakistan Credit Rating Agency (PACRA) has upgraded the long-term entity rating of JS Bank from "A" to "A+" (Single A Plus), while maintaining the short term rating at "A1" (A One). The ratings reflect the Bank's sound financial profile emanating from improving profitability, strong liquidity and sound capital adequacy. The Bank's strengthening franchise owing to its expanding branch network, supported by a sound technological platform, were key considerations for the upgrade.

Employee Benefits Scheme

The Bank operates staff Provident Fund (the Fund) and funded Gratuity Scheme (the Scheme) covering all its permanent employees.

- The contribution made toward the Fund was Rs. 42 million (2011: 34 million). The un-audited balance as at December 31, 2012 of the Fund was Rs. 250 million (2011: Rs. 180 million).

- The Scheme got funded in 2012. The contribution made to the Scheme was Rs. 23 million for 2012 (2007 to 2011: Rs. 75 million). The un-audited balance of the plan assets of the Scheme as at December 31, 2012 was Rs. 80 million (2011 : NIL).

Auditors

The present auditors of the Bank are M. Yousuf Adil Saleem & Co., Chartered Accountants, a member firm of Deloitte Touche Tohmatsu.

Directors' Training Program

The Bank on August 28, 2012 arranged an orientation course for its directors to acquaint them with the Code of Corporate Governance, applicable laws, their duties and responsibilities to enable them to effectively manage the affairs of the Bank.

Events after the Date of Statement of Financial Position

There have not been any material events that occurred subsequent to the date of the Statement of Financial Position that require adjustments to the enclosed financial statements.

Acknowledgements

We wish to place on record our gratitude to the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan for their support and guidance. The Directors also wish to convey their appreciation to all the staff members of the Bank for their dedicated services, professionalism and commitment towards the Bank's vision for sustainable growth and profitability. The Directors also sincerely thank all our customers, shareholders and other stakeholders for their valuable support and confidence in the Bank.

For and on behalf of the Board,

Jahangir Siddiqui
Chairman

March 04, 2013


we value
adaptability
we value
expertise
JS BANK

Statement of Compliance with the Code of Corporate Governance
[see clause (xl)]

Name of Company: JS Bank Limited
Year ended: December 31, 2012

This statement is being presented to comply with the Regulation G-1 of the Prudential Regulations for the Corporate / Commercial Banking issued by the State Bank of Pakistan and the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Category	Names
Non-Executive Directors	Mr. Jahangir Siddiqui Mr. Mazharul Haq Siddiqui Mr. Rafique R. Bhimjee Mr. Adil Matcheswala
Independent Directors	Mr. Ashraf Nawabi Mr. Maqbool Ahmed Soomro Mr. Shahab Anwer Khawaja

The independent directors meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

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

4. A casual vacancy occurring on the board on January 17, 2012 was filled up by the directors on the same day.

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

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

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

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The board arranged a training program for its directors during the year. One of the Directors Mr. Rafique R. Bhimjee has also completed a Director's Certification Course from the Pakistan Institute of Corporate Governance.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises of 3 non-executive directors and the Chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR Committee. It comprises 4 members; of whom 3 are non-executive directors and the chairman of the committee is a non-executive director.
18. The board has set up an effective internal audit function comprises of suitably qualified and experienced persons who are conversant with the policies and procedures of the company.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and the Karachi Stock Exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through Karachi Stock Exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board

Kalim-ur-Rahman
President &
Chief Executive Officer

Dated: March 04, 2013

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
Karachi-75350
Pakistan

Phone: +92 (0) 21- 3454 6494-7
Fax: +92 (0) 21- 3454 1314
Web: www.deloitte.com

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

We have reviewed the Statement of Compliance with best practices (the statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **JS Bank Limited** ("the Bank") to comply with the Regulation G-1 of the Prudential Regulations for the Corporate / Commercial Banking issued by the State Bank of Pakistan and listing regulations of the Karachi Stock Exchange Limited where the Bank is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Bank's compliance with the provisions of the Code and report, if it does not. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, the listing regulations of Karachi Stock Exchange Limited requires the Bank to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement does not appropriately reflect the Bank's compliance, in all material respects, with best practices contained in the Code as applicable to the Bank for the year ended December 31, 2012.

M. Yousuf Adil Saleem & Co
Chartered Accountants

Engagement Partner:
Nadeem Yousuf Adil

Place: Karachi
Date: March 04, 2013

Unconsolidated Financial Statements

JS BANK

Deloitte

M. Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
Karachi-75350
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed unconsolidated statement of financial position of **JS Bank Limited** (the Bank) as at December 31, 2012, and the unconsolidated related profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'the financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 4 branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;

(b) in our opinion:

(i) the unconsolidated statement of financial position and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants

(c) in our opinion and to the best of our information and according to the explanations given to us the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at the December 31, 2012, and its true balance of profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

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

We draw attention to the Note 1.3 to the accompanying financial statements wherein management has explained the plans of the Bank to meet the minimum capital requirements as prescribed by the State Bank of Pakistan as the Bank does not meet the minimum capital requirements currently. Our opinion is not qualified in respect of this matter.

M. Yousuf Adil Saleem & Co
Chartered Accountants

Engagement Partner:
Nadeem Yousuf Adil

Place: Karachi
Date: March 04, 2013

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2012

	Note	2012	2011
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks	7	**5,027,797**	3,880,688
Balances with other banks	8	**1,178,265**	136,880
Lendings to financial institutions	9	**3,940,958**	4,073,103
Investments - net	10	**46,259,398**	22,649,824
Advances - net	11	**20,054,921**	18,018,778
Operating fixed assets	12	**3,165,117**	3,021,439
Deferred tax assets - net	13	**699,272**	1,082,466
Other assets	14	**1,244,267**	1,057,391
		81,569,995	53,920,569
LIABILITIES			
Bills payable	15	**713,747**	1,246,994
Borrowings	16	**8,222,273**	2,944,495
Deposits and other accounts	17	**62,543,793**	41,487,031
Sub-ordinated loans		**-**	-
Liabilities against assets subject to finance lease		**-**	-
Deferred tax liabilities		**-**	-
Other liabilities	18	**1,134,373**	765,019
		72,614,186	46,443,539
NET ASSETS		**8,955,809**	7,477,030
REPRESENTED BY			
Share capital	19	**10,724,643**	10,002,930
Reserves		**231,613**	89,978
Discount on issue of shares		**(2,105,401)**	(1,944,880)
Accumulated losses		**(76,377)**	(642,918)
		8,774,478	7,505,110
Surplus / (deficit) on revaluation of assets - net of tax	20	**181,331**	(28,080)
		8,955,809	7,477,030
CONTINGENCIES AND COMMITMENTS	21		

The annexed notes from 1 to 43 form an integral part of these unconsolidated financial statements.

Jahangir Siddiqui	Kalim-ur-Rahman	Rafique R. Bhimjee	Adil Matcheswala
Chairman	President/Chief Executive Officer	Director	Director

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011
		Rupees in '000	
Mark-up / return / interest earned	23	**6,022,859**	4,312,207
Mark-up / return / interest expensed	24	**3,758,219**	2,583,525
Net Mark-up / Interest income		**2,264,640**	1,728,682
(Provision) / reversal against non-performing loans and advances	11.4	**(457,504)**	13,675
(Provision) / reversal of diminution in value of investments	10.3	**(52,424)**	137,524
Bad debts written off directly		**-**	-
		(509,928)	151,199
Net mark-up / interest income after provisions		**1,754,712**	1,879,881
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income	25	**565,956**	351,183
Dividend income		**163,374**	20,433
Income from dealing in foreign currencies		**205,326**	98,519
Gain on sale of securities - net	26	**825,413**	245,775
Unrealised gain / (loss) on revaluation of Investments classified as held-for-trading	10.4	**926**	(3,010)
Share of profit from associate		**-**	34,118
Other income	27	**45,502**	15,050
Total non mark-up / interest income		**1,806,497**	762,068
		3,561,209	2,641,949
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	28	**2,552,845**	2,098,357
Other provisions / write offs		**-**	-
Fixed assets written off		**-**	-
Other charges	29	**(2,630)**	7,840
Total non-mark-up / interest expenses		**2,550,215**	2,106,197
		1,010,994	535,752
Extra ordinary / unusual items		**-**	-
PROFIT BEFORE TAXATION		**1,010,994**	535,752
Taxation - Current	30.1	**(83,045)**	(49,813)
- Prior years	30.2	**50,661**	-
- Deferred	13.1	**(270,434)**	(126,248)
	30.3	**(302,818)**	(176,061)
PROFIT AFTER TAXATION		**708,176**	359,691
		Rupee	
Earnings per share - basic and diluted	31	**0.70**	0.42

The annexed notes from 1 to 43 form an integral part of these unconsolidated financial statements.

Jahangir Siddiqui	Kalim-ur-Rahman	Rafique R. Bhimjee	Adil Matcheswala
Chairman	President/Chief Executive Officer	Director	Director

JS BANK

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011
	Rupees in '000	
Profit after tax for the year	**708,176**	359,691
Other comprehensive income	-	-
Total comprehensive income for the year	**708,176**	359,691

Surplus / (deficit) arising on revaluation of assets has been reported in accordance with the requirements of the Companies Ordinance, 1984 and the directives of the State Bank of Pakistan in a separate account below equity.

The annexed notes from 1 to 43 form an integral part of these unconsolidated financial statements.

Jahangir Siddiqui	Kalim-ur-Rahman	Rafique R. Bhimjee	Adil Matcheswala
Chairman	President/Chief Executive Officer	Director	Director

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2012

	Issued, sub-scribed and paid-up share capital	Statutory reserve	Discount on issue of shares	Accumulated losses	Total
	Rupees in '000				
Balance as at January 01, 2011	8,149,715	18,040	(1,415,477)	(930,671)	5,821,607
Total comprehensive income for the year					
Profit after taxation for the year ended December 31, 2011	-	-	-	359,691	359,691
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year ended December 31, 2011	-	-	-	359,691	359,691
Transaction with owners recorded directly in equity					
Issue of shares during the year	1,853,215	-	-	-	1,853,215
Discount on issue of shares	-	-	(529,403)	-	(529,403)
	1,853,215	-	(529,403)	-	1,323,812
Transfers					
Transfer to statutory reserve	-	71,938	-	(71,938)	-
Balance as at December 31, 2011	10,002,930	89,978	(1,944,880)	(642,918)	7,505,110
Total comprehensive income for the year					
Profit after taxation for the year ended December 31, 2012	-	-	-	708,176	708,176
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year ended December 31, 2012	-	-	-	708,176	708,176
Transaction with owners recorded directly in equity					
Issue of shares during the year	721,713	-	-	-	721,713
Discount on issue of shares	-	-	(160,521)	-	(160,521)
	721,713	-	(160,521)	-	561,192
Transfers					
Transfer to statutory reserve	-	141,635	-	(141,635)	-
Balance as at December 31, 2012	**10,724,643**	**231,613**	**(2,105,401)**	**(76,377)**	**8,774,478**

The annexed notes from 1 to 43 form an integral part of these unconsolidated financial statements.

Jahangir Siddiqui	Kalim-ur-Rahman	Rafique R. Bhimjee	Adil Matcheswala
Chairman	President/Chief Executive Officer	Director	Director

JS BANK

UNCONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011
		Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**1,010,994**	535,752
Less: Dividend income		**(163,374)**	(20,433)
		847,620	515,319
Adjustments:			
Depreciation	12.2	**223,030**	226,386
Amortisation of intangible assets	12.3	**18,910**	17,436
Charge for defined benefit plan	34.6	**22,622**	17,336
Unrealised (gain) / loss on revaluation of investments classified as held-for-trading	10.4	**(926)**	3,010
Provision / (reversal) against non-performing advances -net	11.4	**457,504**	(13,675)
Provision / (reversal) of diminution in value of investments -net	10.3	**52,424**	(137,524)
Share of profit from associate - net of tax		**-**	(34,118)
Gain on sale of fixed assets		**(45,502)**	(15,050)
		728,062	63,801
		1,575,682	579,120
(Increase) / decrease in operating assets			
Lendings to financial institutions		**132,145**	(429,743)
Held for trading securities		**3,959,877**	(4,693,469)
Advances		**(2,493,647)**	(4,026,990)
Other assets (excluding advance taxation)		**(175,918)**	(285,830)
		1,422,457	(9,436,032)
Increase / (decrease) in operating liabilities			
Bills payable		**(533,247)**	877,374
Borrowings		**5,230,629**	(2,577,302)
Deposits		**21,056,762**	15,210,703
Other liabilities		**421,733**	(627,320)
		26,175,877	12,883,455
		27,598,334	3,447,423
Gratuity paid		**(75,000)**	-
Income tax paid		**(43,343)**	(45,061)
Net cash flows from operating activities		**29,055,673**	3,981,482
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investment in available-for-sale securities		**(26,737,586)**	(2,831,072)
Dividend received		**163,374**	20,433
Payments for operating fixed assets		**(409,271)**	(391,474)
Proceeds on sale of property and equipment disposed-off		**69,155**	24,204
Net cash used in investing activities		**(26,914,328)**	(3,177,909)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of share capital		**-**	-
Net cash flows from financing activities		**-**	-
Increase in cash and cash equivalents		**2,141,345**	803,573
Cash and cash equivalents at beginning of the year		**4,016,008**	3,212,435
Cash and cash equivalents at end of the year	32	**6,157,353**	4,016,008

The annexed notes from 1 to 43 form an integral part of these unconsolidated financial statements.

Jahangir Siddiqui	Kalim-ur-Rahman	Rafique R. Bhimjee	Adil Matcheswala
Chairman	President/Chief Executive Officer	Director	Director

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

1. STATUS AND NATURE OF BUSINESS

1.1 JS Bank Limited (the Bank), incorporated in Pakistan, is a scheduled bank, engaged in commercial banking and related services. The Bank's ordinary shares are listed on Karachi Stock Exchange in Pakistan. The Bank is a subsidiary of Jahangir Siddiqui & Co. Ltd. The registered office of the Bank is situated at Shaheen Commercial Complex, Dr. Ziauddin Ahmed Road, Karachi. The Bank operates with 185 (December 31, 2011: 147) branches / sub-branches in Pakistan. The Pakistan Credit Rating Agency (Private) Limited (PACRA) has upgraded the long-term entity rating of JS Bank from "A" to "A+" (Single A Plus), while maintaining the short term rating at "A1" (A One).

1.2 Jahangir Siddiqui Investment Bank Limited (JSIBL, formerly Citicorp Investment bank Limited which was acquired by Jahangir Siddiqui & Co. Ltd. (JSCL) on February 01, 1999) and its holding company, JSCL, entered into a Framework Agreement with American Express Bank Limited, New York (AMEX) on November 10, 2005 for acquisition of its American Express Bank Limited (AEBL) Pakistan Operations. Consequently, a new banking company, JS Bank Limited (JSBL) was incorporated on March 15, 2006 and a restricted Banking License was issued by the State Bank of Pakistan (SBP) on May 23, 2006.

A Transfer Agreement was executed on June 24, 2006 between JSIBL and JSBL for the transfer of entire business and undertaking of JSIBL to JSBL and a separate Transfer Agreement was also executed on June 24, 2006 between AMEX and JSBL for the transfer of AEBL's commercial banking business in Pakistan with all assets and liabilities (other than certain excluded assets and liabilities) (AEBL business). The shareholders of JSIBL and JSBL in their respective extra ordinary general meetings held on July 31, 2006 approved a Scheme of Amalgamation (the Scheme) under Section 48 of the Banking Companies Ordinance, 1962. The Scheme was initially approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter No. SC/NBF-C(J)-R/JSIBL/2006/517 dated September 28, 2006. Subsequently, the Scheme was sanctioned by the State Bank of Pakistan (SBP) vide its order dated December 02, 2006 and, in accordance therewith, the effective date of amalgamation was fixed at December 30, 2006.

The Bank has signed a Sale and Purchase Agreement on September 10, 2012 with HSBC Middle East Limited for acquisition of HSBC - Pakistan operations. In this regard the Bank has applied to the SBP for an approval. Once the approval is received, the Bank will proceed towards completing other procedural formalties.

1.3 The State Bank of Pakistan (SBP) through its BSD Circular No. 7 dated April 15, 2009 has prescribed that the minimum paid up capital (net of losses) for Banks / Development Finance Institutions (DFIs) be raised to Rs.10 billion by the year ending December 31, 2013. The raise is to be achieved in a phased manner requiring Rs.9 billion paid-up capital (free of losses) by the end of the financial year 2012. To meet the shortfall in the Minimum Capital Requirement (MCR) of the SBP, the Bank acquired in previous year 25,525,169 shares of JS Global Capital Limited (JSGCL) from Jahangir Siddiqui & Co. Ltd. (JSCL) and other shareholders of JSGCL in exchange of issuance of 185,321,537 new shares of the Bank. Further during the current year the Bank acquired 52,236,978 shares of JS Investments Limited (JSIL) from JSCL and other shareholders of JSIL in exchange for issue of 72,171,251 shares of the Bank. As a result of these transactions the paid up capital of the Bank increased by 1.885 billion. The paid-up capital (free of losses) of the Bank as at December 31, 2012 stood at Rs.8.543 billion.

To meet the shorfall in the required MCR, the Bank has plans based on which the SBP has granted an extension upto June 30, 2013 for compliance, subject to certain conditions.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

2. BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding the conversion of the banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the Bank 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.

These financial statements are separate financial statements of the Bank in which the investments in subsidiary are stated at cost and have not been accounted for on the basis of reported results and net assets of the investees which is done in the consolidated financial statements.

3. BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention except that certain assets are stated at revalued amounts / fair value as disclosed in their respective notes.

4. STATEMENT OF COMPLIANCE

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

4.2 The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for Banking companies till further instructions. Further, according to the notification of the Securities and Exchange Commission of Pakistan (SECP) dated April 28, 2008, the IFRS - 7 “Financial Instruments: Disclosures” has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

4.3 Adoption of New Standards, and Amendments and Interpretations to the published approved accounting standards:

a. The following standards, amendments and interpretations are effective for the year ended December 31, 2012. These standards, interpretations and the amendments are either not relevant to the Company’s operations or are not expected to have significant impact on the Company’s financial statements other than certain additional disclosures.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

Standards/Amendments/Interpretations	**Effective from accounting period beginning on or after**
Ammendment to IAS 12 - Income Taxes – Deferred Tax: Recovery of Underlying Assets	January 1, 2012

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset.

Amendments to IFRS 7 - Financial Instruments: Disclosures - Transfer of financial assets	July 1, 2011

The amendment provides enhanced disclosures for 'transferred financial assets that are derecognized in their entirety' and transferred assets that are not derecognized in their entirety.

4.4 Standards, interpretations and amendments to the published approved accounting standards not yet effective:

The following Standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Standards/Amendments/Interpretations	**Effective from accounting period beginning on or after**
Amendments to IAS 1 - Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income	July 1, 2012

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gains on hedges of net investments, exchange differences on translation of foreign operations, net movements on cash flow hedges and net losses or gains on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans).

Amendments to IAS 1 - Presentation of Financial Statements - Clarification of Requirements for Comparative information	January 1, 2013

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

Amendments to IAS 16 - Property, Plant and Equipment - Classification of servicing equipment.	January 1, 2013

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction.	January 1, 2013

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities.	January 1, 2014

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact to the entity by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.

Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities.	January 1, 2013

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities.	January 1, 2013

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 27 (Revised 2011) – Separate Financial Statements due to not adoption of IFRS 10 and IFRS 11
- IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to not adoption of IFRS 10 and IFRS 11

b. The potential impact of standards, amendments and interpretations not yet effective on the financial statements on the Company is as follows:

The amendments to IAS 19 Employee Benefits are effective for annual period beginning on or after January 1, 2013. The amendments eliminate the corridor approach and therefore require an entity to recognize changes in defined benefit plans obligations and plan assets when they occur. All actuarial gains or losses in other comprehensive income arising during the year are recognized immediately through other comprehensive income. The amendments also require additional disclosures and retrospective application with certain exceptions. Management anticipates that the amendments will be adopted in the Bank's financial statements for annual period beginning on or after January 1, 2013, and the application of amendments may have impact on amounts reported in respect of defined benefit plans.

5. CRITICAL ACCOUNTING ESTIMATES AND KEY SOURCES OF ESTIMATION UNCERTAINITY

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions in accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in application of accounting policies are as follows:

i) Classification of investments

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

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

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

ii) Provision against non performing loans and advances

The Bank reviews its loan portfolio to assess amount of non-performing loans and advances and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower, the forced sale value of the securities and the requirement of the Prudential Regulations are considered. For portfolio impairment provision on consumer advances, the Bank follows, the general provision requirement set out in Prudential Regulations.

iii) Valuation and impairment of available for sale equity investments

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

iv) Income taxes

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

v) Fair value of derivatives

The fair value of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant interest rates in effect at the balance sheet date and the rates contracted.

vi) Fixed assets, depreciation and amortisation

In making estimates of the depreciation / amortisation method, the management uses a method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard - 8, "Accounting Policies, Changes in Accounting Estimates and Errors".

vii) Defined benefits plans and other benefits

Liability is determined on the basis of actuarial advice using the Projected Unit Credit Method.

viii) Impairment of investments in associate and subsidiary

The Bank determined that a significant or prolonged decline in the fair value of its investments in associate and subsidiary below their cost is an objective evidence of impairment. The impairment loss is recognized when the higher of fair value less cost to sell and value in use exceeds the carrying value.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

ix) Impairment of Goodwill

Impairment testing involves a number of judgmental areas which are subject to inherent significant uncertainty, including the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting and the assessment of the discount rate appropriate to the business. The carrying amount of goodwill at the balance sheet date was Rs. 1,463.624 million. The details assumptions underlying impairment testing of goodwill are given in note 12.3.3 to these unconsolidated financial statements.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Cash and cash equivalents

Cash and cash equivalents represent cash and balances with treasury banks and balances with other banks net of any overdrawn nostro accounts.

6.2 Lendings to / borrowings from financial institutions

The Bank enters into transactions of lendings to / borrowings from financial institutions at contracted rates for a specified period of time. These are recorded as under:

(a) Sale under repurchase obligation

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

(b) Other lendings

Other lendings include term lendings and unsecured lendings to financial institutions. These are stated net of provision. Mark-up on such lendings is charged to profit and loss account on a time proportionate basis using effective interest rate method except mark-up on impaired/delinquent lendings, which are recognized on receipt basis.

(c) Purchase under resale obligation

Securities purchased under agreement to resell (reverse repo) are not included in statement of financial position as the Bank does not obtain control over the securities. Amount paid under these agreements is included in lendings to financial institutions or advances as appropriate. The difference between the contracted price and resale price is amortised over the period of the contract and recorded as income using effective interest method.

(d) Other borrowings

Other borrowings include borrowings from the SBP and unsecured call borrowings which are recorded at the proceeds received. Mark-up paid on such borrowings is charged to the profit and loss account over the period of borrowings on time proportionate basis using effective interest method.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

6.3 Trade date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Bank. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market place.

6.4 Investments

The management determines the appropriate classification of its investments at the time of purchase and classifies these investments as held-for-trading, available-for-sale or held-to-maturity. These are initially recognised at cost, being the fair value of the consideration given plus, in the case of investments not held for trading, directly attributable acquisition costs.

(a) Held-for-trading

These are securities which are either acquired for generating profit from short-term fluctuations in market prices, interest rate movements, dealer's margin or are securities in a portfolio in which a pattern of short-term profit taking exists. These securities are carried at fair value with any related gain or loss being recognized in profit and loss.

(b) Held to maturity

These are securities with fixed or determinable payments and fixed maturities that are held with the intention and ability to held-to-maturity. Investments classified as held-to-maturity are carried at amortised cost.

(c) Available-for-sale

These are investments that do not fall under the held-for-trading or held-to-maturity categories. These are initially recognised at cost, being the fair value of the consideration given including the acquisition cost.

Investments in subsidiaries and associates are stated at cost. Provision is made for any impairment in the value of investments.

In accordance with the requirements of the SBP, quoted securities, other than those classified as held-to-maturity and investment in subsidiary, are carried at market value. Investments classified as held-to-maturity are carried at amortised cost using the effective interest method (less impairment, if any).

Further, in accordance with the requirements of the SBP, gain or loss on revaluation of the Bank's held-for-trading investments is taken to the profit and loss account. The surplus or deficit on investments classified as available-for-sale is kept in a separate account shown in the statement of financial position below equity. The surplus or deficit arising on these securities is taken to the profit and loss account when actually realised upon disposal or when investment is considered to be impaired. The unrealised surplus or deficit arising on revaluation of quoted securities which are classified as 'held-for-trading' is taken to the profit and loss account.

Premium or discount on acquisition of investments is capitalised and amortised through the profit and loss account using effective yield over the remaining period till maturities.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

Provision for diminution in the value of securities (except for term finance certificates) is made after considering impairment, if any, in their value. Provision for diminution in value of term finance certificates is made in accordance with the requirements of the Prudential Regulations issued by the SBP.

6.5 Financial instruments

6.5.1 Financial assets and financial liabilities

Financial assets and liabilities are recognized at the time when the Bank becomes party to the contractual provision of the instrument. Financial assets are de-recognized when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognized when obligation specific in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognized in the profit and loss account of the current period. The particular recognition and subsequent measurement method for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

6.5.2 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

6.6 Off-setting of financial assets and financial liabilities

Financial assets and liabilities are set off and the net amount is reported in the financial statements when there exists a legally enforceable right to set off and the Bank intends either to settle the assets and liabilities on a net basis or to realise the assets and to settle the liabilities simultaneously. Income and expenses arising from such assets and liabilities are accordingly offset.

6.7 Advances (including net investment in finance lease)

6.7.1 Loan and advances

Advances are stated net of general and specific provision. General and specific provisions against funded loans are determined in accordance with the requirements of the Prudential Regulations issued by the SBP and charged to the profit and loss account. Advances are written off when there are no realistic prospects of recovery.

6.7.2 Finance lease receivables

Leases, where the bank transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognised at an amount equal to the present value of the lease payment including any guaranteed residual value, if any. Net investment in finance lease is included in loans and advances to customers.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

6.8 Operating fixed assets and depreciation

Tangible assets

Owned assets are stated at cost less accumulated depreciation and impairment, if any, except land, which is stated at cost.

Depreciation is calculated and charged to profit and loss account using the straight-line method so as to write down the cost of the assets to their residual values over their estimated useful lives at the rates given in note 12. A full month's depreciation is charged from the month in which assets are brought into use and no depreciation is charged for the month in which the disposal is made. The residual values, useful lives and depreciation methods are reviewed and changes, if any, are treated as change in accounting estimates, at each balance sheet date.

Subsequent costs are included in the asset's carrying amount or 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in the profit and loss account in the year the asset is derecognised.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment, if any. Intangible assets are amortised from the month when the assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortised over its estimated useful life over which economic benefits are expected to flow to the Bank. The useful life and amortisation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Intangible assets having an indefinite useful life are carried at cost less any impairment in value and are not amortised. Intangible assets having an indefinite useful life are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Capital work-in-process

Capital work-in-process is stated at cost less impairment losses, if any. These are transferred to specified assets as and when assets are available for use.

6.9 Impairment

At each balance sheet date, the Bank reviews the carrying amounts of its assets other than deferred tax asset to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the higher of net selling price (being fair value less cost to sell) and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit and loss account immediately.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognized as income.

6.10 Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemptions available, if any, or minimum tax on turnover, whichever is higher. The charge for current tax also includes adjustments, where considered necessary, relating to prior years arising from assessments made during the year.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. Deferred tax liability is recognized on taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses, if any only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences are expected to reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the profit and loss account.

Deferred tax, if any, on revaluation of investments is recognised as an adjustment to surplus / (deficit) arising on revaluation in accordance with the requirements of IAS-12 "Income Taxes".

6.11 Provisions

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

Provision against identified non-funded losses is recognised when intimated and reasonable certainty exists for the Bank to settle the obligation. The loss is charged to profit and loss account net of expected recovery.

6.12 Staff retirement benefits

Defined contribution plan

The Bank has established a provident fund scheme for all permanent employees effective from January 01, 2007. Equal monthly contributions are made, both by the Bank and the employees, to the fund at the rate of 10 percent of basic salary. Contribution by the Bank is charged to profit and loss account.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

Defined benefit plan

The Bank operates a funded gratuity scheme covering all employees, which requires contribution to be made in accordance with the actuarial recommendations. The most recent valuation in this regard was carried out as at December 31, 2012, using the projected unit credit actuarial valuation method. Under this method cost of providing for gratuity is charged to profit and loss account so as to spread the cost over the service lives of the employees in accordance with the actuarial valuation. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plan.

6.13 Revenue recognition

Revenue is recognized to the extent that economic benefits will flow to the Bank and the revenue can be reliably measured. These are recognized as follows;

- Mark-up / return / interest income on regular loans and advances and investments is recognised on accrual basis using effective interest method. Mark-up / return / interest income on classified advances is recognised on receipt basis.

- Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease.

  Gains / losses on termination of lease contracts, documentation charges, front-end fees and other lease income are recognized as income on receipt basis.

- Commission is recognised as income at the time of affecting the transaction to which it relates. Fees are recognised when earned.

- Dividend income is recognised when the right to receive the dividend is established.

6.14 Dividend and appropriation to reserves

Dividend and appropriation to reserves except for statutory reserves are recognised in the financial statements in the periods in which these are approved.

6.15 Foreign currencies

Functional and presentation currency

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

Foreign currency transactions

Transactions in foreign currencies are translated into rupees at the foreign exchange rates ruling on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the balance sheet date. Forward foreign exchange contracts are valued at forward rates applicable to their respective maturities.

Translation gains and losses

Translation gains and losses are included in the profit and loss account.

Commitments

Commitments for outstanding forward foreign exchange contracts disclosed in these financial statements are translated at contracted rates. Contingent liabilities/commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the balance sheet date.

6.16 Goodwill

Goodwill acquired in a business combination before July 01, 2009 is initially measured at cost, being the excess of the cost of the business combination over the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Bank's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units or groups of units.

6.17 Segment reporting

A segment is a distinguishable component of the Bank that is subject to risks and rewards that are different from those of other segments. A business segment is one that is engaged either in providing certain products or services, whereas a geographical segment is one engaged in providing certain products or services within a particular economic environment. Segment information is presented as per the Bank's functional structure and the guidance of State Bank of Pakistan. The Bank comprises of the following main business segments:

6.17.1 Business segments

Corporate finance

This includes investment banking activities such as mergers and acquisitions, underwriting, privatization, securitization, Initial Public Offers (IPOs) and secondary private placements.

Trading and sales

This segment undertakes the Bank's treasury, money market and capital market activities.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

Retail banking

Retail banking provides services to small borrowers i.e. consumers, small and medium enterprises (SMEs) and borrowers' and agricultural sector. It includes loans, deposits and other transactions with retail customers.

Commercial banking

This includes loans, deposits and other transactions with corporate customers.

Payment and settlement

This includes activities such as payment and collections, fund transfer, clearing and settlement etc.

6.17.2 Geographical segment

The Bank has 185 (December 31, 2011: 147) branches / sub-branches and operates only in one geographic region which is Pakistan.

6.18 Assets acquired in satisfaction of claims

The Bank occasionally acquires assets in settlement of certain advances. These are stated at lower of the net realizable value of the related advances and the current fair value of such assets.

6.19 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Bank in statement of financial position.

6.20 Earnings per share

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011
		Rupees in '000	
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		**1,198,305**	828,969
Foreign currencies		**203,140**	177,363
		1,401,445	1,006,332
With State Bank of Pakistan in			
Local currency current account		**2,324,310**	1,917,125
Foreign currency accounts			
- Cash reserve account - non remunerative	7.1	**194,299**	140,765
- Special cash reserve account - remunerative	7.2	**573,183**	419,147
- Local US Dollar instruments collection and settlement account - remunerative	7.3	**29,162**	7,098
		3,120,954	2,484,135
With National Bank of Pakistan in			
- Local currency current accounts		**499,919**	385,133
- Foreign currencies current account	7.4	**1,160**	4,063
		501,079	389,196
National Prize Bonds		**4,319**	1,025
		5,027,797	3,880,688

7.1 This represents current account maintained with the SBP under the requirements of BSD Circular No. 18 dated June 30, 2008.

7.2 This represents deposit account maintained with SBP under the requirements of BSD Circular No. 18 dated June 30, 2008. Profit rates on this deposit account are fixed on a monthly basis by the SBP. It carries profit of 0% (2011: 0%) per annum.

7.3 This represents mandatory reserve maintained to facilitate collection and settlement and to settle foreign currency accounts under FE-25, as prescribed by the SBP. Profit rates on this account are fixed on a monthly basis by the SBP. It carries profit at 0% (2011: 0%) per annum.

7.4 This represents balance held in current account with a foreign branch of National Bank of Pakistan.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011
		Rupees in '000	
8. BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		**115,008**	74,704
On deposit accounts	8.1	**60**	60
		115,068	74,764
Outside Pakistan			
On current accounts		**455,494**	39,220
On deposit accounts	8.2	**607,703**	22,896
		1,063,197	62,116
		1,178,265	136,880

8.1 These carry mark-up at the rate of 0% (2011: 0%) per annum.

8.2 This represents deposits accounts / term placements outside Pakistan, carrying mark-up rate at 0% (2011: 0%) per annum.

	Note	2012	2011
		Rupees in '000	
9. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	9.1	**600,000**	1,000,000
Lendings to financial institutions	9.2	**1,136,983**	772,758
Repurchase agreement lendings	9.3 & 9.4	**2,203,975**	2,300,345
		3,940,958	4,073,103

9.1 These represent unsecured call money lendings to financial institutions, carrying interest at the rates ranging between 7.50% to 9.75% (2011: 11.55% to 12.50%) per annum. These are due to mature between January 02, 2013 to January 4, 2013.

9.2 These represents secured lendings to various financial institutions, carrying interest at the rates ranging between 1.50% and 14.03% (2011: 1.50% and 14.92%) per annum. These are due to mature between June 30, 2013 to June 07, 2017.

9.3 These are secured short-term lendings to various financial institutions, carrying mark-up rates ranging from 8.00% to 11.25%. These are due to mature between January 02, 2013 to January 21, 2013. These are collaterlized by Market Treasury Bills and Pakistan Investment Bonds as shown in Note 9.6 below.

9.4 Included herein the sum of Rs. 200 million (December 31, 2011: 270.080 million) having market value of Rs. 204.675 million (December 31, 2011: Rs 270.264 million) due from a related party carrying a mark-up rate of 8.30% (2011: 11.90%) is due to mature on January 04, 2013.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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	2012	2011
	Rupees in '000	
9.5 Particulars of lendings		
In local currency	**3,940,958**	4,073,103
In foreign currencies	**-**	-
	3,940,958	4,073,103

9.6 Securities held as collateral against reverse repurchase lendings to financial institutions

Market values of securities held as collateral against reverse repurchase lendings to financial institutions are as under;

	2012			2011		
	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	**1,169,912**	**-**	**1,169,912**	1,982,291	-	1,982,291
Term Finance Certificates	**-**	**-**	**-**	67,574	-	67,574
Pakistan Investment Bonds	**1,071,812**	**-**	**1,071,812**	253,690	-	253,690
	2,241,724	**-**	**2,241,724**	2,303,555	-	2,303,555

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10. INVESTMENTS - net

	Note	2012 Held by bank	2012 Given as collateral	2012 Total	2011 Held by bank	2011 Given as collateral	2011 Total
		Rupees in '000					
10.1 Investments by type							
Held-for-trading securities							
Market Treasury Bills	10.2.1	**1,444,063**	-	**1,444,063**	4,755,721	-	4,755,721
Pakistan Investment Bonds	10.2.1	**505,542**	-	**505,542**	208,211	-	208,211
Ijara Sukuk	10.2.1	**149,440**	-	**149,440**	998,000	-	998,000
Open end mutual funds	10.2.10	-	-	-	100,000	-	100,000
		2,099,045	-	**2,099,045**	6,061,932	-	6,061,932
Available-for-sale securities							
Market Treasury Bills	10.2.1 & 10.2.2	**26,937,159**	**7,041,450**	**33,978,609**	5,951,430	1,696,954	7,648,384
Pakistan Investment Bonds	10.2.1	**3,746,352**	-	**3,746,352**	4,421,546	-	4,421,546
Ordinary shares of listed companies	10.2.3	**1,042,548**	-	**1,042,548**	19,096	-	19,096
Preference shares of listed company	10.2.4	**143,739**	-	**143,739**	95,503	-	95,503
Term Finance Certificates-listed	10.2.5	**1,589,004**	-	**1,589,004**	1,375,972	-	1,375,972
Term Finance Certificates-unlisted	10.2.6	**627,750**	-	**627,750**	783,774	-	783,774
Sukuk Certificates-unlisted	10.2.7	**105,294**	-	**105,294**	193,966	-	193,966
Commercial Papers	10.2.8	-	-	-	51,256	-	51,256
Closed end mutual funds	10.2.9	**109,331**	-	**109,331**	118,601	-	118,601
Open end mutual funds	10.2.10	**40,000**	-	**40,000**	264,290	-	264,290
US dollar bonds	10.2.11	**787,052**	-	**787,052**	459,705	-	459,705
		35,128,229	**7,041,450**	**42,169,679**	13,735,139	1,696,954	15,432,093
Investment in subsidiaries	10.2.12	**1,919,121**	-	**1,919,121**	1,357,929	-	1,357,929
Total investments at cost		**39,146,395**	**7,041,450**	**46,187,845**	21,155,000	1,696,954	22,851,954
Less: Provision for diminution in value of investments	10.3	**(208,344)**	-	**(208,344)**	(155,920)	-	(155,920)
Investments (net of provision)		**38,938,051**	**7,041,450**	**45,979,501**	20,999,080	1,696,954	22,696,034
Unrealised gain / (loss) on revaluation of investments classified as held-for-trading	10.4	**926**	-	**926**	(3,010)	-	(3,010)
Surplus / (deficit) on revaluation of available-for-sale securities	20	**262,883**	**16,088**	**278,971**	(42,522)	(678)	(43,200)
Total investments at carrying value		**39,201,860**	**7,057,538**	**46,259,398**	20,953,548	1,696,276	22,649,824

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

		Note	2012	2011
			Rupees in '000	
10.2	**Investments by segments**			
	Federal Government Securities			
	Market Treasury Bills	10.2.1 & 10.2.2	**35,422,672**	12,404,105
	Pakistan Investment Bonds	10.2.1	**4,251,894**	4,629,757
	Ijara Sukuk	10.2.1	**149,440**	998,000
			39,824,006	18,031,862
	Fully Paid Ordinary Shares			
	Listed companies	10.2.3	**1,042,548**	19,096
	Fully Paid Preference Shares			
	Listed companies	10.2.4	**143,739**	95,503
	Term Finance Certificates			
	Term Finance Certificates – listed	10.2.5	**1,589,004**	1,375,972
	Term Finance Certificates – unlisted	10.2.6	**627,750**	783,774
	Sukuk Certificates	10.2.7	**105,294**	193,966
			2,322,048	2,353,712
	Mutual Funds			
	Closed end mutual funds	10.2.9	**109,331**	118,601
	Open end mutual funds	10.2.10	**40,000**	364,290
			149,331	482,891
	Others			
	Commercial Papers	10.2.8	**-**	51,256
	US Dollar Bonds	10.2.11	**787,052**	459,705
			787,052	510,961
	Investment in subsidiaries	10.2.12	**1,919,121**	1,357,929
	Total investments at cost		**46,187,845**	22,851,954
	Less: Provision for diminution in value of investments	10.3	**(208,344)**	(155,920)
	Investments (net of provisions)		**45,979,501**	22,696,034
	Unrealized gain / (loss) on revaluation of held for trading securities	10.4	**926**	(3,010)
	Surplus / (deficit) on revaluation of available-for-sale securities	20	**278,971**	(43,200)
	Total investments at carrying value		**46,259,398**	22,649,824

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

10.2.1 Principal terms of investment in Federal Government Securities

Name of investment	Maturity	Redemption Period	Coupon
Market Treasury Bills	January 10, 2013 to November 14, 2013	On maturity	At maturity
Pakistan Investment Bonds	October 6, 2013 to July 19, 2022	On maturity	Half Yearly
Ijara Sukuk	March 02, 2015	On maturity	Half Yearly

10.2.2 Included herein are Market Treasury Bills having a book value of Rs. 7,041.450 million (December 31, 2011: Rs.1,696.954 million), given as collateral against repurchase agreement borrowings from financial institutions.

10.2.3 Details of investment in Ordinary shares - listed

	Shares of Rs.10 each		Rating	Cost		Market value	
	2012	2011		2012	2011	2012	2011
	Numbers			Rupees in '000			
Available-for-sale securities							
Adamjee Insurance Company Limited	**2,795,353**	-	AA	**213,123**	-	**190,475**	-
D.G Khan Cement Limited	**2,264,000**	-	Unrated	**123,227**	-	**123,569**	-
Fauji Fertilizer Company Limited	**1,940,700**	100,000	Unrated	**231,061**	15,381	**227,334**	14,953
Ghani Glass Limited	**9,090,908**	83,326	Unrated	**347,587**	3,715	**558,636**	3,419
Indus Motor Company Limited	**9,200**	-	Unrated	**2,575**	-	**2,484**	-
Millat Tractors Limited	**188,500**	-	Unrated	**103,453**	-	**106,420**	-
Samba Bank Limited	**7,742,500**	-	Unrated	**19,390**	-	**23,150**	-
Shifa International Hospitals Limited	**50,000**	-	Unrated	**2,132**	-	**2,025**	-
				1,042,548	**19,096**	**1,234,093**	**18,372**

10.2.4 Details of investment in preference shares - listed

	Shares of Rs.10 each		Rating	Cost		Market value	
	2012	2011		2012	2011	2012	2011
	Numbers			Rupees in '000			
Available-for-sale securities							
Agritech Limited	**4,823,746**	-	D	**48,236**	-	**48,719**	-
Chenab Limited - 9.25% per annum cumulative preference shares (note 10.2.4.1)	**13,357,000**	13,357,000	Unrated	**95,503**	95,503	**14,025**	22,707
				143,739	95,503	**62,744**	22,707

10.2.4.1 These are cumulative preference shares redeemable in part after four years from the date of issuance i.e. August 2008. The investee company also has option to redeem, in part, cumulative preference shares after August 2008. The Bank has recognized full impairment on these shares amounting to Rs. 95.503 million (December 31, 2011: 72.796 million) due to decline in fair market value of the shares.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

10.2.5 Details of investment in Term Finance Certificates - listed *

	Certificates		Rating	Cost		Market value	
	2012	2011		2012	2011	2012	2011
Available-for-sale securities	Numbers			Rupees in '000			
Allied Bank Limited - 2nd Issue	**9,000**	9,000	AA	**44,946**	44,964	**43,823**	42,641
Askari Bank Limited - 1st Issue	**1,080**	1,080	AA-	**5,384**	5,386	**5,382**	5,382
Askari Bank Limited - 3rd Issue	**8,236**	8,236	AA-	**41,220**	41,244	**45,422**	42,125
Bank Alfalah Limited - 2nd Issue	**-**	19,000	AA-	**-**	63,166	**-**	63,149
Engro Fertilizer Limited - 1st Issue	**45,880**	45,880	A	**227,142**	226,769	**223,293**	224,473
Engro Fertilizer Limited - 3rd Issue	**35,119**	35,119	A	**161,659**	175,686	**146,914**	178,177
Faysal Bank Limited	**2,341**	2,341	AA-	**11,682**	11,686	**11,863**	11,608
Faysal Bank Limited - 3rd Issue	**3,090**	3,090	AA-	**3,853**	7,700	**3,859**	7,742
NIB Bank Limited	**43,898**	30,798	A+	**215,654**	148,962	**219,645**	150,710
Orix Leasing Pakistan Limited - 2nd Issue (face value of Rs.100,000 each)	**1,294**	1,134	AA+	**77,640**	113,400	**77,087**	117,418
Pak Arab Fertilizer Limited - 2nd Issue	**75,343**	39,950	AA	**113,004**	147,370	**113,057**	148,479
Pakistan Mobile Communication Limited	**31,260**	31,260	AA-	**25,888**	76,885	**26,117**	78,236
Pakistan Mobile Communication Limited	**4,200**	-	AA-	**399,000**	-	**390,141**	-
United Bank Limited - 2nd Issue unsecured	**15,317**	15,837	AA	**76,103**	73,969	**76,281**	72,776
United Bank Limited - 3rd Issue unsecured	**-**	1,000	AA	**-**	3,229	**-**	3,150
World Call Telecommunication Limited	**90,650**	90,650	D	**185,829**	235,556	**135,893**	225,190
				1,589,004	1,375,972	**1,518,777**	1,371,256

* Secured and have a face value of Rs.5,000 each unless specified otherwise.

10.2.5.1 Other particulars of listed Term Finance Certificates are as follows:

Name of the Investee	Profit: Repayment frequency	Profit: Rate per annum	Maturity Date
Allied Bank Limited - 2nd issue	Semi-annually	6 Months KIBOR ask rate plus 1.30% (for five years)	August 28, 2019
Askari Bank Limited - 1st Issue	Semi-annually	6 Months KIBOR ask rate plus 1.50%	February 04, 2013
Askari Bank Limited - 3rd Issue	Semi-annually	6 Months KIBOR ask rate plus 2.95% (for first five years)	November 18, 2019
Engro Fertilizer Limited - 1st Issue	Semi-annually	6 Months KIBOR ask rate plus 1.55%	November 30, 2015
Engro Fertilizer Limited - 3rd Issue	Semi-annually	6 Months KIBOR ask rate plus 2.40%	December 17, 2016
Faysal Bank Limited	Semi-annually	6 Months KIBOR ask rate plus 1.50%	February 10, 2013
Faysal Bank Limited- 3rd Issue	Semi-annually	6 Months KIBOR ask rate plus 1.40%	November 12, 2014
NIB Bank Limited	Semi-annually	6 Months KIBOR ask rate plus 1.15%	March 05, 2016
Orix Leasing Pakistan Limited - 2nd Issue	Quarterly	3 Months KIBOR ask rate plus 2.15 %.	June 30, 2014
Pak Arab Fertilizer Limited - 2nd Issue	Semi-annually	6 Months KIBOR ask rate plus 1.50%	February 28, 2013
Pakistan Mobile Communication Limited	Semi-annually	6 Months KIBOR ask rate plus 2.85%	May 31, 2013
Pakistan Mobile Communication Limited	Quarterly	3 Months KIBOR ask rate plus 2.65%	April 18, 2016
World Call Telecommunication Limited	Semi-annually	6 Months KIBOR ask rate plus 1.60%	October 07, 2013
United Bank Limited - 2nd Issue	Semi-annually	Fixed 9.49%	March 15, 2013

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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10.2.6 Details of Investment in Term Finance Certificates - unlisted, secured

Name of the Investee	Certificates		Rating	Face value per certificate	Cost	
	2012	2011			2012	2011
	—— Numbers ——			Rupees	Rupees in '000	
Askari Bank Limited - 4th Issue	**75**	50	AA-	1,000,000	**75,256**	50,000
Agritech Limited	**30,000**	30,000	D	5,000	**149,860**	149,860
Azgard Nine Limited (related party)	**29,998**	30,000	D	5,000	**65,022**	149,880
Bank Alfalah Limited - 4th Issue	**2,000**	7,000	AA-	5,000	**10,067**	35,286
Engro Fertilizer Limited - 2nd Issue	**1,100**	1,300	A	5,000	**5,027**	5,879
KASB Securities Limited	**-**	14,000	AA-	5,000	**-**	22,901
Nishat Chunian Limited	**50,000**	50,000	A	5,000	**171,875**	234,375
Orix Leasing Pakistan Limited	**3,395**	2,795	AA+	100,000	**56,525**	135,593
Pakistan Mobile Communication Limited	**20,000**	-	Unrated	5,000	**94,118**	-
					627,750	**783,774**

10.2.6.1 Other particulars of unlisted Term Finance Certificates are as follows:

Name of the Investee	Profit: Repayment frequency	Profit: Rate per annum	Maturity date
Askari Bank Limited - (Chief Executive: Mr. M.R. Mehkari)	Semi-annually	6 Months KIBOR ask rate plus 1.75%.	December 23, 2021
Azgard Nine Limited - a related party (Chief Executive: Mr. Ahmed H. Shaikh)	Semi-annually	6 Months KIBOR ask rate plus 1.25%.	December 04, 2017
Agritech Limited (Chief Executive: Mr. Jaudet Bilal)	Semi-annually	6 Months KIBOR ask rate plus 1.75%	November 29, 2019
Bank Alfalah Limited (Chief Executive: Mr. Atif Bajwa)	Semi-annually	6 Months KIBOR ask rate plus 2.50 %.	December 02, 2017
Engro Fertilizer Ltd. (Chief Executive: Mr. Ruhail Mohammad)	Semi-annually	6 Months KIBOR ask rate plus 1.70%.	March 18, 2018
Nishat Chunian Limited (Chief Executive: Mr. Shahzad Saleem)	Quarterly	3 Months KIBOR ask rate plus 2.25%.	September 30, 2015
Orix Leasing Pakistan Limited (Chief Executive: Mr. Teizoon Kisat)	Semi-annually	6 Months KIBOR ask rate plus 1.40%.	January 15, 2013
Pakistan Mobile Communication Limited (Chief Executive: Mr. Rashid Khan)	Quarterly	3 Months KIBOR ask rate plus 2.65%	October 16, 2016

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

10.2.7 Sukuk Certificates - unlisted

Name of the Investee	Certificates		Rating	Face value per certificate	Cost	
	2012	2011			2012	2011
	—— Numbers ——			Rupees	Rupees in '000	
Available-for-sale securities						
Century Paper & Board Mills Limited	**49,950**	49,950	A+	5,000	**97,378**	144,303
Orix Leasing Pakistan Limited	**-**	12,160	AA+	5,000	**-**	10,080
Sitara Chemical Industries Limited	**19,000**	19,000	A+	5,000	**7,916**	39,583
					105,294	193,966

10.2.7.1 Other particulars of Sukuk Certificates are as follows:

Name of the Investee	Profit: Repayment frequency	Profit: Rate per annum	Maturity date
Century Paper & Board Mills Limited (Chief Executive: Mr. Aftab Ahmad)	Semi-annually	6 months KIBOR ask rate plus 1.35%	September 25, 2014
Sitara Chemical Industries Limited (Chief Executive: Mr. Muhammad Adrees)	Quarterly	3 months KIBOR ask rate plus 1.0%	January 02, 2013

10.2.8 Commercial papers are for a period of six months and carry a yield of 0% (2011: 14.16%) per annum.

10.2.9 Closed End Mutual Funds

Fund	Certificates		Rating	Face value per certificate	Cost		Market value	
	2012	2011			2012	2011	2012	2011
	—— Numbers ——			Rupees	———— Rupees in '000 ————			
Available-for-sale								
First Dawood Mutual Fund	-	2,362,100	2-Star	10	-	18,900	-	4,017
JS Value Fund - a related party	**8,745,668**	8,745,668	5-Star	10	**99,701**	99,701	**78,711**	37,606
PICIC Growth Fund	**563,500**	-	1-Star	10	**9,046**	-	**9,241**	-
PICIC Investment Fund	**82,500**	-	2-Star	10	**584**	-	**583**	-
					109,331	118,601	**88,535**	41,623

10.2.10 Open End Mutual Funds

Fund	Units		Rating	Net asset value / Market price per unit	Cost		Market value	
	2012	2011			2012	2011	2012	2011
	—— Numbers ——			Rupees	———— Rupees in '000 ————			
Held For Trading								
JS Cash Fund - a related party	-	987,556	AA+	101.32	-	100,000	-	100,059
Available-for-sale								
JS Funds of Funds - a related party	**114,877**	**-**	4-Star	91.21	**10,000**	**-**	**10,478**	-
JS Islamic Fund - a related party	**539,665**	-	4-Star	56.73	**30,000**	-	**30,615**	-
JS Cash Fund - a related party	-	411,856	AA+	101.32	-	41,573	-	41,729
JS Principal Secure Fund - a related party	-	204,564	AA	111.53	-	22,717	-	22,815
JS Income Fund - a related party	-	2,325,311	A+	86.04	-	200,000	-	200,070
					40,000	364,290	**41,093**	364,673

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10.2.11 Investment in US Dollar Bonds

Name of Bond	Rating	Coupon Rate	Date of Issue	Date of Maturity	Redemption Period in years	Cost 2012	Cost 2011
						Rupees in '000	
Available for sale							
Allianz SE	A2 / A+	5.50%	28-Nov-12	26-Sep-18	5.8	**38,860**	-
Barclays Bank Plc	BBB-	7.63%	21-Nov-12	21-Nov-22	10.0	**97,227**	-
Finansbank AS	Ba2	5.15%	01-Nov-12	01-Nov-17	5.0	**96,231**	-
FLR NTS Emirates NBD PJSC	A3 / A+	3.66%	29-Mar-12	29-Mar-17	5.0	**97,150**	-
Indian Overseas Bank	Baa3 / BBB-	4.63%	21-Aug-12	21-Feb-18	5.5	**99,079**	-
Investec Bank Ltd	Baa1	3.88%	24-Jul-12	24-Jul-17	5.0	**96,631**	-
Sberbank (Sb Cap Sa)	Baa1	5.13%	29-Oct-12	29-Oct-22	10.0	**145,724**	-
Syndicate Bank	Baa2 / BBB-	4.13%	12-Oct-12	12-Apr-18	5.5	**48,374**	-
Tupras-Turkiye Petrol Ra	Ba1	4.13%	02-Nov-12	02-May-18	5.5	**24,238**	-
Turkiye Bankasi	Ba2	6.00%	24-Oct-12	24-Oct-22	10.1	**19,430**	-
Turkiye Garanti Bank	Baa2	4.00%	13-Sep-12	13-Sep-17	5.0	**24,108**	-
ABN Amro Bank	BBB+	6.25%	27-Apr-11	27-Apr-22	11.0	-	89,147
African Bank	BAA2	6.00%	15-Jun-11	15-Jun-16	5.0	-	22,444
Doosan Infracore America Corporation	A	4.50%	23-Nov-11	23-Nov-16	5.0	-	26,912
Gaz Capital SA	BBB	4.95%	23-May-11	23-May-16	5.0	-	44,973
Indian Oil Corporation Limited	BBB-	5.63%	02-Aug-11	02-Aug-21	10.0	-	26,780
NTPC Limited	BBB-	5.63%	14-Jul-11	14-Jul-21	10.0	-	45,120
Royal Bank of Scotland Group	BB+	5.00%	12-Nov-03	12-Nov-13	10.0	-	44,761
Societe Generale Group	A+	2.20%	14-Sep-10	14-Sep-13	3.0	-	21,526
Standard Chartered Bank PLC	BBB+	8.13%	27-May-08	27-Nov-13	5.5	-	56,362
VEB Leasing	BBB	5.13%	27-May-11	27-May-16	5.0	-	36,188
VTB Capital SA	BBB	6.55%	13-Oct-10	13-Oct-20	10.0	-	45,492
						787,052	459,705

10.2.12 Investment in subsidiaries

	Number of shares	Percentage holding	Cost 2012	Cost 2011
			Rupees in '000	
JS Global Capital Limited (JSGCL)	**25,525,169**	**51.05%**	**1,357,929**	1,357,929
JS Investments Limited (JSIL)	**52,236,978**	**52.24%**	**561,192**	-
			1,919,121	1,357,929

The Bank acquired 52,236,978 ordinary shares of JSIL in lieu of issuance of 72,171,251 ordinary shares of the Bank at an agreed share-exchange ratio of 1.387278608 shares of the Bank with one share in JSIL. The transaction consisted of issuance of 71,876,469 ordinary shares as consideration for 52,023,617 ordinary shares of JSIL under Share purchase agreement (SPA) with Jahangir Siddiqui & Co. Ltd. signed on September 24, 2012 and 294,782 ordinary shares as consideration for 213,361 ordinary shares from other shareholders of JSIL from open market through public offer. Further details of the subsidiary are given in consolidated financial statements.

The Bank also controls JS ABAMCO Commodities Limited (JSACL) indirectly through its subsidiary JS Investments Limited which has 100% holding in JSACL.

10.3 Particulars of provision for diminution in value of investments

	2012	2011
	Rupees in '000	
Opening balance	**155,920**	293,444
Charge for the year	**67,332**	10,686
Reversal on disposal of investments	**(14,908)**	(148,210)
	52,424	(137,524)
Closing balance	**208,344**	155,920

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	Note	2012	2011
		Rupees in '000	
10.3.1 Particulars of provision for diminution in value of investments by type and segment			
Available-for-sale			
Preference shares of listed company		**95,503**	72,796
Closed end mutual funds		**68,217**	83,124
Ordinary shares of listed companies		**14,652**	-
Term Finance Certificates-unlisted		**29,972**	-
		208,344	155,920
10.4 Unrealized gain / (loss) on revalution of investments classified as held for trading			
Market Treasury Bills		**146**	(2,695)
Pakistan Investment Bonds		**-**	(374)
Open end mutual funds		**-**	59
Ijara Sukuk		**780**	-
		926	(3,010)

11. ADVANCES - net

	Note	2012	2011
Loans, cash credit, running finances, etc.			
In Pakistan		**19,222,256**	16,532,849
Outside Pakistan		**245,323**	1,116,517
		19,467,579	17,649,366
Net investment in finance lease in Pakistan	11.2	**388,725**	413,039
Bills discounted and purchased (excluding treasury bills)			
payable in Pakistan		**104,080**	320,468
payable outside Pakistan		**1,065,790**	149,654
		1,169,870	470,122
Advances - gross		**21,026,174**	18,532,527
Provision for non-performing advances - specific	11.4	**(970,062)**	(512,666)
Provision for non-performing advances - general	11.4	**(1,191)**	(1,083)
		(971,253)	(513,749)
Advances - net of provision		**20,054,921**	18,018,778
11.1 Particulars of advances (gross)			
11.1.1 In local currency		**19,715,061**	17,266,356
In foreign currencies		**1,311,113**	1,266,171
		21,026,174	18,532,527
11.1.2 Short term (for upto one year)		**18,867,709**	16,078,309
Long term (for over one year)		**2,158,465**	2,454,218
		21,026,174	18,532,527

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FOR THE YEAR ENDED DECEMBER 31, 2012

11.2 Particulars of net investment in finance lease

	2012			2011		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
	Rupees in '000					
Lease rentals receivable	**146,028**	**265,521**	**411,549**	147,370	329,540	476,910
Guaranteed residual value	**-**	**50,202**	**50,202**	-	43,874	43,874
Minimum lease payments	**146,028**	**315,723**	**461,751**	147,370	373,414	520,784
Finance charges for future periods	**36,102**	**36,924**	**73,026**	68,747	38,998	107,745
Present value of minimum lease payments	**109,926**	**278,799**	**388,725**	78,623	334,416	413,039

11.3 Advances include Rs.3,037.264 million (December 31, 2011: Rs.2,776.895 million) which have been placed under non-performing status as detailed below:

Category of classification	Note	2012 Domestic	Overseas	Total	Provision required	Provision held
		Rupees in '000				
Other assets especially mentioned		-	-	-	-	-
Substandard		**406,944**	-	**406,944**	**70,855**	**70,855**
Doubtful		**603,800**	-	**603,800**	**97,899**	**97,899**
Loss		**2,026,520**	-	**2,026,520**	**801,308**	**801,308**
	11.3.1	**3,037,264**	-	**3,037,264**	**970,062**	**970,062**

Category of Classification	2011 Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000				
Other assets especially mentioned	-	-	-	-	-
Substandard	973	-	973	95	95
Doubtful	1,671,373	-	1,671,373	248	248
Loss	1,104,549	-	1,104,549	512,323	512,323
	2,776,895	-	2,776,895	512,666	512,666

11.3.1 The State Bank of Pakistan (SBP) vide its letter number BPRD/BRD(Policy)/2013-1857 dated February 15, 2013 has allowed the relaxation to the Bank from provision required in respect of Bank's exposure in Agritech Limited. The provision will now be made in phased manner at 10% of the required provision by December 31, 2012 and subsequently at 25%, 50%, 75% and 100% by end of each quarter till December 31, 2013. Currently, on prudent basis the Bank has made provision at the rate of 20% of the required provision on the aforesaid exposure. Had the relaxation not been granted by the SBP, the provision charge for the year would have increased by Rs. 584.783 million.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

11.4 Particulars of provision against non-performing advances

	2012			2011		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	**512,666**	**1,083**	**513,749**	525,364	2,060	527,424
Charge for the year	**488,202**	**108**	**488,310**	78,683	-	78,683
Reversals	**(30,806)**	**-**	**(30,806)**	(91,381)	(977)	(92,358)
	457,396	**108**	**457,504**	(12,698)	(977)	(13,675)
Amount written off from the opening balance	**-**	**-**	**-**	-	-	-
Closing Balance	**970,062**	**1,191**	**971,253**	512,666	1,083	513,749
In local currency	**970,062**	**1,191**	**971,253**	512,666	1,083	513,749
In foreign currencies	**-**	**-**	**-**	-	-	-
	970,062	**1,191**	**971,253**	512,666	1,083	513,749

11.4.1 The general provision includes provision made against consumer portfolio in accordance with the Prudential Regulations issued by SBP at 1.5% of fully secured consumer portfolio.

11.5 The Bank has availed total benefit of collateral amounting to Rs. 544.734 million under the directives of the SBP. Had the benefit not been taken the provision charge for the year would have increased by Rs. 544.734 million and profit after tax would have been reduced by Rs. 354.0771 million. As required by the SBP directives, the increase in profit will not be available for distribution as dividend or other appropriations.

11.6 Details of Loan write off Rs. 500,000 and above

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person during the year ended Deecember 31, 2012 is given in Annexure 'A' to these financial statements. These loans are written-off as a book entry whithout prejudice to the Bank's right of recovery against the customers.

11.7 Particulars of loans and advances to directors, associated companies, subsidiaries, etc.

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

	Note	2012	2011
		Rupees in '000	
Balance at the beginning of the year		**322,094**	250,345
Loans granted during the year		**423,801**	164,010
Repayments		**(106,112)**	(92,261)
Balance at the end of the year		**639,783**	322,094

Debts due by subsidiaries and associates are disclosed in note 39

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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	Note	2012	2011
		Rupees in '000	
12. OPERATING FIXED ASSETS			
Capital work-in-progress	12.1	**60,272**	17,591
Property and equipment	12.2	**1,508,088**	1,398,849
Intangible assets	12.3	**1,596,757**	1,604,999
		3,165,117	3,021,439

12.1 Capital work-in-progress

	2012	2011
Property and equipment		
Civil works	**7,953**	3,744
Advances for purchase of furniture & fixtures	**1,870**	2,744
Advance for purchase of vehicles	**23,712**	2,484
Advance for purchase of equipment and softwares	**26,737**	8,619
	60,272	17,591

12.2 Property and equipment

	COST				ACCUMULATED DEPRECIATION					
	As at January 01, 2012	Additions / Adjustments*	Deletions	As at December 31, 2012	As at January 01, 2012	Depreciation On Deletions / Adjustments*	Charge for the year 2012	As at December 31, 2012	Book value as at December 31, 2012	Rate %
	Rupees in '000									
Land, Freehold	117,026	2,341	-	119,367	-	-	-	-	119,367	-
Building on free hold land	55,478	-	-	55,478	1,124	-	883	2,007	53,471	1.01 - 10.00
Building on lease hold land	342,300	-	-	342,300	20,432	-	7,212	27,644	314,656	1.02 - 4.78
Lease hold improvements	474,790	41,350	-	489,944	143,837	-	47,902	181,761	308,183	10
	-	(26,196) *	-	-	-	(9,978)*	-	-	-	-
Furniture and fixture	159,875	34,507	(181)	202,791	56,690	(181)	22,397	82,375	120,416	12.5
	-	8,590 *	-	-	-	3,469*	-	-	-	-
Electrical, office and computer equipment	768,150	119,575	(5,195)	900,136	421,187	(3,040)	93,907	518,563	381,573	12.5 - 33.3
	-	17,606 *	-	-	-	6,509*	-	-	-	-
Vehicles	243,706	158,149	(68,484)	333,371	119,206	(46,986)	50,729	122,949	210,422	20
	2,161,325	355,922	(73,860)	2,443,387	762,476	(50,207)	223,030	935,299	1,508,088	
	-	- *	-	-	-	- *	-	-	-	

	COST				ACCUMULATED DEPRECIATION					
	As at January 01, 2011	Additions	Deletions	As at December 31, 2011	As at January 01, 2011	Depreciation On Deletions	Charge for the year 2011	As at December 31, 2011	Book value As at December 31, 2011	Rate %
	Rupees in '000									
Land, Freehold	-	117,026	-	117,026	-	-	-	-	117,026	-
Building on free hold land	55,478	-	-	55,478	1,124	-	-	1,124	54,354	1.01 - 10.00
Building on lease hold land	342,300	-	-	342,300	20,432	-	-	20,432	321,868	1.02 - 4.78
Lease hold improvements	441,599	33,693	(502)	474,790	90,013	(84)	53,908	143,837	330,953	10
Furniture and fixture	132,693	28,343	(1,161)	159,875	38,957	(632)	18,365	56,690	103,185	12.5
Electrical, office and computer equipment	670,380	99,461	(1,691)	768,150	310,309	(504)	111,382	421,187	346,963	12.5 - 33.3
Vehicles	183,387	81,934	(21,615)	243,706	91,070	(14,595)	42,731	119,206	124,500	20
	1,825,837	360,457	(24,969)	2,161,325	551,905	(15,815)	226,386	762,476	1,398,849	

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12.2.1 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs.325.158 million (December 31, 2011: Rs.238.986 million).

12.2.2 Details of fixed assets deleted with original cost or book value in excess of Rs.1.00 million or Rs.0.25 million respectively (whichever is less).

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Profit / (loss)	Mode of disposal	Buyers' particulars and relationship with Bank (if any)
		Rupees in '000					
Vehicles							
Honda Civic	1,376	1,307	69	1,260	1,191	Negotiation	"Mr. Iqbal Ahmed Khilji Address: 5-C-11/9, Nazimabad, Karachi NIC No. 42101-8918941-3"
Honda Civic	1,376	1,353	23	1,260	1,237	Negotiation	"Mr. Shafiq Pasha, Staff JS Bank Limited"
Honda Civic	1,376	1,215	161	1,366	1,205	Negotiation	"Mr. Ammad Ahmed Ursani Staff JS Bank Limited"
Honda Civic	1,376	1,238	138	1,150	1,012	Insurance Claim	"EFU General Insurance Limited - related party, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi"
Honda Civic	1,376	1,376	-	1,260	1,260	Negotiation	"Mr. Fahad Shaikh Staff JS Bank Limited"
Honda Civic	1,506	1,506	-	1,142	1,142	Negotiation	"Mr. Kanwer Ali Khan, Address: House No. A-135/12, Gulberg, FB Area, Karachi"
Honda Civic	1,506	1,506	-	1,286	1,286	Negotiation	"MR. Syed Imtiaz Bukhari Staff JS Bank Limited"
Honda Civic	1,376	1,376	-	1,270	1,270	Negotiation	"Ms. Nabila Arif Staff JS Bank Limited"
Honda Civic	1,830	153	1,678	1,650	(28)	Insurance Claim	"EFU General Insurance Limited - related party, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi"
Honda Civic	1,891	189	1,702	1,901	199	Insurance Claim	"EFU General Insurance Limited - related party, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi"
Honda Civic	1,759	1,114	645	1,445	800	Negotiation	"Mr. Mushtaq Ahmed Staff JS Bank Limited"
Balance c/f	**16,748**	**12,333**	**4,416**	**14,990**	**10,574**		

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Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Profit/ (loss)	Mode of disposal	Buyers' particulars and relationship with Bank (if any)
			Rupees in '000				
Balance b/f	**16,748**	**12,333**	**4,416**	**14,990**	**10,574**		
Vehicles							
Suzuki Cultus	905	588	317	765	448	Negotiation	Mr. Asad Shahzad
Suzuki Cultus	905	588	317	774	457	Negotiation	MR. Pettocelli Fernandes Staff JS Bank Limited
Suzuki Cultus	830	415	415	738	323	Negotiation	Mr. Ehsan Saeed Staff JS Bank Limited
Suzuki Cultus	850	538	312	775	463	Negotiation	Mr. Rizwan Staff JS Bank Limited
Suzuki Cultus	855	542	313	802	489	Negotiation	Mr. Mian Suhaib Staff JS Bank Limited
Suzuki Cultus	825	440	385	757	372	Negotiation	MR. Anjum Gulzar Staff JS Bank Limited
Suzuki Cultus	815	503	312	765	453	Negotiation	MR. Raja Zahid Staff JS Bank Limited
Toyota Corolla	1,015	880	135	1,106	971	Negotiation	MUKARAM ALI MOTORS Address: 32/3, Main Jail Road, Opp. Toyota Sahara Motors, Lahore
Toyota Corolla	1,564	1,173	391	1,405	1,014	Negotiation	Mr. Zeeshan Wajid- Staff JS Bank Limited
Toyota Corolla	1,462	268	1,194	1,462	268	Insurance Claim	EFU General Insurance Limited - related party, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Toyota Corolla	1,529	204	1,325	1,529	204	Insurance Claim	EFU General Insurance Limited - related party, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Toyota Corolla	1,028	908	120	992	872	Negotiation	Mr. Taufeeq Ahmed Staff JS Bank Limited
Toyota Corolla	1,577	26	1,551	1,577	26	Insurance Claim	EFU General Insurance Limited - related party, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Toyota Corolla	1,025	854	171	1,146	975	Negotiation	Mr. Tayyab Raza Staff JS Bank Limited
Toyota Corolla	1,319	945	374	1,208	834	Negotiation	Mr. Imtiaz Shah Staff JS Bank Limited
Toyota Corolla	1,529	330	1,199	1,510	311	Insurance Claim	EFU General Insurance Limited - related party Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Toyota Corolla	1,426	499	927	1,400	473	Insurance Claim	EFU General Insurance Limited - related party, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Balance c/f	**36,207**	**22,034**	**14,174**	**33,701**	**19,527**		

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FOR THE YEAR ENDED DECEMBER 31, 2012

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Profit/ (loss)	Mode of disposal	Buyers' particulars and relationship with Bank (if any)
			Rupees in '000				
Balance b/f	**36,207**	**22,034**	**14,174**	**33,701**	**19,527**		
Toyota Corolla	1,389	1,042	347	1,205	858	Negotiation	MR. Arafat Yaseen Staff JS Bank Limited
Toyota Corolla	1,608	161	1,447	1,607	160	Insurance Claim	EFU General Insurance Limited - related party, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Toyota Corolla	1,389	1,111	278	1,142	864	Negotiation	Mr. Sultan Hasan, NIC # 42101-1926350-5
Toyota Corolla	1,319	1,055	264	1,201	937	Negotiation	Mr. Shah Irfan Staff JS Bank Limited
Toyota Corolla	1,529	459	1,070	1,550	480	Insurance Claim	EFU General Insurance Limited - related party, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Toyota Corolla	1,607	188	1,419	1,608	189	Insurance Claim	EFU General Insurance Limited - related party, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
	45,048	**26,050**	**18,999**	**42,014**	**23,015**		
Electrical, office and computer equipment							
Generator	1,200	737	463	530	67	Negotiation	ELEVATOR EXP. INTL. Abu Yousaf Traders, 188-Ferozepur Road, Lahore
Generator	1,200	738	462	505	43	Negotiation	ELEVATOR EXP. INTL. Abu Yousaf Traders, 188-Ferozepur Road, Lahore
UPS	615	333	282	-	(282)	Insurance Claim	EFU General Insurance Limited - related party, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
	3,015	**1,808**	**1,207**	**1,035**	**(172)**		
Others (Note 12.2.3)	25,797	22,349	3,447	26,106	22,659	Various	Various
2012	**73,860**	**50,207**	**23,653**	**69,155**	**45,502**		
2011	24,969	15,815	9,154	24,204	15,050		

12.2.3 Other represent disposal whose original cost or book value is not in excess of Rs. 1.0 million or Rs. 0.25 million respectively.

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12.3 Intangible assets

	Note	COST				ACCUMULATED AMORTISATION/ IMPAIRMENT				
		As at January 01, 2012	Additions	Deletions	As at December 31, 2012	As at January 01, 2012	Charge for the year	As at December 31, 2012	Book value as at December 31, 2012	Rate %
		Rupees in '000								
Stock exchange card	12.3.1	**11,000**	-	-	**11,000**	-	-	-	**11,000**	-
Computer software		**182,883**	**10,668**	-	**193,551**	**52,508**	**18,910**	**71,418**	**122,133**	**10**
Goodwill	12.3.2	**1,463,624**	-	-	**1,463,624**	-	-	-	**1,463,624**	-
		1,657,507	**10,668**	-	**1,668,175**	**52,508**	**18,910**	**71,418**	**1,596,757**	

	Note	COST				ACCUMULATED AMORTISATION/ IMPAIRMENT				
		As at January 01, 2011	Additions	Deletions	As at December 31, 2011	As at January 01, 2011	Charge for the year	As at December 31, 2011	Book value as at December 31, 2011	Rate %
		Rupees in '000								
Stock exchange card	12.3.1	11,000	-	-	11,000	-	-	-	11,000	-
Computer software		160,594	22,289	-	182,883	35,072	17,436	52,508	130,375	10
Goodwill	12.3.2	1,463,624	-	-	1,463,624	-	-	-	1,463,624	-
		1,635,218	22,289	-	1,657,507	35,072	17,436	52,508	1,604,999	

12.3.1 During the year, in accordance with the requirements of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (The Act), the Bank was entitled to receive equity Shares of Islamabad Stock Exchange (ISE) and a Trading Right Entitlement in lieu of its Membership card of ISE. The said process of demutualization was finalized during the year and the Bank has been allotted 3,034,603 shares of ISE. Rs. 10/- each based on the revaluation of their assets and liabilities as approved by Securities and Exchange Commission of Pakistan (SECP). The Bank has received 40% equity shares i.e. 1,213,841 shares of ISE. The remaining 60% shares, i.e. 1,820,762 shares, are transferred to blocked CDC account maintained by ISE. The valuation of Trading Right Entitlement and the accounting treatment of shares received from Stock Exchange are under discussion with the Institute of Chartered Accountants of Pakistan (ICAP) and will be finalized in due course.

12.3.2 For impairment testing, goodwill has been allocated to 'Trading and Sales' Segment as Cash Generating Unit (CGU), which is also a reportable segment.

12.3.3 Key assumptions used in value in use calculation

The recoverable amount of the CGU has been determined based on value in use calculation, using cash flow projections based on business projections approved by the Board of Directors of the Bank covering a five year period. The discount rates applied to cash flows beyond the five year period are extrapolated using a terminal growth rate. The following rates are used by the Bank.

	2012	2011
Discount rate	**21.29%**	23.86%
Terminal growth rate	**10.00%**	10.00%

The calculation of value in use is most sensitive to the following assumptions:

(a) Interest margins

Interest margins are based on prevailing industry trends and anticipated market conditions.

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(b) Discount rates

Discount rates reflect management estimates of the rate of return required for each business and are calculated after taking into account the prevailing risk free rate, industry risk and business risk. Discount rates are calculated by using the cost of equity of the Bank.

(c) Key business assumptions

These assumptions are important as they represent management assessment of how the unit's position might change over the projected period. Based on expansion plans, management expects aggressive growth in advances, investments and deposits during the projected periods and thereafter stabilisation in line with industry trends.

(d) Sensitivity to changes in assumptions

The estimated recoverable amount of the 'Trading and Sales' CGU exceeds its carrying amount by approximately Rs. 750.135 million. Management has identified two key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The following table shows the amount that these two assumptions are required to change individually in order for the estimated recoverable amount to be equal to the carrying amount:

	Change required for carrying amount to equal recoverable amount (%)	
	2012	**2011**
Cost of equity	**1.79**	1.86
Terminal growth rate	**(2.86)**	(3.17)

	Note	2012	2011
		Rupees in '000	
13. DEFERRED TAX ASSETS - net			
Deferred tax debits arising from:			
Unused tax losses	13.1 & 13.2	**984,193**	1,248,585
Provision against investments and loans		**179,789**	106,415
Unrealized loss on revaluation of forward foreign exchange contracts		**818**	-
Deferred cost		**-**	235
Provision for gratuity		**-**	26,371
Unrealized loss on revaluation of investment classified as held for trading		**-**	1,053
Minimum tax		**81,968**	86,140
Deficit on revaluation of assets		**-**	15,120
		1,246,768	1,483,919

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	Note	2012	2011
		Rupees in '000	
Deferred tax credits arising due to:			
Fixed assets		**(142,171)**	(140,471)
Goodwill		**(307,361)**	(256,134)
Unrealized gain on revaluation of forward foreign exchange contracts		**-**	(1,436)
Unrealized gain on revaluation of investment classified as held for trading		**(324)**	-
Share of profit from associate		**-**	(3,412)
Surplus on revaluation of assets		**(97,640)**	-
		(547,496)	(401,453)
		699,272	1,082,466

13.1 Movement in temporary differences during the year:

	Balance as at January 01, 2011	Recognised in profit and loss account	Recognised in equity	Balance as at December 31, 2011	Recognised in profit and loss account	Recognised in equity	Balance as at December 31, 2012
	'Rupees in '000						
Deferred tax debits arising from:							
Unused tax losses	1,310,758	(62,173)	-	1,248,585	**(264,392)**	**-**	**984,193**
Provision against investments and loans	231,692	(125,277)	-	106,415	**73,374**	**-**	**179,789**
Unrealized loss on revaluation of forward foreign exchange contracts	-	-	-	-	**818**	**-**	**818**
Deferred cost	472	(237)	-	235	**(235)**	**-**	**-**
Provision for gratuity	-	26,371	-	26,371	**(26,371)**	**-**	**-**
Unrealized loss on revaluation of investment classified as held for trading	-	1,053	-	1,053	**(1,053)**	**-**	**-**
Minimum tax	-	86,140	-	86,140	**(4,172)**	**-**	**81,968**
Deficit on revaluation of assets	-	-	15,120	15,120	**-**	**(15,120)**	**-**
	1,542,922	(74,123)	15,120	1,483,919	**(222,031)**	**(15,120)**	**1,246,768**
Deferred tax credits arising due to:							
Fixed assets	(144,280)	3,809	-	(140,471)	**(1,700)**	**-**	**(142,171)**
Goodwill	(205,048)	(51,086)	-	(256,134)	**(51,227)**	**-**	**(307,361)**
Unrealized gain on revaluation of forward foreign exchange contracts	-	(1,436)	-	(1,436)	**1,436**	-	**-**
Unrealized gain of revaluation of investment classified as held for trading	-	-	-	-	**(324)**	**-**	**(324)**
Share of profit from associate	-	(3,412)	-	(3,412)	**3,412**	**-**	**-**
Surplus on revaluation of assets	(8,980)	-	8,980	-	**-**	**(97,640)**	**(97,640)**
	(358,308)	(52,125)	8,980	(401,453)	**(48,403)**	**(97,640)**	**(547,496)**
	1,184,614	(126,248)	24,100	1,082,466	**(270,434)**	**(112,760)**	**699,272**

13.2 Included herein is a sum of Rs. 51.734 million (December 31, 2011: Rs.305.885 million) representing deferred tax asset relating to American Express Bank Limited - Pakistan Branch, respectively, in respect of tax losses, expected to be available for carry forward and set off against the income of the Bank in terms of Section 57A of the Income Tax Ordinance, 2001. In addition, it also includes deferred tax asset set up in respect of tax loss of the Bank. The management of the Bank believes that based on the projections of future taxable profit, it would be able to realise these tax losses in the future.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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13.3 The management of the Bank has prepared a five year projections which has been approved by the Board of Directors of the Bank. The projections involves certain key assumptions underlying the estimation of future taxable profits projected in the projections. The determination of future taxable profits is most sensitive to certain key assumptions such as cost to income ratio of the Bank, deposit composition, growth of deposits and advances, investment returns, potential provision against assets, branch expansion plan, etc. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset. The management believes that it is probable that the Bank will be able to achieve the profits projected in the projections and consequently the deferred tax asset will be fully realised in the future.

14. OTHER ASSETS

	Note	2012	2011
		Rupees in '000	
Income / mark-up accrued in local currency		**693,691**	601,609
Income / mark-up accrued in foreign currencies		**10,236**	14,891
Advances, deposits, advance rent and other prepayments		**180,689**	156,900
Taxation (payments less provision)		**65,182**	54,224
Receivable against bancaassurance from a related party		**15,541**	14,388
Stationery and stamps on hand		**3,148**	3,196
Prepaid exchange risk fee		**505**	364
Unrealised gain on forward foreign exchange contracts - net		**-**	4,103
Receivable from other banks in respect of remittance	14.1	**257,675**	178,159
Others		**17,600**	29,557
		1,244,267	1,057,391

14.1 This includes an amount of Rs. 204.985 million (December 31, 2011: 150.085 million) receivable from State Bank of Pakistan in respect of home remittance services provided by the Bank.

15. BILLS PAYABLE

	2012	2011
	Rupees in '000	
In Pakistan	**708,734**	1,242,139
Outside Pakistan	**5,013**	4,855
	713,747	1,246,994

16. BORROWINGS

	2012	2011
In Pakistan	**8,173,564**	2,942,935
Outside Pakistan	**48,709**	1,560
	8,222,273	2,944,495

16.1 Particulars of borrowings with respect to currencies

	2012	2011
In local currency	**8,173,564**	2,942,935
In foreign currencies	**48,709**	1,560
	8,222,273	2,944,495

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		Note	2012	2011
			Rupees in '000	
16.2	**Details of borrowings from financial institutions**			
	Secured			
	Borrowing from SBP under export refinancing scheme	16.2.1	**1,023,474**	1,248,000
	Repurchase agreement borrowings	16.2.2	**7,050,090**	1,694,935
			8,073,564	2,942,935
	Unsecured			
	Call borrowings	16.2.3	**100,000**	-
	Overdrawn nostro accounts	16.2.4	**48,709**	1,560
			148,709	1,560
			8,222,273	2,944,495

16.2.1 The Bank has entered into agreement with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the terms of the agreement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting the current account maintained by the Bank with SBP. These borrowings are repayable on a quarterly basis and carry mark-up at the rate ranging between 8.50% to 10% (2011: 10.0% to 10.5%) per annum.

16.2.2 This represents collateralised borrowing from SBP against Market Treasury Bills carrying mark-up at the rate ranging between 8.80% to 8.86% (2011: 11.63% to 11.90%) per annum and would mature in January 2013 (December 31, 2011: January 2012).

16.2.3 These represent call money borrowings from financial institutions, carrying interest at the rate of 8.50% (2011: NIL) per annum.

16.2.4 This represents borrowings from financial institutions outside Pakistan.

		2012	2011
		Rupees in '000	
17.	**DEPOSITS AND OTHER ACCOUNTS**		
	Customers		
	Fixed deposits	**20,771,890**	14,252,810
	Savings deposits	**17,964,800**	11,404,426
	Current accounts - non-remunerative	**16,845,870**	11,293,377
	Margin account	**317,491**	94,834
		55,900,051	37,045,447
	Financial Institutions		
	Remunerative deposits	**6,420,235**	4,366,465
	Non-remunerative deposits	**223,507**	75,119
		6,643,742	4,441,584
		62,543,793	41,487,031
17.1	**Particulars of deposits**		
	In local currency	**58,657,117**	38,494,249
	In foreign currencies	**3,886,676**	2,992,782
		62,543,793	41,487,031

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18. OTHER LIABILITIES

	Note	2012	2011
		Rupees in '000	
Mark-up / return / interest payable in local currency	18.1	**458,025**	252,105
Mark-up / return / interest payable in foreign currencies		**8,629**	1,958
Accrued expenses		**234,662**	194,025
Payable in respect of defined benefit plan	33.4	**22,967**	75,345
Customer insurance payable		**2,997**	3,695
Unrealised loss on forward foreign exchange contracts - net		**2,337**	-
Unclaimed dividends		**4,207**	4,274
Government duties		**30,048**	10,268
Lease key money deposit		**50,202**	43,875
Provision for Workers' Welfare Fund - WWF		**32,509**	-
Payable against remittance		**169,618**	148,511
SSC / DSC Sale Payable		**8,000**	3,592
Staff reimbursements payable		**6,770**	4,626
ATM charges payable		**5,903**	1,746
Payable against export bills		**5,110**	-
Retention money payable		**6,210**	4,011
Payable against maintenance of IT equipment		**3,630**	2,554
Payable to VISA on transaction settlements		**8,593**	3,607
Others		**73,956**	10,827
		1,134,373	765,019

18.1 Included herein is a sum of Rs. 46.516 million (December 31, 2011: Rs.2.415 million) payable to related parties.

19. SHARE CAPITAL

19.1 Authorised capital

2012	2011		Note	2012	2011
Number of shares				Rupees in '000	
1,500,000,000	1,200,000,000	Ordinary shares of Rs.10 each		**15,000,000**	12,000,000

19.2 Issued, subscribed and paid-up capital
Ordinary shares of Rs.10 each

2012	2011		Note	2012	2011
Number of shares				Rupees in '000	
538,558,965	538,558,965	Issued for cash		**5,385,590**	5,385,590
533,905,297	461,734,046	Issued for consideration other than cash	19.2.1	**5,339,053**	4,617,340
1,072,464,262	1,000,293,011		19.2.2	**10,724,643**	10,002,930

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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19.2.1 During the year, the Board of Directors of the Bank in their meeting held on May 25, 2012 and the shareholders of the Bank in the extraordinary general meeting held on June 27, 2012 approved acquisition of shares of JS Investment Limited (JSIL) from Jahangir Siddiqui & Co. Ltd. (JSCL) and other shareholders of JSIL in exchange of issuance of new shares of the Bank. After obtaining all regulatory approvals, 52,236,978 shares of JSIL (52,023,617 shares from JSCL and 213,361 shares from other shareholders of JSIL) were acquired in exchange for issuance of 72,171,251 shares (71,876,469 shares to JSCL and 294,782 shares to other shareholders of JSIL) of the Bank.

19.2.2 Jahangir Siddiqui & Co. Ltd held 755,245,007 ordinary shares (December 31, 2011: 683,368,538 ordinary shares) of Rs.10 each as at December 31, 2012 representing a holding of 70.42% (December 31, 2011: 68.32%).

	2012	2011
	Rupees in '000	
20. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - net of tax		
Available-for-sale securities		
Term Finance Certificates - listed	**(70,227)**	(4,716)
Ordinary shares - listed	**206,198**	(724)
Preference shares - listed	**14,507**	-
Closed end mutual funds	**47,422**	6,146
Open end mutual funds	**1,093**	324
US dollar bonds	**7,589**	(15,373)
Government securities	**72,389**	(28,857)
	278,971	(43,200)
Related deferred tax (liability) / asset	**(97,640)**	15,120
	181,331	(28,080)

21. CONTINGENCIES AND COMMITMENTS

	2012	2011
21.1 Transaction-related contingent liabilities		
Includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credit related to particular transactions.		
i) Government	**1,950,045**	890,007
ii) Banking companies and other financial institutions	**588,099**	98,165
iii) Others	**293,522**	403,562
	2,831,666	1,391,734
21.2 Trade-related contingent liabilities		
Documentary credits	**4,992,746**	2,921,223
21.3 Other contingencies		
Claims not acknowledged as debts	**66,718**	66,481
21.4 Commitments in respect of forward exchange contracts		
Purchase	**2,292,630**	1,948,987
Sale	**2,450,968**	1,446,561

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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The Bank utilises foreign exchange instruments to meet the need of its customers and as part of its asset and liability management activity to hedge its own exposure to currency risk. At year end, all foreign exchange contracts have a remaining maturity of less than one year.

21.5 Commitments in respect of forward lending

Forward commitments to extend credit	**604,511**	214,800

21.6 Other commitments

Commitment in respect of capital expenditure	**33,149**	8,438

22. DERIVATIVE INSTRUMENTS

The Bank, at present, does not offer structured derivative products such as Interest Rate Swaps, Forward Rate Agreements and FX Options. However, the Bank's Treasury buys and sells financial instruments such as forward foreign exchange contracts.

The management is committed to managing risk and controlling business and financial activities in a manner which enables it to maximise profitable business opportunities, avoid or reduce risks, which can cause loss or reputation damage, ensure compliance with applicable laws and regulations and resilience to external events.

The Asset and Liability Committee (ALCO) regularly reviews the Bank's risk profile in respect of derivatives. Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions and derivative activities. These controls include appropriate segregation of duties, regular reconciliation of account and the valuation of assets and liabilities positions. The Bank has established trading limits, allocation process, operating controls and reporting requirements that are specifically designed to control risk of aggregate positions, assure compliance with accounting and regulatory standards and provide accurate management information regarding these activities.

Accounting policies in respect of derivative financial instruments are described in note 6.5.2.

	Note	2012	2011
		Rupees in '000	
23. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances to:			
Customers		**2,561,213**	2,013,332
Financial institutions		**56,400**	147,672
On investments in:			
Available-for-sale securities		**2,259,401**	1,478,245
Held-for-trading securities		**992,780**	523,384
On deposits with financial institutions		**59**	41
On securities purchased under resale agreements		**153,006**	149,533
		6,022,859	4,312,207

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011
		Rupees in '000	
24. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		**3,282,861**	2,103,612
Securities sold under repurchase agreements		**344,641**	305,137
Borrowings		**130,717**	174,776
		3,758,219	2,583,525

	Note	2012	2011
25. FEE, COMMISSION AND BROKERAGE INCOME			
Advisory fee		**40,638**	9,669
Trustee fee		**9,487**	3,896
Other fees, commission and charges	25.1	**515,831**	337,618
		565,956	351,183

25.1 This includes Rs. 84.650 million (December 31, 2011: 63.322 million) in respect of commission income from home remittance services provided by the Bank. The amount is received from State Bank of Pakistan at the rate of Saudi Riyal 25 per transaction over USD 100 and is shared between the Bank and various exchange companies as per terms of agreement with them.

	Note	2012	2011
		Rupees in '000	
26. GAIN / (LOSS) ON SALE OF SECURITIES - net			
Federal Government Securities			
- Treasury Bills		**250,728**	112,917
- Pakistan Investment Bonds		**400,649**	141,218
Ordinary shares - listed		**60,135**	(16,332)
Term Finance Certificates		**23,292**	25,717
US Dollar Bonds		**56,658**	3,218
Mutual Fund Units / Certificates		**33,951**	(20,963)
	26.1	**825,413**	245,775

26.1 Included herein a sum of Rs. 33.95 million (December 31, 2011: Rs.15.72 million) representing gain arising on sale of shares / units of a related party.

27. This represents gain on sale of operating fixed assets.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011
		Rupees in '000	
28. ADMINISTRATIVE EXPENSES			
Salaries, wages, allowances, etc.		**965,021**	772,968
Charge for defined benefit plan	34.6	**22,622**	17,336
Contribution to defined contribution plan		**41,810**	34,386
Non-executive directors' fee, allowances and other expenses		**913**	313
Contractor wages		**116,733**	92,305
Brokerage, fee and commission		**17,020**	13,561
Rent, taxes, insurance, electricity, etc.		**423,178**	375,656
Legal and professional charges		**28,685**	12,038
Donations	28.1	**14,000**	-
Communication		**63,038**	69,183
Repairs and maintenance		**298,442**	207,447
Travel and other related expenses		**16,965**	11,478
Stationery and printing		**52,834**	44,497
Advertisement and publicity		**49,850**	48,881
Postage and courier service		**14,936**	14,000
Stamp duty		**4,704**	1,581
CDC and other charges		**1,884**	3,053
Bank charges and clearing house charges		**28,270**	25,258
Consultancy fee		**32,237**	24,797
Security services		**52,169**	44,194
Fees and subscription		**22,139**	16,451
Auditors' remuneration	28.2	**5,574**	3,135
Depreciation	12.2	**223,030**	226,386
Amortisation of intangible assets	12.3	**18,910**	17,436
Staff training		**4,507**	1,976
Others		**33,374**	20,041
		2,552,845	2,098,357

28.1 Donation is for Mahvash & Jahangir Siddiqui Foundation where in Mrs. Mahvash Jahangir Siddiqui is chairperson who is spouse of Mr. Jahangir Siddiqui, Chairman of the Board of the Bank.

28.2 Auditors' Remuneration

	2012	2011
Audit fee	**1,450**	1,200
Half-yearly review	**400**	400
Special certification and Tax Fee	**3,448**	1,525
Out of pocket expenses	**276**	10
	5,574	3,135

29. OTHER CHARGES

	2012	2011
Penalties imposed by State Bank of Pakistan	**1,737**	7,840
Refund of penalties by State Bank of Pakistan	**(4,367)**	-
	(2,630)	7,840

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

30. TAXATION

30.1 In view of tax losses of the Bank tax provision has been made for minimum taxation @ 0.5% under section 113 of the Income Tax Ordinance, 2001

30.2 During the year, the Bank has revised the income tax returns for the tax years 2010 and 2011 claiming back the minimum tax charged for the said years on account of gross losses in those years.

30.3 Relationship between income tax expense and accounting profit

	2012	2011
	Rupees in '000	
Accounting profit for the year	**1,010,994**	535,752
Tax on income @ 35% (December 31, 2011: 35%)	**(353,848)**	(187,513)
Tax effect of permanent differences	**921**	(2,744)
Adjustments in respect of tax at reduced rates	**40,844**	5,108
Reversal of minimum tax of prior year	**10,157**	-
Others	**(892)**	9,088
Tax charge for the year	**(302,818)**	(176,061)

30.4 Under Section 114 of the Income Tax Ordinance, 2001, the Bank has filed the tax returns for the tax years 2006 through 2012. The said returns are deemed to be assessed under the provisions of prevailing income tax laws as applicable in Pakistan. However, tax authorities have issued notices for the amendment of assessments for the tax year 2008 to 2010. Since such proceedings have not yet been concluded by the authorities, therefore any estimate of tax exposure cannot be determined at this stage.

Further, withholding tax monitoring has been initiated by LTU, Karachi for tax years 2010 and 2012 which was carried out through monitoring of expenses with respect to salaries and profit on debt. Moreover, the withholding tax monitoring pertaining to tax year 2011 was also initiated by the authorities under section 161/205 of the Income Tax Ordinance, 2001 which is currently in the process of furnishing information. As the said proceedings are currently under way, therefore tax exposure, if any, cannot be determined at this stage. Moreover, previously the monitoring for tax year 2008 and 2009 were also taken up by the Regional Tax Office, Karachi but due to the transferring the Bank's jurisdiction to LTU by the FBR during such proceedings, the same has not been taken up again by LTU authorities as yet.

31. EARNINGS PER SHARE - BASIC AND DILUTED

		2012	2011
Profit for the year after taxation	Rupees in '000	**708,176**	359,691
Weighted average number of Ordinary shares outstanding during the year	Numbers	**1,012,293,818**	858,615,404
Earnings per share - basic and diluted	Rupee	**0.70**	0.42

Diluted earnings per share has not been presented as the Bank does not have any convertible instruments in issue at December 31, 2011 and 2012 which would have any effect on the earnings per share if the option to convert is exercised.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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32. CASH AND CASH EQUIVALENTS

	Note	2012	2011
		Rupees in '000	
Cash and balances with treasury banks	7	**5,027,797**	3,880,688
Balances with other banks	8	**1,178,265**	136,880
Overdrawn nostro account	16.2	**(48,709)**	(1,560)
		6,157,353	4,016,008

32.1 Non-Cash transactions

During the year, the Bank acquired 52.24% shareholding of JS Investment Limited amounting to Rs. 561.192 million in a share-exchange arrangement. The issuance and acquisition of shares, being a non-cash financing and investment activity, is not reflected in the unconsolidated cash flow statement.

33. STAFF STRENGTH

	2012	2011
	Number	
Permanent	**1,062**	952
Temporary / on contractual basis	**34**	23
Bank's own staff strength at the end of the year	**1,096**	975
Outsourced	**619**	498
	1,715	1,473

34. DEFINED BENEFIT PLAN

34.1 General description

The Bank operates a recognized gratuity fund for all employees who opted for the new staff retirement benefit scheme introduced by the management with effect from January 01, 2007.

34.2 Number of employees under the schemes

The number of employees covered under the following defined benefit scheme is 1,062 (December 31, 2011: 952).

34.3 Principal actuarial assumptions

Principal actuarial assumptions at the end of the reporting period expressed as weighted averages. The actuarial valuations were carried out on December 31, 2012 based on the Projected Unit Credit Method, using the following significant assumptions:

		2012	2011
Valuation discount rate	**per annum**	**11.50%**	12.50%
Expected return on plan assets	**per annum**	**10%**	9%
Future salary increase rate	**per annum**	**11.50%**	12.50%
Normal retirement age	**years**	**60**	60

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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	Note	2012	2011
		Rupees in '000	
34.4 Reconciliation of payable to defined benefit plan			
Present value of defined benefit obligation	33.4.1	**91,269**	61,399
Fair value of any plan assets	33.4.2	**(79,911)**	-
Deficit		**11,358**	61,399
Past service cost - non vested		**754**	1,132
Commulative unrecognised actuarial gains	33.4.3	**10,855**	12,814
		22,967	75,345
34.4.1 Movement in present value of defined benefit obligation			
Opening balance		**61,399**	49,634
Current service cost		**27,745**	22,304
Interest cost		**7,600**	6,949
Benefits paid during the year		**(1,204)**	-
Negative past service cost - Vested		**-**	(2,997)
Negative past service cost - Non Vested		**-**	(1,132)
Curtailment gains		**(4,404)**	(7,488)
Acturial losses / (gains) on obligation		**133**	(5,871)
Closing balance		**91,269**	61,399
34.4.2 Movement in fair value of plan assets			
Opening balance		**-**	-
Contribution made		**75,000**	-
Expected return on plan assets		**6,750**	-
Benefits paid by the fund		**(1,204)**	-
Acturial losses		**(635)**	-
Closing balance	33.4.2.1	**79,911**	-
34.4.2.1 Plan assets consist of the following:			
Pakistan Investment Bonds		**70,753**	-
Bank balances		**9,158**	-
		79,911	-
34.4.2.2 Actual return on plan assets		**6,115**	-
34.4.3 Cummulative unrecognised actuarial gains / (losses) -net			
Opening balance		**12,814**	8,860
Acturial (loss) / gain on defined benefit obligation		**(133)**	5,871
Acturial loss on plan assets		**(635)**	-
		12,046	14,731
Acturial gains recognised due to curtailment gain		**(524)**	(1,563)
Acturial gains recognised due to 'corridor' limits		**(667)**	(354)
		10,855	12,814

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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		Note	2012	2011
			Rupees in '000	
34.5	**Movement in payable to defined benefit plan**			
	Opening net liability		**75,345**	58,009
	Expense for the year	34.6	**22,622**	17,336
	Contributions		**(75,000)**	-
	Closing net liability		**22,967**	75,345
34.6	**Charge for the defined benefit plan**			
	Current service cost		**27,745**	22,304
	Interest cost		**7,600**	6,949
	Transitional liability recognised		**-**	485
	Expected return on contributions		**(6,750)**	-
	Actuarial gain due to curtailment gain		**(524)**	-
	Curtailment gains		**(4,405)**	(7,488)
	Acturial gain / (loss) recognised		**(667)**	(1,917)
	Past service cost - vested		**(377)**	(2,997)
			22,622	17,336

		2012	2011	2010	2009	2008
		Rupees in '000				
34.7	**Five years data on plans and experience adjustments**					
	Present value of defined benefit obligation	**91,269**	61,399	49,634	36,247	19,242
	Fair value of plan assets	**(79,911)**	-	-	-	-
		11,358	61,399	49,634	36,247	19,242
	Experience adjustment on obligation - gain / (loss)	**(133)**	5,871	7,848	1,732	(141)
	Experience adjustment on plan assets - gain / (loss)	**(635)**	-	-	-	-

35. DEFINED CONTRIBUTION PLAN

The Bank operates a contributory provident fund scheme for all permanent employees. The employer and employee both contribute 10% of the basic salaries to the funded scheme every month. Number of employees covered under this plan are 1,062 (December 31, 2011: 952). During the year, employees made a contribution of Rs.41.8 (2011: Rs.34.386) million to the fund. The Bank has also made a contribution of equal amount to the fund.

36. COMPENSATION OF DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year in respect of the remuneration and benefits to the President / Chief Executive, Directors and Executives are as follows:

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		2012			
		President	Director	Executives	Total
	Note	Rupees in '000			
Managerial remuneration		**9,871**	**347**	**270,782**	**281,000**
Defined contribution plan		**-**	**-**	**27,477**	**27,477**
Charge for defined benefit plan		**-**	**-**	**20,558**	**20,558**
Rent and house maintenance		**4,442**	**156**	**121,852**	**126,450**
Utilities		**987**	**35**	**27,078**	**28,100**
Medical		**48**	**-**	**4,033**	**4,081**
Conveyance and vehicle maintenance		-	-	**49,608**	**49,608**
Performance bonus		**4,000**	**-**	**91,640**	**95,640**
Non-executve directors' fee, allowances and other expenses		**-**	**913**	**-**	**913**
		19,348	**1,451**	**613,028**	**633,827**
Number of persons	36.1	**1**	**7**	**246**	**254**

		2011			
		President	Director	Executives	Total
		Rupees in '000			
Managerial remuneration		8,806	6,194	208,960	223,960
Defined contribution plan		-	619	18,442	19,061
Charge for defined benefit plan		-	514	16,372	16,886
Rent and house maintenance		3,963	2,787	94,032	100,782
Utilities		881	619	20,896	22,396
Medical		31	11	3,279	3,321
Conveyance and vehicle maintenance		923	461	37,081	38,465
Bonus		4,000	4,000	56,290	64,290
Non-executve directors' fee, allowances and other expenses		-	313	-	313
		18,604	15,518	455,352	489,474
Number of persons	36.1	1	7	200	208

36.1 The President, Director and certain executives are also provided with other facilities, including free use of the Bank maintained cars.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market price. Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 6.7 to these financial statements.

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The repricing profile, effective rates and maturity are stated in note 41.3.4 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 in the case of customer loans and deposits are frequently repriced.

38. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2012						
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Others	Total
	Rupees in '000						
Total income - external	**51,373**	**4,765,808**	**506,036**	**2,326,424**	**161,326**	**18,389**	**7,829,356**
Inter-segment revenues - net	**-**	**(2,859,898)**	**3,646,299**	**(786,401)**	**-**	**-**	**-**
Total income	**51,373**	**1,905,910**	**4,152,335**	**1,540,023**	**161,326**	**18,389**	**7,829,356**
Total expenses	**(4,776)**	**(596,996)**	**(4,258,459)**	**(1,686,779)**	**(34,858)**	**(236,494)**	**(6,818,362)**
Tax expense	**-**	**-**	**-**	**-**	**-**	**-**	**(32,384)**
Deferred tax	**-**	**-**	**-**	**-**	**-**	**-**	**(270,434)**
Net income / (loss)	**46,597**	**1,308,914**	**(106,124)**	**(146,756)**	**126,468**	**(218,105)**	**708,176**
Segment assets (gross)	**-**	**46,626,095**	**3,270,146**	**17,399,445**	**-**	**15,245,562**	**82,541,248**
Segment non performing loans	**-**	**-**	**50,589**	**2,986,675**	**-**	**-**	**3,037,264**
Segment provision required	**-**	**-**	**31,805**	**939,448**	**-**	**-**	**971,253**
Segment liabilities	**-**	**7,543,174**	**48,295,992**	**14,677,176**	**713,747**	**1,384,097**	**72,614,186**
Segment return on net assets (ROA) (%)	**-**	**10.73**	**12.68**	**13.02**	**-**	**-**	**-**
Segment cost of funds (%)	**-**	**9.28**	**5.87**	**9.53**	**-**	**-**	**-**

	2011						
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Others	Total
	Rupees in '000						
Total income - external	14,215	2,831,426	421,104	1,868,784	40,774	49,171	5,225,474
Inter-segment revenues - net	-	(1,712,569)	2,680,823	(968,254)	-	-	-
Total income	14,215	1,118,857	3,101,927	900,530	40,774	49,171	5,225,474
Total expenses	(3,412)	(492,711)	(3,298,590)	(817,457)	(28,311)	(49,241)	(4,689,722)
Tax expense	-	-	-	-	-	-	(49,813)
Deferred tax	-	-	-	-	-	-	(126,248)
Net income / (loss)	10,803	626,146	(196,663)	83,073	12,463	(70)	359,691
Segment assets (gross)	-	25,696,233	2,715,566	16,235,610	-	9,786,909	54,434,318
Segment non performing loans	-	-	42,945	2,733,950	-	-	2,776,895
Segment provision required	-	-	27,825	485,924	-	-	513,749
Segment liabilities	-	1,995,013	32,544,252	9,890,701	1,246,994	766,579	46,443,539
Segment return on net assets (ROA) (%)	-	11.58	10.98	13.60	-	-	-
Segment cost of funds (%)	-	11.31	6.58	9.05	-	-	-

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39. RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its associates, parent, subsidiaries, companies having common directors, companies in which parent holds more than 20% shares, employee benefit plans, and its key management personnel (including their associates). The details of investments in subsidiaries and associates are stated in note 10.2.12 to these unconsolidated financial statements.

Contributions to the accounts in respect of staff retirement benefits are made in accordance with terms of the contribution plans. Remuneration of the key management personnel are in accordance with the terms of their employment. Other transactions are carried out as per agreed terms.

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

	Key management personnel		Subsidiary companies		Other related parties		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	(Rupees in '000)							
Advances								
Opening balance	**39,651**	3,423	**-**	-	**2,975,684**	2,994,330	**3,015,335**	2,997,753
Disbursements	**67,600**	42,692	**391,434**	-	**7,356,245**	7,387,316	**7,815,279**	7,430,008
Repayments	**(13,699)**	(6,464)	**(235,241)**	-	**(8,953,890)**	(7,405,962)	**(9,202,830)**	(7,412,426)
Balance as at December 31	**93,552**	39,651	**156,193**	-	**1,378,039**	2,975,684	**1,627,784**	3,015,335
Mark-up /return / interest earned	**3,050**	3,480	**1,519**	-	**440,115**	401,684	**444,684**	405,164

	Parent		Key management personnel		Subsidiary companies		Other related parties		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	(Rupees in '000)									
Deposits										
Opening balance	**560,818**	1,799	**10,994**	9,695	**1,316,216**	1,044,434	**1,733,460**	771,816	**3,621,488**	1,827,744
Deposits during the year	**8,747,957**	2,535,433	**270,304**	173,263	**247,805,896**	235,895,674	**40,912,613**	25,371,652	**297,736,770**	263,976,022
Withdrawals during the year	**(7,305,946)**	(1,976,414)	**(264,567)**	(171,964)	**(248,500,619)**	(235,623,892)	**(38,258,139)**	(24,410,008)	**(294,329,271)**	(262,182,278)
Balance as at December 31	**2,002,829**	560,818	**16,731**	10,994	**621,493**	1,316,216	**4,387,934**	1,733,460	**7,028,987**	3,621,488
Mark-up / return / interest expensed	**53,682**	11,268	**375**	139	**43,290**	52,212	**275,440**	134,699	**372,787**	198,318

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The related party status of outstanding receivables and payables as at December 31, 2012 is included in respective notes to the financial statements. Material transactions with related parties are given below:

	Subsidiary companies		Companies having common directorship		Companies in which parent company holds 20% or more		Other related parties		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	(Rupees in '000)									
Nature of transactions										
Sale of Term Finance Certificates	**251,877**	131,587	**-**	-	**-**	-	**-**	41,419	**251,877**	173,006
Purchase of Term Finance Certificates	**331,201**	403,592	**-**	-	**-**	-	**16,347**	-	**347,548**	403,592
Sale of Government Securities	**24,457,189**	23,006,598	**46,575,731**	24,072,927	**-**	1,288,844	**2,889,665**	186,729	**73,922,585**	48,555,098
Purchase of Government Securities	**24,044,578**	23,987,177	**9,332,872**	1,225,435	**-**	1,938	**69,291**	-	**33,446,741**	25,214,550
Purchase of Sukuk	**4,563,507**	49,286	**-**	-	**4,252,287**	-	**-**	-	**8,815,794**	49,286
Sale of Sukuk	**3,573,996**	18,637	**143,788**	104,448	**1,543,690**	-	**-**	-	**5,261,474**	123,085
Sale of shares / Units	**-**	-	**-**	-	**-**	541,427	**1,453,300**	-	**1,453,300**	541,427
Purchase of shares / Units	**-**	-	**-**	-	**-**	737,670	**1,154,675**	-	**1,154,675**	737,670
Subscription in shares	**-**	-	**-**	22,560	**-**	-	**-**	127,374	**-**	149,934
Rent Receivable	**332**	881	**-**	-	**-**	966	**-**	-	**332**	1,847
Call lending / Reverse Repo	**5,867,623**	2,023,823	**-**	-	**-**	1,705,000	**-**	-	**5,867,623**	3,728,823
Call borrowing / Repo	**-**	-	**-**	-	**5,550,000**	14,850,000	**-**	-	**5,550,000**	14,850,000
Purchase of forward foreign exchange contracts	**-**	-	**-**	-	**8,306,908**	4,946,891	**-**	-	**8,306,908**	4,946,891
Sale of forward foreign exchange contracts	**-**	-	**-**	-	**10,160,117**	6,506,439	**-**	-	**10,160,117**	6,506,439
Letter of credits	**-**	-	**-**	-	**-**	-	**-**	47,798	**-**	47,798
Letter of guarantees	**400,000**	-	**-**	-	**-**	-	**30,295**	-	**430,295**	-

	Subsidiary companies		Companies having common directorship		Companies in which parent company holds 20% or more		Other related parties		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	(Rupees in '000)									
Nature of transactions										
Insurance claim received	**-**	-	**20,323**	10,937	**-**	-	**-**	8	**20,323**	10,945
Markup on TFCs	**-**	-	**-**	-	**-**	-	**79,585**		**79,585**	-
Rent received	**793**	-	**-**	-	**869**	-	**-**	-	**1,662**	-
Reimbursement of expenses	**1,101**	1,163	**-**	35	**1,090**	-	**-**	-	**2,191**	1,198
Payment of insurance premium	**-**	-	**37,132**	30,791	**-**	-	**-**	-	**37,132**	30,791
Services rendered	**125**	758	**-**	-	**-**	822	**-**	-	**125**	1,580
Rent expense paid / accrued	-	1,031	**-**	-	**-**	-	**-**	-	**-**	1,031
Commission paid / accrued	**9,025**	2,101	**-**	-	**-**	-	**-**	-	**9,025**	2,101
Commission income	**3,200**	2,849	**92,087**	70,441	**2,262**	1,773	**267**	3,533	**97,816**	78,596
Dividend income	**89,338**	-	**-**	-	**-**	6,096	**8,746**	-	**98,084**	6,096
Consultancy fee	**-**	-	**-**	-	**-**	-	**8,000**	2,800	**8,000**	2,800

	Parent company	
	2012	2011
	(Rupees in '000)	
Nature of transactions		
Subscription in right shares	**-**	1,127,233
Purchase of Government Securities	**-**	597,478
Sale of Government Securities	**728,550**	-
Rent expense paid / accrued	**1,023**	550
Reimbursement of expenses	**903**	45

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40. CAPITAL ASSESSMENT AND ADEQUACY

40.1 Scope of Application

Basel II Framework is applicable to the Bank both at consolidated level as well as on stand alone basis.

40.2 Capital Structure

Bank's regulatory capital is analyzed into two tiers

Tier I capital, which includes fully issued, subscribed and paid up capital, balance in share premium account, reserve for bonus issue, general reserves as per the financial statements and net un-appropriated profits etc. after deductions of investments in equity of subsidiary companies engaged in banking and financial activities, goodwill & other intangible assets and deficit on revaluation of available for sale investments.

Tier II capital, which includes general provision for loan losses (upto maximum of 1.25% of risk weighted assets), reserve on the revaluation of fixed assets and equity investments (upto a maximum of 45% of the balance in the related revaluation reserve) and subordinated debt (upto a maximum of 50% of Tier I Capital).

Tier III capital has also been prescribed by the SBP for managing market risk; however, the Bank does not have any Tier III capital.

Detail of the Bank's eligible capital (on an unconsolidated basis) is as follows:

	Note	2012	2011
		Rupees in '000	
Tier I Capital			
Shareholders equity / assigned capital		**10,724,643**	10,002,930
Reserves		**231,613**	89,978
Discount on issue of shares		**(2,105,401)**	(1,944,880)
Accumulated losses		**(76,377)**	(642,918)
		8,774,478	7,505,110
Deductions			
Goodwill and other intangibles		**1,609,837**	1,606,795
Deficit on account of revaluation of investments held in AFS category		**-**	43,200
Other deductions	40.2.1	**959,561**	678,965
		2,569,398	2,328,960
Total Tier I Capital		**6,205,080**	5,176,150
Tier II Capital			
General Provisions subject to 1.25% of Total Risk Weighted Assets		**1,191**	1,083
Revaluation Reserve (upto 45%)		**125,537**	-
		126,728	1,083
Deductions			
Other deductions	40.2.1	**959,561**	678,965
Total Tier II Capital		**(832,833)**	(677,882)
Eligible Tier III Capital		-	-
Total Regulatory Capital Base		**5,372,247**	4,498,268

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40.2.1 Other deductions comprise of investment in equity capital of financial subsidiaries not consolidated in the balance sheet and significant minority investments in securities entities.

40.3 Capital Adequacy

Capital Management

The primary objective of the Bank's capital management is to ensure that the Bank complies with all regulatory capital requirements and at the same time maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

Statutory minimum capital requirement and management of capital

The State Bank of Pakistan through its BSD Circular No. 07 dated April 15, 2009 requires the minimum paid up capital (net of losses) for Banks / Development Finance Institutions (DFIs) to be raised to Rs.10 billion by the year ending December 31, 2013. This increase in capital is to be achieved in a phased manner requiring Rs.9 billion paid up capital (net of losses) by the end of the financial year 2012.

The paid up capital (net of losses) of the Bank as at December 31, 2012 stood at Rs.8.543 billion. The Bank plans to meet the shortfall in equity capital through further issuance of shares as disclosed in note 1.3

In addition, the Bank is also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10% of the risk weighted exposure of the Bank. The Bank's CAR as at December 31, 2012 is 16.46% of its risk weighted exposures.

The Bank in alignment with its corporate strategy has laid down its footprints across Pakistan with plans to further expand its outreach with more branches nationwide this year, providing a range of innovative financial products and services to a wide customer base. The capital adequacy is constantly being monitored and stress tested by using various adverse scenarios. The Bank has developed a formalised strategy for the Internal Capital Adequacy Assessment (ICAAP) as laid down by SBP under ICAAP Guidelines, which commensurate with the size, nature and complexity of its business operations.

40.4 Risk Weighted Exposures

	Capital requirements		Risk weighted assets	
	2012	**2011**	**2012**	**2011**
	——— Rupees in '000 ———			
CREDIT RISK				
Portfolios subject to standardized approach				
On balance sheet				
Corporate	**1,592,054**	1,441,636	**15,920,537**	14,416,359
Retail	**85,878**	32,069	**858,781**	320,693
Banks and DFIs	**141,053**	70,644	**1,410,531**	706,443
Public sector entity	**9,998**	-	**99,984**	-
Sovereign (include GoP and SBP)	**-**	-	**-**	-
Residential mortgage finance	**17,937**	7,815	**179,371**	78,148
Past due loans	**264,123**	325,095	**2,641,229**	3,250,950
Fixed assets	**155,528**	141,464	**1,555,280**	1,414,644
Other assets	**91,130**	133,163	**911,297**	1,331,634
	2,357,701	2,151,886	**23,577,010**	21,518,871

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	Capital requirements		Risk weighted assets	
	2012	2011	2012	2011
	Rupees in '000			
Off balance sheet				
Non market related	**239,729**	163,433	**2,398,247**	1,634,325
Market related	**1,288**	1,326	**12,884**	13,263
	241,017	164,759	**2,411,131**	1,647,588
Equity Exposure Risk in the Banking Book	**193,350**	86,702	**1,933,498**	867,017
Total Credit Risk	**2,792,068**	2,403,347	**27,921,639**	24,033,476
MARKET RISK				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	**18,511**	55,321	**231,388**	691,513
Equity position risk	**-**	16,010	**-**	200,125
Foreign exchange risk	**2,946**	2,789	**36,825**	34,866
OPERATIONAL RISK				
Capital Requirement for operational risks	**356,505**	234,052	**4,456,317**	2,925,648
TOTAL	**3,170,030**	2,711,519	**32,646,169**	27,885,628
Capital Adequacy Ratio				
Total eligible regulatory capital held	(a)		**5,372,228**	4,498,268
Total risk weighted assets	(b)		**32,646,169**	27,885,628
Capital adequacy ratio (a) / (b)			**16.46%**	16.13%

41. RISK MANAGEMENT

Risk Management is a discipline at the core of every financial institution and encompasses all the activities that affects risk profile. At the Bank, it involves identification, measurement, monitoring and controlling risks to ensure that:

a) The individuals who take or manage risks clearly understand it;
b) The Bank's Risk exposure is within the limits established by Board of Directors (BoD);
c) Risk taking decisions are in line with the business strategy and objectives set by BoD;
d) The expected payoffs compensate for the risks taken;
e) Risk taking decisions are explicit and clear;
f) Sufficient capital as a buffer is available to take risk; and
g) Risk management function is independent of risk taking unit.

Keeping in view the dynamics of internal and external environment, we regularly review and update our Risk Management policies and procedures in accordance with regulatory environment and international standards.

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Risk Management of Bank includes:

a) Clearly defined risk management policies and procedures covering risk identification, acceptance, measurement, monitoring, reporting and control;

b) Well constituted organizational structure, defining clearly roles and responsibilities of individuals involved in risk taking as well as managing it. The bank, in addition to risk management functions for various risk categories, has instituted an Integrated Risk Management Committee (IRMC) that supervises overall risk management at the Bank. The IRMC establishes the Bank's overall risk-taking capacity. This involves an effective portfolio management strategy, keeping in view the earnings growth target and capital constraints. The IRMC sets the strategic target and aggregate limits at the Business Group level and concentration limits (by industry, geography, size, tenor) so that one category of assets or dimension of risk cannot materially harm the performance of the Bank;

c) An effective management information system that ensures flow of information from operational level to top management and a system to address any exceptions observed; and

d) A mechanism to ensure an ongoing review of systems, policies and procedures for risk management and procedures to adopt changes.

While the overall responsibility of risk management rests with the BoD, it is the duty of Senior Management to devise risk management strategy by setting up well defined policies and procedures for mitigating / controlling risks, duly approved by the Board.

Giving due consideration to the above, the Bank has put in place the following hierarchy of Risk Management:

- Board of Directors (BoD), Risk Management Sub-Committee;

- Integrated Risk Management Committee (IRMC) which comprises of the President / Chief Executive Officer (CEO), Chief Operating Officer (COO), Group Head Risk Management, Business Heads, and Other Functional Heads.

- Asset - Liability Committee which comprises of the President / Chief Executive Officer (CEO), Chief Operating Officer (COO), Treasurer, Group Head Risk Management, Other Business Heads.

- Risk Management Group (RMG) which comprises of Risk Managers for Credit, Market and Operational Risks and Treasury Middle Office.

RMG is managed by Group Head Risk Management to supervise the following Divisions:

a) Credit Risk Management (CRM) covering Corporate / Commercial and Retail Banking Risks as well as consumer Risks;

b) Operational Risk Management;

c) Market Risk Management (MRM);

d) Treasury Middle Office;

e) Financial Institution Risk Management Unit (also responsible for Cross-border Risk Management);

f) Basel II / III Implementation;

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The Bank's RMG generates the requisite risk reporting for the different tiers of management. These are also subjected to internal audit review.

Risk Matrix / Categories

Bank, in common with other banks, generates its revenues by accepting Country, Credit, Liquidity, Interest Rate Risk in the Banking Book, Market, Operational and other risks. Effective management of these risks is the decisive factor in the Bank's profitability.

Risk Appetite

The Bank's risk appetite is reflected in its endeavours to maintain a favourable credit rating and encompasses the following:

- The business strategy
- The expectations of stakeholders at different time horizons
- The characteristics of the risk-bearing entities
- The nature and characteristics of the risks undertaken
- The possible spread of risk situations across organizational units, assets-at-risk, and future time horizons.

Risk appetite drives business activity. It combines anticipations in risk and profitability with management preferences to control capital and resource allocation, as well as the distribution of exposure across activities and portfolios.

Bank's hedging strategy is embedded in its risk management practices for addressing material categories of risk.

41.1 Credit Risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. Credit risk is managed in terms of credit policies, approved by the BoD and regulations issued by the SBP. The bank is exposed to credit risk on loans and advances, fund placements with financial institutions and certain investments.

The Bank's strategy is to minimise credit risk through product, geography, industry and customer diversification. Credit limits are established for all counter-parties after a careful assessment of their credit worthiness. An effective credit granting procedure, which requires pre-sanction evaluation of credit proposal, adequacy of security and pre-disbursement examination of charge documents has been established and managed by Risk Management Group (RMG) & Credit Administration Department (CAD). The Bank maintains a sound portfolio diversified in nature to counter the risk of credit concentration and further limits risk through diversification of its assets by geographical and industrial sector. For managing impaired assets in the portfolio, the Bank follows the Prudential Regulations and Risk Management guidelines issued by SBP and the Remedial Management Policy approved by the Board.

41.1.1 Segmental Information

Segmental information is presented in respect of the class of business and geographical distribution of advances, deposits, contingencies and commitments.

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41.1.1.1 **Segment by class of business**

	2012					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Mining and quarrying	24,016	0.11	54,103	0.10	191	0.00
Textile	5,011,079	23.83	227,554	0.36	856,368	6.45
Chemical and pharmaceuticals	880,364	4.19	984,644	1.57	94,635	0.72
Fertilizer	1,455,725	6.92	-	-	612,000	4.61
Automobile and transportation equipment	99,458	0.47	-	-	12,440	0.09
Electronics and electrical appliances	323,704	1.54	201,081	0.32	108,697	0.82
Construction	47,497	0.23	576,207	0.92	541,957	4.08
Power, gas, water and sanitary	-	-	45,679	0.07	300,024	2.26
Paper / board / furniture	93,559	0.44	-	-	161,702	1.22
Petroleum / oil and gas	17,901	0.09	2,636	0.00	333,823	2.52
Food / confectionery / beverages	1,599,971	7.61	49,455	0.08	3,697,411	27.86
Trust and non-profit organisations	103,964	0.49	7,591,978	12.14	17,609	0.13
Wholesale and retail trade	123,891	0.59	979,127	1.57	-	-
Transport, storage and communication	773,256	3.68	668,918	1.07	71,346	0.54
Financial	1,357,909	6.46	6,643,742	10.62	5,224,901	39.37
Insurance	50,000	0.24	261,142	0.42	867	0.01
Services	2,027,202	9.64	750,981	1.20	108,000	0.81
Cement	-	-	1,224	0.00	-	-
Sugar	1,355,476	6.45	59,542	0.10	208,921	1.57
Individuals	2,653,669	12.62	35,449,645	56.68	92,902	0.70
Others	3,027,533	14.40	7,996,135	12.78	828,594	6.24
	21,026,174	100	62,543,793	100	13,272,388	100

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	2011					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Mining and quarrying	462,190	2.49	30,904	0.07	95	0.00
Textile	3,654,453	19.72	304,080	0.73	1,031,700	12.90
Chemical and pharmaceuticals	2,091,210	11.28	799,950	1.93	958,123	11.98
Fertilizer	-	-	-	-	369,041	4.61
Automobile and transportation equipment	100,326	0.54	50,890	0.12	125,163	1.56
Electronics and electrical appliances	286,129	1.54	101,613	0.24	151,855	1.90
Construction	68,602	0.37	267,540	0.64	52,710	0.66
Power, gas, water and sanitary	9,920	0.05	60,836	0.15	217,520	2.72
Paper / board / furniture	9,908	0.05	1,165	0.00	99,382	1.24
Petroleum / oil and gas	-	-	-	-	136,477	1.71
Food / confectionery / beverages	1,915,471	10.34	110,031	0.27	297,318	3.72
Trust and non-profit organisations	11,024	0.06	4,263,356	10.28	12,073	0.15
Wholesale and retail trade	114,804	0.62	791,602	1.91	-	-
Transport, storage and communication	664,974	3.59	592,877	1.43	9,894	0.12
Financial	851,907	4.60	3,988,421	9.61	3,864,843	48.32
Insurance	25,006	0.13	452,724	1.09	-	-
Services	134,760	0.73	602,065	1.45	770	0.01
Cement	19,863	0.11	119,003	0.29	-	-
Sugar	1,710,774	9.23	29,476	0.07	165,000	2.06
Individuals	2,600,338	14.03	24,666,794	59.46	16,526	0.21
Others	3,800,868	20.51	4,253,704	10.25	489,734	6.12
	18,532,527	100	41,487,031	100	7,998,224	100

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40.1.1.2 Segment by sector

	2012					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Public / Government	-	-	5,070,401	8.11	1,960,794	14.77
Private	21,026,174	100	57,473,392	91.89	11,311,594	85.23
	21,026,174	100	62,543,793	100	13,272,388	100

	2011					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Public / Government	-	-	5,700,281	13.74	890,007	11.13
Private	18,532,527	100.00	35,786,750	86.26	7,108,217	88.87
	18,532,527	100	41,487,031	100	7,998,224	100

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

	2012		2011	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rupees in '000			
Textile	691,011	318,859	636,842	96,273
Automobile and transportation equipment	134,686	104,101	56,895	26,058
Chemical and pharmaceutical	1,536,009	222,362	1,261,984	-
Food / confectionery / beverages	167,144	102,991	-	-
Financial	185,575	155,163	185,575	81,087
Individuals	261,224	11,682	248,756	8,237
Other	61,615	54,904	386,843	301,011
	3,037,264	970,062	2,776,895	512,666

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

Public / Government	-	-	-	-
Private	3,037,264	970,062	2,776,895	512,666
	3,037,264	970,062	2,776,895	512,666

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41.1.1.5 Geographical segment analysis

	2012		2011	
	Total assets employed	Net assets employed	Total assets employed	Net assets employed
	Rupees in '000			
Pakistan	**81,569,995**	**8,955,809**	53,920,569	7,477,030

	2012		2011	
	Profit before taxation	Contingencies and commitments	Profit before taxation	Contingencies and commitments
	Rupees in '000			
Pakistan	**1,010,994**	**13,272,388**	535,752	7,998,224

41.1.2 Credit risk: Standardised approach

The Bank has adopted the Standardised Approach of Basel II for risk weighing its Credit Risk Exposures.

The following table illustrates the approved External Credit Assessment Institutions (ECAIs) whose ratings are being utilised by the Bank with respect to material categories of exposures:

Exposures	JCR-VIS	PACRA	MOODY'S	FITCH	S&P
Corporate	✓	✓	-	-	-
Banks	✓	✓	✓	✓	✓
SME's (retail exposures)	✓	✓	-	-	-
Sovereigns	N/A	N/A	N/A	N/A	N/A
Securitisations	N/A	N/A	N/A	N/A	N/A
Others (specify)	N/A	N/A	N/A	N/A	N/A

The Bank has used Issue Specific Ratings for rating / risk weighing Issue Specific Exposures and Entity Ratings for rating / risk weighing claims against specific counterparties. Both short and long term ratings have been used to rate corresponding short and long term exposures. For this purpose, Mapping Grid provided by SBP as given below:

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Long - Term Ratings Grades Mapping

SBP Rating Grade	PACRA	JCR-VIS	Fitch	Moody's	S&P	ECA Scores
1	AAA AA+ AA AA-	AAA AA+ AA AA-	AAA AA+ AA AA-	Aaa Aa1 Aa2 Aa3	AAA AA+ AA AA-	1
2	A+ A A-	A+ A A-	A+ A A-	A1 A2 A3	A+ A A-	2
3	BBB+ BBB BBB-	BBB+ BBB BBB-	BBB+ BBB BBB-	Baa1 Baa2 Baa3	BBB+ BBB BBB-	3
4	BB+ BB BB-	BB+ BB BB-	BB+ BB BB-	Ba1 Ba2 Ba3	BB+ BB BB-	4
5	B+ B B-	B+ B B-	B+ B B-	B1 B2 B3	B+ B B-	5,6
6	CCC+ and below	CCC+ and below	Caa1+and below	CCC1 and below	CCC+ and below	7

Short - Term Ratings Grades Mapping

SBP Rating Grade	PACRA	JCR-VIS	Fitch	Moody's	S&P
S1	A-1	A-1	F1	P-1	A-1+, A-1
S2	A-2	A-2	F2	P-2	A-2
S3	A-3	A-3	F3	P-3	A-3
S4	Other	Other	Other	Other	Other

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Credit exposures subject to Standardised approach

Exposures	Rating category	Rating risk weight	2012 Amount outstanding	Deduction CRM*	Net amount	Risk weighted asset
			Rupees in '000			
Cash and Cash Equivalents		0%	1,401,445	-	1,401,445	-
Corporate	0	0%	-	793,574	793,574	-
	1	20%	1,724,437	(163,430)	1,561,007	312,201
	2	50%	1,195,655	(241,970)	953,685	476,843
	3,4	100%	424,276	-	424,276	424,276
	5,6	150%	739,600	-	739,600	1,109,400
	Unrated	100%	13,985,991	(388,174)	13,597,817	13,597,817
			18,069,959	-	18,069,959	15,920,537
Retail		0%	-	606,439	606,439	-
		20%	-	1,179	1,179	236
		50%	-	-	-	-
		75%	1,752,344	(607,618)	1,144,726	858,545
			1,752,344	-	1,752,344	858,781
Banks						
- Maturity over 3 Months		0%	-	335,000	335,000	-
	1	20%	455,844	-	455,844	91,169
	2,3	50%	1,324,568	(335,000)	989,568	494,784
	4,5	100%	213,673	-	213,673	213,673
	6	150%	5,353	-	5,353	8,030
	Unrated	50%	86,496	-	86,496	43,248
			2,085,934	-	2,085,934	850,904
- Maturity upto and under 3 Months in FCY		0%	-	-	-	-
	1,2,3	20%	1,023,499	-	1,023,499	204,700
	4,5	50%	126,295	-	126,295	63,148
	6	150%	30,417	-	30,417	45,626
	unrated	20%	230,408	-	230,408	46,082
			1,410,619	-	1,410,619	359,556
- Maturity upto and under 3 Months in PKR		0%	-	1,387,691	1,387,691	-
		20%	2,388,044	(1,387,691)	1,000,353	200,071
			2,388,044	-	2,388,044	200,071
Residential Mortgage Finance		35%	512,489	-	512,489	179,371
Public Sector Entity						
		0%	-	-	-	-
	1	20%	499,919	-	499,919	99,984
	2,3	50%	-	-	-	-
	4,5	100%	-	-	-	-
	6	150%	-	-	-	-
	Unrated	50%	-	-	-	-
			499,919	-	499,919	99,984
Sovereigns (SBP / GoP)		0%	41,398,075	-	41,398,075	-
Equity Investments - Listed		100%	1,805,054	-	1,805,054	1,805,054
	Unlisted	150%	85,629	-	85,629	128,444
			1,890,683	-	1,890,683	1,933,498

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Exposures	Rating category	Rating risk weight	2012 Amount outstanding	Deduction CRM*	Net amount	Risk weighted asset
			Rupees in '000			
"Past Due Loans (Not Secured by Residential Mortgages)"S.P less than	20%	150%	**1,441,514**	**-**	**1,441,514**	**2,162,271**
	S.P upto 20%	100%	**332,219**	**-**	**332,219**	**332,219**
	S.P greater than 50%	50%	**293,477**	**-**	**293,477**	**146,739**
			2,067,210	**-**	**2,067,210**	**2,641,229**
Investment in fixed assets		100%	**1,555,280**	**-**	**1,555,280**	**1,555,280**
Other assets		100%	**911,297**	**-**	**911,297**	**911,297**
Total			**75,943,298**	**-**	**75,943,298**	**25,510,508**

* Credit Risk Mitigation (CRM)

Exposures	Rating category	Rating risk weight	2011 Amount outstanding	Deduction CRM*	Net amount	Risk weighted asset
			Rupees in '000			
Cash and Cash Equivalents		0%	1,007,358	-	1,007,358	-
Corporate	0	0%	-	728,903	728,903	-
	1	20%	2,661,580	(141,982)	2,519,598	503,920
	2	50%	1,134,837	(200,103)	934,734	467,367
	3,4	100%	567,137	-	567,137	567,137
	5,6	150%	299,740	-	299,740	449,610
	Unrated	100%	12,815,143	(386,818)	12,428,325	12,428,325
			17,478,437	-	17,478,437	14,416,359
Retail		0%	-	721,446	721,446	-
		20%	-	20,718	20,718	4,144
		50%	-	-	-	-
		75%	1,164,229	(742,164)	422,065	316,549
			1,164,229	-	1,164,229	320,693
Banks						
- Maturity over 3 Months		0%	-	-	-	-
	1	20%	450,678	-	450,678	90,136
	2,3	50%	287,204	-	287,204	143,602
	4,5	100%	41,389	-	41,389	41,389
	6	150%	-	-	-	-
	Unrated	50%	60,133	-	60,133	30,067
			839,404	-	839,404	305,194
- Maturity Upto and under 3 Months in FCY		0%	-	-	-	-
	1,2,3	20%	49,716	-	49,716	9,943
	4,5	50%	-	-	-	-
	6	150%	-	-	-	-
	unrated	20%	32,899	-	32,899	6,580
			82,615	-	82,615	16,523
- Maturity upto and under 3 months in PKR		0%	-	1,407,455	1,407,455	-
		20%	3,331,085	(1,407,455)	1,923,630	384,726
			3,331,085	-	3,331,085	384,726

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Exposures	Rating category	Rating risk weight	Amount outstanding	Deduction CRM*	Net amount	Risk weighted asset
			2011			
			Rupees in '000			
Residential Mortgage Finance		35%	223,280	-	223,280	78,148
Public Sector Entity						
		0%				
	1	20%	-	-	-	-
	2,3	50%	-	-	-	-
	4,5	100%	-	-	-	-
	6	150%	-	-	-	-
	Unrated	50%	-	-	-	-
			-	-	-	-
Sovereigns (SBP / GoP)		0%	14,937,007	-	14,937,007	-
Equity Investments - Listed		100%	738,212	-	738,212	738,212
- Unlisted		150%	85,870	-	85,870	128,805
			824,082	-	824,082	867,017
"Past Due Loans (Not Secured by Residential Mortgages)"	S.P less than 20%	150%	2,057,347	-	2,057,347	3,086,021
	S.P upto 20%	100%	122,974	-	122,974	122,974
	S.P greater than 50%	50%	83,909	-	83,909	41,955
			2,264,230	-	2,264,230	3,250,950
Investment in fixed assets		100%	1,414,644	-	1,414,644	1,414,644
Other assets		100%	1,331,634	-	1,331,634	1,331,634
Total			44,898,005	-	44,898,005	22,385,888

* Credit Risk Mitigation (CRM)

41.1.2.1 Policies and processes for collateral valuation and management as regards Basel II;

For Credit Risk Mitigation purposes the Bank uses only the eligible collaterals under Simple Approach of Credit Risk Mitigation under Standardised Approach as prescribed by SBP under Circular No. 8 of 2006, which includes Cash and Cash Equivalent Securities including Government Securities (like Cash Margins, Lien on Bank Accounts, Foreign Deposit Receipts, Term Deposit Receipts, Pledge of Defense Saving Certificates, Regular Income Certificates, Special Saving Certificates, T-Bills and Pakistan Investment Bonds etc.) and Shares Listed on the Main Index.

Under Bank's policy all collaterals are subject to periodic valuations to monitor the adequacy of margins held. Shares / Marketable securities are valued by the Bank on daily / weekly basis to calculate the Drawing Power (DP). In case of any shortfall in the requisite margins, the DP is adjusted to the appropriate level and the business units are informed to take appropriate action as per the agreement with the customer.

41.2 Equity position risk in the banking book

Equity positions in the banking book include Investment in equities that are available-for-sale or held for strategic investment purposes. These investments are generally regarded as riskier relative to fixed income securities owing to the inherent volatility of stock market prices. The Bank mitigates these risks through diversification and capping maximum exposures in a single company, compliance with regulatory requirement, following the guidelines laid down in the Bank's Investment Policy as set by the Board of Directors (BoD). The Bank follows a delivery versus payment settlement system thereby minimizing risk available in relation to settlement risk

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41.3 Market risk

41.3.1 Market risk is the risk of loss due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions. From the perspective of a Bank, market risk comprises of interest rate risk, foreign exchange risk and equity position risk, which the Bank is exposed to in both its trading and banking books.

The Bank has an approved market risk policy wherein the governance structure for managing market risk, measurement tools used and the market risk exposure limits have been addressed. The Bank's strategy for managing market risk is to relate the level of risk exposures to their risk appetite and the capital at hand.

The Board of Directors (BoD) and the Asset and Liability Committee (ALCO) are responsible for addressing market risk from a strategic perspective and are assisted by the market risk function in meeting these objectives.

The Market Risk function is also supported by personnel in the Middle Office function and directly report to Group Head Risk Management. Its responsibility includes ensuring the implementation of the market risk policy above in line with the Bank's strategy.

Risk reporting undertaken by the market risk function includes:

a) Portfolio Reports
b) Limit monitoring reports
c) Sensitivity analysis ; and
d) Stress testing of the portfolio

Hedging measures are undertaken to maintain limits set out in the risk management policy.

Currently, the Bank is using the market risk standardised approach for the purpose of computing regulatory capital, the details of which are set out above.

41.3.2 Foreign exchange risk

Main objective of foreign exchange risk management is to ensure that the foreign exchange exposure of the Bank lies within the defined appetite of the Bank.

Daily reports are generated to monitor the internal and regulatory limits with respect to the overall foreign currency exposures. The overall net open position, whether short or long has the potential to negatively impact the profit and loss depending upon the direction of movement in foreign exchange rates.

Foreign exchange open and mismatched positions are marked to market on a daily basis.

Currency risk arises where the value of financial instruments changes due to changes in foreign exchange rates. In order to manage currency risk exposure the bank enters into ready / spot, forward and swap transactions with SBP and in the interbank market. The Bank's foreign exchange exposure comprises of forward contracts, foreign currencies cash in hand, balances with banks abroad, foreign placement with SBP and foreign currencies assets and liabilities. The net open position is managed within the statutory limits, as fixed by SBP. Counter parties limit are also fixed to limit risk concentration. Appropriate segregation of duties exists between the front and back office functions while compliance with the net open position limit is independently monitored on an ongoing basis.

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	2012			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupee	**77,389,848**	**68,626,256**	**155,690**	**8,919,282**
United States Dollar	**3,711,431**	**3,463,780**	**(228,852)**	**18,799**
Great Britain Pound	**311,221**	**364,650**	**53,874**	**445**
Euro	**139,360**	**158,820**	**23,322**	**3,862**
Other currencies	**18,135**	**680**	**(4,034)**	**13,421**
	4,180,147	**3,987,930**	**(155,690)**	**36,527**
	81,569,995	**72,614,186**	**-**	**8,955,809**

	2011			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupee	51,369,234	43,424,828	(502,242)	7,442,164
United States Dollar	2,426,657	2,523,050	128,249	31,856
Great Britain Pound	41,364	226,968	185,751	147
Euro	77,243	265,795	189,155	603
Other currencies	6,071	2,898	(913)	2,260
	2,551,335	3,018,711	502,242	34,866
	53,920,569	46,443,539	-	7,477,030

41.3.3 Equity position risk in trading book

The Bank's objective with regard to holding equity investments in its trading book is to earn income from favourable market movements. Positions in the equity market are substantiated by sound fundamental and technical research.

Equity price risk is managed by applying trading limit and scrip-wise and portfolio wise nominal limits

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41.3.4 **Mismatch of interest rate sensitive assets and liabilities**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Bank is exposed to interest / mark-up rate risk as a result of mismatches or gaps in the amount of interest / mark up based assets and liabilities that mature or re-price in a given period. The Bank manages this risk by matching/re-pricing of assets and liabilities. The Bank is not excessively exposed to interest / mark-up rate risk as its assets and liabilities are repriced frequently. The assets and liabilities committee (ALCO) of the Bank monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the Bank.

	2012											
	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 instrument
		Rupees in '000										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	5,027,797	602,345	-	-	-	-	-	-	-	-	4,425,452
Balances with other banks	-	1,178,265	607,763	-	-	-	-	-	-	-	-	570,502
Lendings to financial institutions	8.46 - 10.39	3,940,958	3,194,641	7,053	708,702	30,562	-	-	-	-	-	-
Investments	3.16 - 12.23	44,340,277	1,725,847	1,771,373	6,835,573	28,124,175	1,035,285	801,511	1,937,030	745,760	-	1,363,723
Advances	8.46 - 10.39	20,054,921	5,792,246	4,471,188	2,638,392	6,313,070	167,634	41,151	123,530	7,956	499,754	-
Other assets	-	994,743	-	-	-	-	-	-	-	-	-	994,743
		75,536,961	11,922,842	6,249,614	10,182,667	34,467,807	1,202,919	842,662	2,060,560	753,716	499,754	7,354,420
Liabilities												
Bills payable	-	713,747	-	-	-	-	-	-	-	-	-	713,747
Borrowings	8.46 - 11	8,222,273	7,298,799	306,374	617,100	-	-	-	-	-	-	-
Deposits and other accounts	6 - 10.39	62,543,793	13,901,192	12,450,952	3,302,673	5,503,740	10,250	13,121	9,974,997	-	-	17,386,868
Other liabilities	-	1,104,325	-	-	-	-	-	-	-	-	-	1,104,325
		72,584,138	21,199,991	12,757,326	3,919,773	5,503,740	10,250	13,121	9,974,997	-	-	19,204,940
On-balance sheet financial instruments		2,952,823	(9,277,149)	(6,507,712)	6,262,894	28,964,067	1,192,669	829,541	(7,914,437)	753,716	499,754	(11,850,520)
Commitments in respect of forward exchange contracts - Purchase		2,292,630	2,016,307	145,123	131,200	-	-	-	-	-	-	-
Commitments in respect of forward exchange contracts - Sale		(2,450,969)	(1,717,979)	(534,790)	(198,200)	-	-	-	-	-	-	-
Off-balance sheet gap		(158,339)	298,328	(389,667)	(67,000)	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(8,978,821)	(6,897,379)	6,195,894	28,964,067	1,192,669	829,541	(7,914,437)	753,716	499,754	(11,850,520)
Cumulative yield / interest risk sensitivity gap			(8,978,821)	(15,876,200)	(9,680,306)	19,283,761	20,476,430	21,305,971	13,391,534	14,145,250	14,645,004	2,794,484

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

	2011											
	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 instrument
			Rupees in '000									
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	3,880,688	426,245	-	-	-	-	-	-	-	-	3,454,443
Balances with other banks	-	136,880	22,957	-	-	-	-	-	-	-	-	113,923
Lendings to financial institutions	1.5-14.79	4,073,103	3,086,103	658,333	318,667	2,000	2,000	6,000	-	-	-	-
Investments	5.75-16.50	21,291,895	662,430	632,951	1,280,921	3,005,182	9,155,101	309,837	3,497,192	2,323,611	-	424,670
Advances	4.25-18.50	18,018,778	6,153,222	9,002,296	2,022,609	570,808	128,913	42,496	65,370	33,064	-	-
Other assets	-	842,164	-	-	-	-	-	-	-	-	-	842,164
		48,243,508	10,350,957	10,293,580	3,622,197	3,577,990	9,286,014	358,333	3,562,562	2,356,675	-	4,835,200
Liabilities												
Bills payable	-	1,246,994	-	-	-	-	-	-	-	-	-	1,246,994
Borrowings	10.0-11.9	2,944,495	1,821,495	549,500	573,500	-	-	-	-	-	-	-
Deposits and other accounts	5.0-14.70	41,487,031	21,051,317	4,395,876	1,392,336	1,337,911	1,808,212	28,647	8,200	1,150	-	11,463,382
Other liabilities	-	754,751	-	-	-	-	-	-	-	-	-	754,751
		46,433,271	22,872,812	4,945,376	1,965,836	1,337,911	1,808,212	28,647	8,200	1,150	-	13,465,127
On-balance sheet financial instruments		1,810,237	(12,521,855)	5,348,204	1,656,361	2,240,079	7,477,802	329,686	3,554,362	2,355,525	-	(8,629,927)
Commitments in respect of forward exchange contracts - Purchase		1,948,987	1,628,997	243,161	76,829	-	-	-	-	-	-	-
Commitments in respect of forward exchange contracts - Sale		(1,446,561)	(1,426,507)	(20,054)	-	-	-	-	-	-	-	-
Off-balance sheet gap		502,426	202,490	223,107	76,829	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(12,319,365)	5,571,311	1,733,190	2,240,079	7,477,802	329,686	3,554,362	2,355,525	-	(8,629,927)
Cumulative yield / interest risk sensitivity gap			(12,319,365)	(6,748,054)	(5,014,864)	(2,774,785)	4,703,017	5,032,703	8,587,065	10,942,590	10,942,590	2,312,663

	2012	2011
	Rupees in '000	
Reconciliation to total assets		
Balance as per balance sheet	**81,569,995**	53,920,569
Less: Non financial assets		
Investments - net	**1,919,121**	1,357,929
Operating fixed assets	**3,165,117**	3,021,439
Deferred tax asset	**699,272**	1,082,466
Other assets	**249,524**	215,227
	6,033,034	5,677,061
	75,536,961	48,243,508

	2012	2011
	Rupees in '000	
Reconciliation to total liabilities		
Balance as per balance sheet	**72,614,186**	46,443,539
Less: Non financial liabilities		
Government duties	**30,048**	10,268
	72,584,138	46,433,271

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

41.4 Liquidity risk

Liquidity risk is the risk that the Bank will not be able to raise funds to meet its commitments. The Bank's Asset-Liability Committee (ALCO) manages the liquidity position on a continuous basis.

Bank's policy to liquidity management is to maintain adequate liquidity at all times and in all currencies under both normal and stress conditions, to meet our contractual and potential payment obligations without incurring additional and unacceptable cost to the business.

Treasury is responsible for the managing liquidity risk under the guidance of Asset-Liability Committee of the Bank. The Bank's liquidity risk management approach starts at the intraday level (operational liquidity) managing the daily payments queue and factoring in our access to the qualifying securities of State Bank of Pakistan. It then covers tactical liquidity risk management dealing with the access to unsecured funding sources and the liquidity characteristics of our asset inventory (asset liquidity). Finally, the strategic perspective comprises the maturity profile of all assets and liabilities on our statement of financial position.

For monitoring and controlling liquidity risk, the Bank generates a scenario sensitive maturity statement of financial position, and run controlled mismatches that are monitored daily and discussed by ALCO members atleast monthly. The Bank prepares various types of reports and analysis for assisting ALCO in taking necessary strategic actions for managing liquidity risk in the Bank.

Maturity of assets and liabilities - Based on contractual maturities of assets and liabilities of the Bank

	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
	Rupees in '000									
Assets										
Cash and balances with treasury banks	5,027,797	5,027,797	-	-	-	-	-	-	-	-
Balances with other banks	1,178,265	1,178,265	-	-	-	-	-	-	-	-
Lendings to financial institutions	3,940,958	2,810,688	7,065	408,721	180,601	233,421	150,100	150,362	-	-
Investments	46,259,398	4,378,002	1,398,306	6,191,778	28,399,004	1,450,358	1,341,609	2,185,307	915,034	-
Advances	20,054,921	12,885,924	2,955,251	1,678,917	376,364	739,740	492,510	418,505	7,956	499,754
Other assets	1,244,267	1,108,002	41,165	46,213	35,284	12,793	810	-	-	-
Operating fixed assets	3,165,117	24,466	86,780	92,950	141,187	273,270	258,132	413,675	203,389	1,671,268
Deferred tax assets	699,272	-	-	-	-	-	-	699,272	-	-
	81,569,995	27,413,144	4,488,567	8,418,579	29,132,440	2,709,582	2,243,161	3,867,121	1,126,379	2,171,022
Liabilities										
Bills payable	713,747	713,747	-	-	-	-	-	-	-	-
Borrowings	8,222,273	7,298,799	306,374	617,100	-	-	-	-	-	-
Deposits and other accounts	62,543,793	48,745,936	5,084,956	3,180,640	5,503,740	10,250	13,121	5,150	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,134,373	1,061,204	22,967	-	-	-	-	50,202	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	72,614,186	57,819,686	5,414,297	3,797,740	5,503,740	10,250	13,121	55,352	-	-
Net assets	8,955,809	(30,406,542)	(925,730)	4,620,839	23,628,700	2,699,332	2,230,040	3,811,769	1,126,379	2,171,022
Share capital	10,724,643									
Statutory reserve	231,613									
Discount on issue of right shares	(2,105,401)									
Accumulated losses	(76,377)									
Surplus on revaluation of assets - net	181,331									
	8,955,809									

The expected maturity dates does not differ significantly from the contract date except for the maturity of Rs. 25.02 (2011: Rs. 12.02) billion of deposits considered stable core source of funding by the bank.

JS BANK

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

	2011									
	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
	Rupees in '000									
Assets										
Cash and balances with treasury banks	3,880,688	3,880,688	-	-	-	-	-	-	-	-
Balances with other banks	136,880	136,880	-	-	-	-	-	-	-	-
Lendings to financial institutions	4,073,103	760,590	450,000	429,858	1,580,296	537,000	199,947	-	47,252	68,160
Investments	22,649,824	660,817	18,480	73,820	12,246,324	946,904	3,537,133	2,275,128	2,802,075	89,143
Advances	18,018,778	8,252,639	170,338	14,515	7,127,068	516,434	735,574	975,645	4,277	222,288
Other assets	1,057,391	742,012	33,351	42,073	222,406	8,531	819	810	-	7,389
Operating fixed assets	3,021,439	36,731	37,487	53,792	102,115	188,926	174,194	306,060	240,417	1,881,719
Deferred tax assets	1,082,466	-	-	-	-	-	-	1,082,466	-	-
	53,920,569	14,470,357	709,656	614,058	21,278,209	2,197,795	4,647,667	4,640,108	3,094,020	2,268,699
Liabilities										
Bills payable	1,246,994	1,246,994	-	-	-	-	-	-	-	-
Borrowings	2,944,495	1,821,495	549,500	573,500	-	-	-	-	-	-
Deposits and other accounts	41,487,031	32,554,370	4,356,650	1,473,936	3,072,750	19,975	8,000	1,350	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	765,019	645,799	-	-	-	75,345	-	43,875	-	-
Deferred tax liabilities	-	-		-	-	-	-	-	-	
	46,443,539	36,268,658	4,906,150	2,047,436	3,072,750	95,320	8,000	45,225	-	-
Net assets	7,477,030	(21,798,301)	(4,196,494)	(1,433,378)	18,205,459	2,102,475	4,639,667	4,594,883	3,094,020	2,268,699
Share capital	10,002,930									
Statutory reserve	89,978									
Discount on issue of right shares	(1,944,880)									
Accumulated losses	(642,918)									
(Deficit)/surplus on revaluation of assets - net	(28,080)									
	7,477,030									

The expected maturity dates does not differ significantly from the contract date except for the maturity of Rs. 12.02 (2010: Rs. 7.59) billion of deposits considered stable core source of funding by the bank.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

Maturity of assets and liabilities - Based on working prepared by the Asset and Liability Committee (ALCO) of the Bank

	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
	Rupees in '000									
Assets										
Cash and balances with treasury banks	5,027,797	5,027,797	-	-	-	-	-	-	-	-
Balances with other banks	1,178,265	1,178,265	-	-	-	-	-	-	-	-
Lendings to financial institutions	3,940,958	2,810,688	7,065	408,721	180,601	233,421	150,100	150,362	-	-
Investments	46,259,398	4,378,002	1,398,306	6,191,778	28,399,004	1,450,358	1,341,609	2,185,307	915,034	-
Advances	20,054,921	4,701,918	4,319,252	2,588,251	6,287,035	739,740	492,510	418,505	7,956	499,754
Other assets	1,244,267	1,108,002	41,165	46,213	35,284	12,793	810	-	-	-
Operating fixed assets	3,165,117	24,466	86,780	92,950	141,187	273,270	258,132	413,675	203,389	1,671,268
Deferred tax assets	699,272	-	-	-	-	-	-	699,272	-	-
	81,569,995	19,229,138	5,852,568	9,327,913	35,043,111	2,709,582	2,243,161	3,867,121	1,126,379	2,171,022
Liabilities										
Bills payable	713,747	713,747	-	-	-	-	-	-	-	-
Borrowings	8,222,273	7,298,799	306,374	617,100	-	-	-	-	-	-
Deposits and other accounts	62,543,793	16,509,222	15,058,983	5,910,703	8,111,770	10,250	13,121	16,929,744	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,134,373	1,061,203	22,968	-	-	-	-	50,202	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	72,614,186	25,582,971	15,388,325	6,527,803	8,111,770	10,250	13,121	16,979,946	-	-
Net assets	8,955,809	(6,353,833)	(9,535,757)	2,800,110	26,931,341	2,699,332	2,230,040	(13,112,825)	1,126,379	2,171,022
Share capital	10,724,643									
Statutory reserve	231,613									
Discount on issue of right shares	(2,105,401)									
Accumulated losses	(76,377)									
Surplus on revaluation of assets - net	181,331									
	8,955,809									

To identify the behavorial maturities of non-contractual assests and liabilities, the Bank has used the follwing methodology:

For determining the core portion of non contractual assets and liabilities (non- volatile portion), the bank has used the Average method whereby average balance maintained over past four year has been classified as core and has been placed in the farthest maturity bucket. The remaining volatile portion of non contractual assets & liabilities has been stratified in maturity bucket by relative bucket wise percentage by determining using value at risk (VAR) methodology at 99% confidence interval.

	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 3 to 5 years
Weighted average	20%	25%	7%	6%	42%

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

	2011									
	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
	Rupees in '000									
Assets										
Cash and balances with treasury banks	3,880,688	3,880,688	-	-	-	-	-	-	-	-
Balances with other banks	136,880	136,880	-	-	-	-	-	-	-	-
Lendings to financial institutions	4,073,103	760,590	450,000	429,858	1,580,296	537,000	199,947	-	47,252	68,160
Investments	22,649,824	660,817	18,480	73,820	12,246,324	946,904	3,537,133	2,275,128	2,802,075	89,143
Advances	18,018,778	2,931,332	3,008,368	2,497,792	7,127,068	516,434	735,574	975,645	4,277	222,288
Other assets	1,057,391	742,012	33,351	42,073	222,406	8,531	819	810	-	7,389
Operating fixed assets	3,021,439	36,729	37,487	53,792	102,115	188,926	174,194	306,060	240,417	1,881,719
Deferred tax assets	1,082,466	-	-	-	-	-	-	1,082,466	-	-
	53,920,569	9,149,048	3,547,686	3,097,335	21,278,209	2,197,795	4,647,667	4,640,109	3,094,021	2,268,699
Liabilities										
Bills payable	1,246,994	1,246,994	-	-	-	-	-	-	-	-
Borrowings	2,944,495	1,821,495	549,500	573,500	-	-	-	-	-	-
Deposits and other accounts	41,487,031	12,209,213	9,442,515	3,570,109	4,219,083	19,975	12,024,787	1,350	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	765,019	645,799	-	-	-	75,345	-	43,875	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	46,443,539	15,923,501	9,992,015	4,143,609	4,219,083	95,320	12,024,787	45,225	-	-
Net assets	7,477,030	(6,774,453)	(6,444,329)	(1,046,274)	17,059,126	2,102,475	(7,377,120)	4,594,884	3,094,021	2,268,699
Share capital	10,002,930									
Statutory reserve	89,978									
Discount on issue of right shares	(1,944,880)									
Accumulated losses	(642,918)									
(Deficit)/surplus on revaluation of assets - net	(28,080)									
	7,477,030									

	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 2 to 3 years
Weighted average	20%	20%	8%	5%	47%

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

41.5 Operational risk

The Bank currently uses Basic Indicator Approach to Operational Risk for regulatory capital calculations. We define the operational risk as the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. With the evolution of Operations Risk Management into a separate distinct discipline, the Bank's strategy is to further strengthen its risk management system along new industry standards. Accordingly the Bank has set up a separate Operational Risk Management Unit (ORM).

ORM Unit resides within Risk Management Group (RMG). Its responsibility is to implement Operational Risk management tools across the Bank for effective measurement and monitoring of operational risk faced by different areas of the Bank.

During the year, bank has formulated a comprehensive document of "Operational Risk Management Framework" which has also been approved by the Board Risk Management Committee. The purpose of bank-wide Operational Risk Management Framework is to guide implementation of Operational Risk Policy. The framework aims at laying out clearly defined roles and responsibilities of individuals/units across different functions of the bank that are / would be involved in performing various Operational Risk Management tasks. Operational risk is much more pervasive in a financial institution and every operating unit is exposed to operational risk, regardless of whether it is a business unit or a support unit. This Framework has been devised to explain the various building blocks of the Operational Risk Management processes, and their inter-relationships.

During the year, the management has also been in the process of conducting an overall review and updating / consolidation of systems and procedures with the objective of further improving internal controls so as to be fully compliant with the established benchmarks including the framework envisaged by the Committee of Sponsoring Organizations (COSO) and the requirements of relevant international benchmarks (PCAOB Standards) for evaluating the results of testing activities. A Steering Committee is actively functioning to oversee the formulation, design and implementation of the requirements under the COSO framework. Special emphasis is being laid on the expeditious completion of the roadmap pertaining to ICFR (Internal Controls over Financial Reporting) certification as per SBP Guidelines and requirements.

The bank has conducted Operational risk profiling for all major operational areas and developed Key Risk Indicators (KRIs) which are monitored against predefined thresholds. Findings from KRIs are used as predictive indicators of potential operational risks.

Ops Loss data collection is governed by Bank's TID Policy which has been developed and implemented to collate operational losses and near misses in a systematic and organized way. Moreover, the Bank has put in place comprehensive IT Security Policy which addresses enterprise wide risk drivers inclusive of technology infrastructure, software, hardware and IT security.

The Bank's Business Continuity Policy (BCP) includes risk management strategies to mitigate inherent risk and prevent interruption of mission critical services caused by disaster event.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

42. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorized for issue by the Board of Directors as on March 04, 2013.

43. GENERAL

The figures in the unconsolidated financial statements have been rounded off to the nearest thousand.

Jahangir Siddiqui	Kalim-ur-Rahman	Rafique R. Bhimjee	Adil Matcheswala
Chairman	President/Chief Executive Officer	Director	Director

Consolidated Financial Statements

JS BANK

Directors' Report on Consolidated Financial Statements

For the year ended December 31, 2012

On behalf of the Board of Directors I am pleased to present the consolidated annual report of JS Bank Limited (holding company) and JS Global Capital Limited & JS Investments Limited (subsidiary companies).

Consolidated financial highlights

	2012	2011
	Rupees in 'million'	
Profit before taxation	1,190.156	537.336
Taxation	(370.323)	(175.691)
Profit after taxation	819.833	361.645
Profit attributable to non-controlling interest	(98.297)	(1.094)
Profit attributable to equity holders of the Bank	721.536	360.551
Earnings per share - Rupee	0.71	0.42
Investments	47,884.719	22,906.646
Total assets	84,018.777	54,502.625
Deposits	61,934.787	40,174.351

Pattern of Shareholding

The pattern of shareholding as at December 31, 2012 is included in the annual report.

Subsidiaries Companies

a) JS Global Capital Limited (JSGCL)

JSGCL is one of the largest securities brokerage and investment banking firm in Pakistan with a continued leadership position in the domestic capital markets. It is in the business of equity, fixed income, currencies and commodities brokerage and investment banking. It was incorporated in Pakistan in 2000 under the Companies Ordinance, 1984. JS Bank (51%) and Global Investment House KSCC of Kuwait (43%) are the major shareholders.

JSGCL has paid up capital of Rs. 500 million and shareholder equity of Rs. 2.71 billion as on December 31, 2012. It is listed on the Karachi and Islamabad Stock Exchanges.

The Pakistan Credit Rating Agency (PACRA) has assigned long-term and short-term entity ratings to JSGCL of "AA" (Double A) and "A1+" (A One plus), respectively. The ratings denote a very low expectation of credit risk emanating from very strong capacity for timely payment of financial commitments.

Summarized results of the company are set out below:

Particulars	*18 months to December 31, 2012 Audited	12 months to December 31, 2012 (Un-audited)	12 months to December 31, 2011 (Un-audited)
Profit Before Tax (in millions)	378.961	270.317	122.058
Profit After Tax (in millions)	290.325	204.768	87.739
Earnings Per Share - Rupees	5.81	4.1	1.75

b) JS Investments Limited (JSIL)

JSIL, is the oldest and one of the leading private sector Asset Management Companies in Pakistan, with Rs. 12.33 billion (as on December 31, 2012) in assets under management, spread across various mutual funds, pension funds and separately managed accounts. It was incorporated in Pakistan in 1995 under the Companies Ordinance, 1984. JS Bank (52%) and International Finance Corporation (4%) are the major shareholders.

JSIL has paid up capital of Rs. 1 billion and shareholder equity of Rs. 1.23 billion as on December 31, 2012. The shares of the Company are quoted on the Karachi Stock Exchange since April 24, 2007.

The Company has a Management Quality Rating of "AM2 -, with stable outlook" assigned by JCR-VIS and Credit Rating of "A+/A1 (Long/Short - term) assigned by PACRA.

The Company has the license of an "Investment Adviser" and "Asset Management Company" (AMC) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). In addition, the Company is also a licensed Pension Fund Manager under the Voluntary Pension System Rules, 2005, to manage voluntary pension schemes. The Company has a paid up capital of Rs. 1,000 million and shareholder equity of Rs.1,230 million as on December 31, 2012.

Summarized results of the Company are set out below:

Particulars	*18 months to December 31, 2012 Audited	12 months to December 31, 2012 (Un-audited)	12 months to December 31, 2011 (Un-audited)
Profit Before Tax (in millions)	195.627	187.626	51.788
Profit After Tax (in millions)	202.729	187.273	54.361
Earnings Per Share - Rupees	2.03	1.87	0.54

*To comply with the requirement of Section 238 of the Companies Ordinance, 1984 the financial year of JS Global and JS Investments has been changed from June 30 to December 31 in order to coincide it with that of JS Bank. Therefore, the audited financial statements for an 18 month period have been prepared for both the subsidiaries.

For and on behalf of the Board,

Jahangir Siddiqui
Chairman

March 04, 2013

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
Karachi-75350
Pakistan

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements of **JS Bank Limited** comprising consolidated statement of financial position as at December 31, 2012 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. These consolidated financial statements include unaudited certified returns from the branches, except for 4 branches which have been audited by us. We have also expressed separate opinion on the financial statements of JS Bank Limited and JS Global Capital Limited (Subsidiary). The financial statements of subsidiary companies JS Investments Limited and JS ABAMCO Commodities Limited were audited by other firms of chartered accountants.

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

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

In our opinion the consolidated financial statements present fairly, in all material respects, the consolidated financial position of JS Bank Limited as at December 31, 2012 and the consolidated results of its operations, its consolidated comprehensive income, its consolidated cash flows and consolidated changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

We draw attention to the Note 1.2 to the accompanying consolidated financial statements wherein management has explained the plans of the Bank to meet the minimum capital requirements as prescribed by the State Bank of Pakistan as the Bank does not meet the minimum capital requirements currently. Our opinion is not qualified in respect of this matter.

M. Yousuf Adil Saleem & Co

Chartered Accountants

Engagement Partner:
Nadeem Yousuf Adil

Place: Karachi
Date: March 04, 2013

Member of
Deloitte Touche Tohmatsu Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2012

	Note	2012	2011
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks	8	**5,027,942**	3,880,782
Balances with other banks	9	**1,193,864**	165,067
Lendings to financial institutions	10	**3,740,958**	3,803,022
Investments - net	11	**47,884,719**	22,906,646
Advances - net	12	**19,909,385**	18,029,884
Operating fixed assets	13	**3,412,167**	3,064,883
Deferred tax assets	14	**860,704**	1,228,756
Other assets	15	**1,989,038**	1,423,585
		84,018,777	54,502,625
LIABILITIES			
Bills payable	16	**713,747**	1,246,994
Borrowings	17	**8,704,685**	3,171,800
Deposits and other accounts	18	**61,934,787**	40,174,351
Sub-ordinated loans		**-**	-
Liabilities against assets subject to finance lease		**-**	-
Deferred tax liabilities		**-**	-
Other liabilities	19	**1,730,620**	1,128,444
		73,083,839	45,721,589
NET ASSETS		**10,934,938**	8,781,036
REPRESENTED BY			
Share capital	20	**10,724,643**	10,002,930
Reserves		**231,613**	89,978
Discount on issue of shares		**(2,105,401)**	(1,944,880)
Accumulated loss		**(62,157)**	(642,058)
Non-controlling interest		**1,863,194**	1,303,146
		10,651,892	8,809,116
Surplus / (deficit) on revaluation of assets - net of tax	21	**283,046**	(28,080)
		10,934,938	8,781,036
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes from 1 to 45 form an integral part of these consolidated financial statements.

Jahangir Siddiqui	Kalim-ur-Rahman	Rafique R. Bhimjee	Adil Matcheswala
Chairman	President/Chief Executive Officer	Director	Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011
		Rupees in '000	
Mark-up / return / interest earned	24	**6,168,310**	4,319,252
Mark-up / return / interest expensed	25	**3,731,733**	2,583,678
Net Mark-up / Interest income		**2,436,577**	1,735,574
(Provision) / reversal against non-performing loans and advances	12.4	**(457,504)**	13,675
(Provision) / reversal of diminution in value of investments	11.3	**(72,424)**	137,524
Bad debts written off directly		**-**	-
		(529,928)	151,199
Net mark-up / interest income after provisions		**1,906,649**	1,886,773
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income	26	**818,790**	355,297
Dividend income		**82,636**	20,620
Income from dealing in foreign currencies		**205,775**	98,738
Gain on sale of securities - net	27	**938,665**	247,872
Unrealised gain / (loss) on revaluation of investments classified as held-for-trading		**37,762**	(4,222)
Share of profit from associate - net of tax		**-**	34,118
Other income	28	**64,556**	17,514
Total non mark-up / interest income		**2,148,184**	769,937
		4,054,833	2,656,710
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	29	**2,892,734**	2,111,534
Other provisions / write offs		**(25,427)**	-
Fixed assets written off		**-**	-
Other charges	30	**(2,630)**	7,840
Total non-mark-up / interest expenses		**2,864,677**	2,119,374
		1,190,156	537,336
Extra ordinary / unusual items		**-**	-
PROFIT BEFORE TAXATION		**1,190,156**	537,336
Taxation - Current	31	**(147,511)**	(49,443)
- Prior years		**61,885**	-
- Deferred		**(284,697)**	(126,248)
		(370,323)	(175,691)
PROFIT AFTER TAXATION		**819,833**	361,645
Attributable to :			
Equity holders of the Bank		**721,536**	360,551
Non-controlling interest		**98,297**	1,094
		819,833	361,645
		Rupee	
Earnings per share - basic and diluted	32	**0.71**	0.42

The annexed notes from 1 to 45 form an integral part of these consolidated financial statements.

Jahangir Siddiqui	Kalim-ur-Rahman	Rafique R. Bhimjee	Adil Matcheswala
Chairman	President/Chief Executive Officer	Director	Director

JS BANK

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011
	Rupees in '000	
Profit after tax for the year	**819,833**	361,645
Other comprehensive income	**-**	-
Total comprehensive income for the year	**819,833**	361,645
Attributable to :		
Equity holders of the Bank	**721,536**	360,551
Non-controlling interest	**98,297**	1,094
	819,833	361,645

Surplus / (deficit) arising on revaluation of assets (net) has been reported in accordance with the requirements of the Companies Ordinance, 1984 and the directives of the State Bank of Pakistan in a separate account below equity.

The annexed notes from 1 to 45 form an integral part of these consolidated financial statements.

Jahangir Siddiqui	Kalim-ur-Rahman	Rafique R. Bhimjee	Adil Matcheswala
Chairman	President/Chief Executive Officer	Director	Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2012

	Attributable to shareholders of the bank						
	Issued, subscribed and paid-up share capital	Statutory reserve	Discount on issue of shares	Accumulated losses	Sub-total	Non controlling interest	Total
	Rupees in '000						
Balance as at January 01, 2011	8,149,715	18,040	(1,415,477)	(930,671)	5,821,607	-	5,821,607
Non controlling interest on acquisition of subsidiary	-	-	-	-	-	1,302,052	1,302,052
Total comprehensive income for the year							
Profit after taxation for the year ended December 31, 2011	-	-	-	360,551	360,551	1,094	361,645
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive profit for the year ended December 31, 2011	-	-	-	360,551	360,551	1,094	361,645
Transaction with owners recorded directly in equity							
Issue of shares during the year	1,853,215	-	-	-	1,853,215	-	1,853,215
Discount on issue of shares	-	-	(529,403)	-	(529,403)	-	(529,403)
	1,853,215	-	(529,403)	-	1,323,812	-	1,323,812
Transfer to statutory reserve	-	71,938	-	(71,938)	-	-	-
Balance as at December 31, 2011	10,002,930	89,978	(1,944,880)	(642,058)	7,505,970	1,303,146	8,809,116
Non controlling interest on acquisition of subsidiary	-	-	-	-	-	550,026	550,026
Purchase of non controlling interest by the Parent	-	-	-	-	-	(2,613)	(2,613)
Total comprehensive income for the year							
Profit after taxation for the year ended December 31, 2012	-	-	-	721,536	721,536	98,297	819,833
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive profit for the year ended December 31, 2012	-	-	-	721,536	721,536	98,297	819,833
Transaction with owners recorded directly in equity							
Issue of shares during the year	721,713	-	-	-	721,713	-	721,713
Discount on issue of shares (Note 20.2.2)	-	-	(160,521)	-	(160,521)	-	(160,521)
	721,713	-	(160,521)	-	561,192	-	561,192
Dividend for the year ended December 31, 2012 @ Rs. 3.5 per ordinary share paid to non controlling interest	-	-	-	-	-	(85,662)	(85,662)
Transfer to statutory reserve	-	141,635	-	(141,635)	-	-	-
Balance as at December 31, 2012	**10,724,643**	**231,613**	**(2,105,401)**	**(62,157)**	**8,788,698**	**1,863,194**	**10,651,892**

The annexed notes from 1 to 45 form an integral part of these consolidated financial statements.

Jahangir Siddiqui	Kalim-ur-Rahman	Rafique R. Bhimjee	Adil Matcheswala
Chairman	President/Chief Executive Officer	Director	Director

JS BANK

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011
		Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**1,190,156**	537,336
Less: Dividend income		**(82,636)**	(20,433)
		1,107,520	516,903
Adjustments:			
Depreciation		**231,959**	226,589
Amortisation of intangible assets	13.3	**19,182**	17,436
Charge for defined benefit plan	35.6	**22,622**	17,336
Provision for / (reversal) of against non-performing advances - net		**457,504**	(13,479)
Unrealised (gain) / loss on revaluation of investments classified as held-for-trading		**(37,762)**	4,502
Provision for / (reversal) of provision diminution in the value of investments	11.3	**72,424**	(137,524)
Other provisions		**(25,427)**	-
Share of profit from associate		**-**	(34,118)
Other income		**(46,350)**	(15,933)
		694,152	64,809
		1,801,672	581,712
Decrease / (increase) in operating assets			
Lendings to financial institutions		**62,064**	(159,662)
Held for trading securities		**3,444,381**	(4,332,575)
Advances		**(2,332,945)**	(4,030,395)
Other assets (excluding advance taxation)		**(362,719)**	(453,401)
		810,781	(8,976,033)
Increase in operating liabilities			
Bills payable		**(533,247)**	877,374
Borrowings		**5,187,775**	(2,349,997)
Deposits		**21,760,436**	13,898,023
Other liabilities		**385,860**	(457,375)
		26,800,824	11,968,025
		27,611,605	2,991,992
Payment to defined benefit plan		**(75,000)**	-
Income tax paid		**(101,160)**	(45,857)
Net cash from operating activities		**29,237,117**	3,527,847
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in available-for-sale securities		**(26,753,088)**	(2,831,072)
Cash received on acquisition of subsidiary		**2,196**	-
Dividend received		**82,636**	20,433
Payments for operating fixed assets		**(424,707)**	(391,474)
Proceeds on sale of property and equipment disposed-off		**70,316**	25,087
Net cash used in investing activities		**(27,022,647)**	(3,177,026)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid to non-controlling interest		**(85,662)**	-
Net cash used in financing activities		**(85,662)**	-
Increase / (decrease) in cash and cash equivalents		**2,128,808**	350,821
Cash and cash equivalents at beginning of the year		**4,044,289**	3,693,468
Cash and cash equivalents at end of the year	33	**6,173,097**	4,044,289

The annexed notes from 1 to 45 form an integral part of these consolidated financial statements.

Jahangir Siddiqui	Kalim-ur-Rahman	Rafique R. Bhimjee	Adil Matcheswala
Chairman	President/Chief Executive Officer	Director	Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

1. STATUS AND NATURE OF BUSINESS

1.1 The "Group" consists of:

1.1.1 Holding Company

JS Bank Limited (the Bank), incorporated in Pakistan is a scheduled bank, engaged in commercial banking and related services. The Bank's ordinary shares are listed on Karachi Stock Exchange in Pakistan. The Bank is a subsidiary of Jahangir Siddiqui & Co. Ltd. (JSCL). The registered office of the Bank is situated at Shaheen Commercial Complex, Dr. Ziauddin Ahmed Road, Karachi. The Bank operates with 185 (December 31, 2011: 147) branches / sub-branches in Pakistan. The Pakistan Credit Rating Agency (Private) Limited (PACRA) has upgraded the long-term entity rating of JS Bank from "A" to "A+" (Single A Plus), while maintaining the short-term rating at "A1" (A One).

Jahangir Siddiqui Investment Bank Limited (JSIBL, formerly Citicorp Investment Bank Limited which was acquired by JSCL on February 01, 1999) and its holding company, JSCL, entered into a Framework Agreement with American Express Bank Limited, New York (AMEX) on November 10, 2005 for acquisition of its American Express Bank Limited (AEBL) Pakistan Operations. Consequently, a new banking company, JS Bank Limited (JSBL) was incorporated on March 15, 2006 and a restricted Banking License was issued by the State Bank of Pakistan (SBP) on May 23, 2006.

A Transfer Agreement was executed on June 24, 2006 between JSIBL and JSBL for the transfer of entire business and undertaking of JSIBL to JSBL and a separate Transfer Agreement was also executed on June 24, 2006 between AMEX and JSBL for the transfer of AEBL's commercial banking business in Pakistan with all assets and liabilities (other than certain excluded assets and liabilities) (AEBL business). The shareholders of JSIBL and JSBL in their respective extra ordinary general meetings held on July 31, 2006 approved a Scheme of Amalgamation (the Scheme) under Section 48 of the Banking Companies Ordinance, 1962. The Scheme was initially approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter No. SC/NBF-C(J)-R/JSIBL/2006/517 dated September 28, 2006. Subsequently, the Scheme was sanctioned by the SBP vide its order dated December 02, 2006 and, in accordance therewith, the effective date of amalgamation was fixed at December 30, 2006.

The Bank has signed a Sale and Purchase Agreement on September 10, 2012 with HSBC Middle East Limited for acquisition of HSBC - Pakistan operations. In this regard the Bank has applied to the SBP for an approval. Once the approval is received, the Bank will proceed towards completing other procedural formalties.

1.1.2 Subsidiary Companies

JS Global Capital Limited (JSGCL)

JS Global Capital Limited (JSGCL), the Company, is principally owned by the Bank, holding 51.05% of it's equity interest. The Bank acquired effective controlling interest in JSGCL on December 21, 2011. JSGCL is a public listed company incorporated in Pakistan under the Companies Ordinance, 1984. The shares of the Company are listed on Karachi and Islamabad stock exchanges. Further, the Company is a corporate member of Karachi Stock Exchange Limited and member of Pakistan Merchantile Exchange (formerly National Commodity Exchange Limited). The principal business of the Company is to carry out share brokerage, money market, forex and commodity brokerage, advisory and consultancy services. Other activities include investment in a mix of listed and unlisted equity and debt securities and reverse repurchase transactions. The registered office of the Company is situated at 6th floor, Faysal House, Shahra-e-Faisal, Karachi, Pakistan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

JS Investments Limited (JSIL)

JS Investments Limited (JSIL) ('the Company') is principally owned by the Bank, holding 52.24% of it's equity interest. The Bank acquired effective controlling interest in JSIL on November 01, 2012. JSIL is a public listed company incorporated in Pakistan on February 22, 1995 under the Companies Ordinance, 1984. The shares of the Company are quoted on the Karachi Stock Exchange since April 24, 2007. The registered office of the Company is situated at 7th floor, 'The Forum', Khayaban-e-Jami, Clifton, Karachi.

The Company has obtained the license of an "Investment Advisor" and "Asset Management Company" (AMC) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). In addition, the Company has also obtained registration to act as Pension Fund Manager under the Voluntary Pension System Rules, 2005.

The Company is an asset management company and pension fund manager for the following at year end:

- Asset management company of the following funds:

Closed end:
- JS Growth Fund
- JS Value Fund Limited

Open end:
- Unit Trust of Pakistan
- JS Income Fund
- JS Islamic Fund
- JS Aggressive Asset Allocation Fund
- JS Fund of Funds
- JS KSE-30 Index Fund
- JS Aggressive Income Fund
- JS Cash Fund
- JS Large Cap Fund

- Pension fund manager of the following funds:

- JS Pension Savings Fund
- JS Islamic Pension Savings Fund

These funds have been treated as related parties in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

JS ABAMCO Commodities Limited

JS Bank owns JS ABAMCO Commodities Limited (JSACL) indirectly through its subsidiary JS Investment Limited (JSIL) which has 100% holding in JSACL. JSACL was incorporated on September 25, 2007 as a public unlisted company under the Companies Ordinance, 1984 and is a wholly owned subsidiary company of JSIL (a subsidiary of Holding Company). The principal activities of JSACL are to deal and effectuate commodity contracts; to become member of commodity exchange including National Commodity Exchange Limited (NCEL) and to carry on the business as brokers, advisory and consultancy services, dealers and representative of all kinds of commodity contracts and commodity backed securities. The registered office of the Company is situated at 7th floor, the Forum, Block-9, Clifton, Karachi. The Company has not commenced its commercial operations up to the balance sheet date.

1.2 Compliance with Minimum Capital Requirement

The State Bank of Pakistan (SBP) through its BSD Circular No. 7 dated April 15, 2009 has prescribed that the minimum paid up capital (net of losses) for Banks / Development Finance Institutions (DFIs) be raised to Rs. 10 billion by the year ending December 31, 2013. The raise is to be achieved in a phased manner requiring Rs. 9 billion paid-up capital (free of losses) by the end of the financial year 2012. To meet the shortfall in the Minimum Capital Requirement (MCR) of the SBP, the Bank acquired in previous year 25,525,169 shares of JS Global Capital Limited (JSGCL) from Jahangir Siddiqui & Co. Ltd. (JSCL) and other shareholders of JSGCL in exchange of issuance of 185,321,537 new shares of the Bank. Further during the current year the Bank acquired 52,236,978 shares of JS Investments Limited (JSIL) from JSCL and other shareholders of JSIL in exchange for issue of 72,171,251 shares of the Bank. As a result of these transactions the paid up capital of the Bank increased by 1.885 billion. The paid-up capital (free of losses) of the Bank as at December 31, 2012 stood at Rs. 8.543 billion.

To meet the shorfall in the required MCR, the Bank has plans based on which the SBP has granted an extension upto June 30, 2013 for compliance, subject to certain conditions.

1.3 Basis of consolidation

- The consolidated financial statements include the financial statements of the Bank (holding company) and its subsidiary companies together - “the Group”.

- Subsidiary companies are fully consolidated from the date on which more than 50% of voting rights are transferred to the Group or power to control the company is established and excluded from consolidation from the date of disposal or when the control is lost.

- The financial statements of the subsidiary companies are prepared for the same reporting year as the holding company for the purpose of consolidation, using consistent accounting policies.

- The assets, liabilities, income and expenses of subsidiary companies have been consolidated on a line by line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

- Non-Controlling Interest in equity of the subsidiary companies is measured at proportionate share of net assets of the acquiree as of the acquisition date.

- Material intra-group balances and transactions have been eliminated.

2. BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding the conversion of the banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the Bank 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. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except that certain assets are stated at revalued amounts / fair value as disclosed in their respective notes.

4. STATEMENT OF COMPLIANCE

4.1 These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the directives issued by the SBP. In case where requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.

4.2 The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for Banking companies till further instructions. Further, according to the notification of the Securities and Exchange Commission of Pakistan (SECP) dated April 28, 2008, the IFRS - 7 “Financial Instruments: Disclosures” has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

4.3 Adoption of New Standards, and Amendments and Interpretations to the published approved accounting standards:

The following standards, amendments and interpretations are effective for the year ended December 31, 2012. These standards, interpretations and the amendments are either not relevant to the Group’s operations or are not expected to have significant impact on the Group’s financial statements other than certain additional disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

Standards/Amendments/Interpretations	Effective date (accounting period beginning on or after)
Amendment to IAS 12 - Income Taxes – Deferred Tax: - Recovery of Underlying Assets	January 1, 2012

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset.

Amendments to IFRS 7 - Financial Instruments: Disclosures - Transfer of financial assets	July 1, 2011

The amendment provides enhanced disclosures for 'transferred financial assets that are derecognized in their entirety' and transferred assets that are not derecognized in their entirety.

4.4 Standards, interpretations and amendments to the published approved accounting standards not yet effective:

a. The following Standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Group's operations or are not expected to have significant impact on the Group's financial statements other than certain additional disclosures.

Standards/Amendments/Interpretations	Effective date (accounting period beginning on or after)
Amendments to IAS 1 - Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income	July 1, 2012

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gains on hedges of net investments, exchange differences on translation of foreign operations, net movements on cash flow hedges and net losses or gains on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans).

Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information	January 1, 2013

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment.	January 1, 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction.	January 1, 2013

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities.	January 1, 2014

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact to the entity by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.

Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities.	January 1, 2013

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities.	January 1, 2013

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set-off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set-off in accordance with IAS 32.

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

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- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 27 (Revised 2011) – Separate Financial Statements due to not adoption of IFRS 10 and IFRS 11
- IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to not adoption of IFRS 10 and IFRS 11

b. The potential impact of standards, amendments and interpretations not yet effective on the financial statements on the Group is as follows:

The amendments to IAS 19 Employee Benefits are effective for annual period beginning on or after January 1, 2013. The amendments eliminate the corridor approach and therefore require an entity to recognize changes in defined benefit plans obligations and plan assets when they occur. All actuarial gains or losses in other comprehensive income arising during the year are recognized immediately through other comprehensive income. The amendments also require additional disclosures and retrospective application with certain exceptions. Management anticipates that the amendments will be adopted in the Bank's financial statements for annual period beginning on or after January 1, 2013, and the application of amendments may have impact on amounts reported in respect of defined benefit plans.

5. CRITICAL ACCOUNTING ESTIMATES AND KEY SOURCES OF ESTIMATION UNCERTAINITY

The preparation of consolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions in accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas where various assumptions and estimates are significant to the Group's consolidated financial statements or where judgment was exercised in application of accounting policies are as follows:

i) Classification of investments

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

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

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

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ii) Provision against non performing loans and advances

The Group reviews its loan portfolio to assess amount of non-performing loans and advances and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower, the forced sale value of the securities and the requirement of the Prudential Regulations are considered. For portfolio impairment provision on consumer advances, the Group follows, the general provision requirement set out in Prudential Regulations.

iii) Valuation and impairment of available for sale equity investments

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

iv) Income taxes

In making the estimates for income taxes currently payable by the Group, the management looks, at the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the individual entity's future taxable profits are taken into account.

v) Fair value of derivatives

The fair value of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant interest rates in effect at the balance sheet date and the rates contracted.

vi) Fixed assets, depreciation and amortisation

In making estimates of the depreciation / amortisation method, the management uses a method which reflects the pattern in which economic benefits are expected to be consumed by the Group. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard - 8, "Accounting Policies, Changes in Accounting Estimates and Errors".

vii) Defined benefits plans and other benefits

Liability is determined on the basis of actuarial advice using the Projected Unit Credit Method.

viii) Impairment of Goodwill

Impairment testing involves a number of judgmental areas which are subject to inherent significant uncertainty, including the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting and the assessment of the discount rate appropriate to the business. The carrying amount of goodwill at the balance sheet date was Rs. 1,463.624 million. The details assumptions underlying impairment testing of goodwill are given in note 13.3.5 to these consolidated financial statements.

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ix) Amortisation of intangible assets

Intangible assets are initially measured at cost. After initial measurement, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The depreciable amount of intangible assets with a finite useful life amortised using straight line method from the month in which such intangible asset is available for use, whereby, the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Group. An intangible asset is regarded as having an indefinite useful life, when based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. An intangible asset with an indefinite useful life is not amortized. The useful life and amortization method is reviewed and adjusted, if appropriate, at each balance sheet date.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Basis of Consolidation

Subsidiary

Subsidiary is an entity controlled by the Group. Control exists when the Group has power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiary is included in the consolidated financial statements from the date that control commences until the date that control ceases. The profit and loss account of the subsidiary companies (JSGCL for the year ended December 31, 2012 and JSIL for the two months ended December 31, 2012) have been extracted form audited financial statements for the eighteen months ended December 31, 2012.

Acquisition of business not under common control

Acquisitions of businesses not under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the bank, liabilities incurred by the bank to the former owners of the acquiree and the equity interests issued by the bank in exchange for control of the acquiree. Acquisition-related costs are recognised in profit and loss account as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Goodwill on acquisition after July 1, 2009 is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill acquired in a business combination before July 1, 2009 is initially measured at cost, being the excess of the cost of business combination over the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the Group's net assets in the event of liquidation is measured at proportionate share of net assets of the acquiree at the date of the acquisition.

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Acquisition of business under common control

Acquisition of business under common control are accounted for under 'pooling of interest method'. The assets and liabilities of the combining businesses for the period in which the combination occurs are merged on the date of combination at their respective book values. Appropriate adjustments are made to the book values to reflect application of consistent accounting policies in the combining businesses. Any difference between the amount of net assets merged and consideration transferred in form of cash or other assets are adjusted against equity, except for the transaction made in the current year as disclosed in note 7.

Expenditure incurred in relation to the business combination are recognized as expenses in the period in which they are incurred.

6.2 Cash and cash equivalents

Cash and cash equivalents represent cash and balances with treasury banks, balances with other banks net of any overdrawn nostro accounts.

6.3 Lendings to / borrowings from financial institutions

The Group enters into transactions of lendings to / borrowings from financial institutions at contracted rates for a specified period of time. These are recorded as under:

(a) Sale under repurchase obligation

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

(b) Other lendings

Other lendings include term lendings and unsecured lendings to financial institutions. These are stated net of provision. Mark-up on such lendings is charged to profit and loss account on a time proportionate basis using effective interest rate method except mark-up on impaired / delinquent lendings, which are recognised on receipt basis.

(c) Purchase under resale obligation

Securities purchased under agreement to resell (reverse repo) are not included in consolidated statement of financial position as the Group does not obtain control over the securities. Amount paid under these agreements is included in lendings to financial institutions or advances as appropriate. The difference between the contracted price and resale price is amortised over the period of the contract and recorded as income using effective interest method.

(d) Other borrowings

Other borrowings include borrowings from the SBP and unsecured call borrowings which are recorded at the proceeds received. Mark-up paid on such borrowings is charged to the profit and loss account over the period of borrowings on time proportionate basis using effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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6.4 Trade date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Group. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market place.

6.5 Investments

The management determines the appropriate classification of its investments at the time of purchase and classifies these investments as held-for-trading, available-for-sale or held-to-maturity. These are initially recognised at cost, being the fair value of the consideration given plus, in the case of investments not held-for-trading, directly attributable acquisition costs.

(a) Held-for-trading

These are securities which are either acquired for generating profit from short-term fluctuations in market prices, interest rate movements, dealer's margin or are securities in a portfolio in which a pattern of short-term profit taking exists. These securities are carried at fair value with any related gain or loss being recognised in profit and loss.

(b) Held to maturity

These are securities with fixed or determinable payments and fixed maturities that are held with the intention and ability to held-to-maturity. Investments classified as held-to-maturity are carried at amortised cost.

(c) Available-for-sale

These are securities, other than those in associate and subsidiary, which do not fall under the held for trading or held-to-maturity categories. These are initially recognised at cost, being the fair value of the consideration given including the acquisition cost.

Associates – Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for under the equity method of accounting. However, in case where associates are considered as fully impaired and financial statements are not available these investments are stated at cost less provision.

Under the equity method, the Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated profit and loss account, its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

In accordance with the requirements of the SBP, quoted securities, other than those classified as held-to-maturity, are carried at market value. Investments classified as held-to-maturity are carried at amortised cost (less impairment, if any).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Further, in accordance with the requirements of the SBP, gain or loss on revaluation of the Group's held-for-trading investments is taken to the consolidated profit and loss account. The surplus or deficit on investments classified as available-for-sale is kept in a separate account shown in the consolidated statement of financial position below equity. The surplus or deficit arising on these securities is taken to the consolidated profit and loss account when actually realised upon disposal or when investment is considered to be impaired. The unrealised surplus or deficit arising on revaluation of quoted securities which are classified as 'held-for-trading' is taken to the consolidated profit and loss account.

Premium or discount on acquisition of investments is capitalised and amortised through the consolidated profit and loss account using effective yield over the remaining period till maturities.

Provision for diminution in the value of securities (except for term finance certificates) is made after considering impairment, if any, in their value. Provision for diminution in value of term finance certificates is made in accordance with the requirements of the Prudential Regulations issued by the SBP.

6.6 Financial instruments

6.6.1 Financial assets and financial liabilities

Financial assets and liabilities are recognized at the time when the Group becomes party to the contractual provision of the instrument. Financial assets are de-recognized when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognized when obligation specific in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognized in the consolidated profit and loss account of the current period. The particular recognition and subsequent measurement method for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

6.6.2 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the consolidated profit and loss account.

6.7 Off-setting of financial assets and financial liabilities

Financial assets and liabilities are set off and the net amount is reported in the consolidated financial statements when there exists a legally enforceable right to set off and the Group intends either to settle the assets and liabilities on a net basis or to realise the assets and to settle the liabilities simultaneously. Income and expenses arising from such assets and liabilities are accordingly offset.

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6.8 Advances (including net investment in finance lease)

Loan and advances

Advances are stated net of general and specific provision. General and specific provisions against funded loans are determined in accordance with the requirements of the Prudential Regulations issued by the SBP and charged to the profit and loss account. Advances are written off when there are no realistic prospects of recovery.
Leases, where the Group transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognised at an amount equal to the present value of the lease payment including any guaranteed residual value, if any.

6.9 Operating fixed assets and depreciation

Tangible assets

Owned assets are stated at cost less accumulated depreciation and impairment, if any, except land, which is stated at cost.

Depreciation is calculated and charged to consolidated profit and loss account using the straight-line method so as to write down the cost of the assets to their residual values over their estimated useful lives at the rates given in note 13. A full month's depreciation is charged from the month in which assets are brought into use and no depreciation is charged for the month in which the disposal is made. The residual values, useful lives and depreciation methods are reviewed and changes, if any, are treated as change in accounting estimates, at each balance sheet date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated profit and loss account during the period in which they are incurred.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in the consolidated profit and loss account in the year the asset is derecognised.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment, if any. Intangible assets are amortised from the month when the assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortised over its estimated useful life over which economic benefits are expected to flow to the Group. The useful life and amortisation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Intangible assets having an indefinite useful life are carried at cost less any impairment in value and are not amortised. Intangible assets having an indefinite useful life are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Membership cards – Membership cards represent corporate membership of Karachi Stock Exchange (Guarantee) Limited and Pakistan Mercantile Exchange with indefinite useful life. These are stated at cost less impairment, if any. The carrying amounts are reviewed at each balance sheet date to assess whether they are in excess of their recoverable amounts, and where the carrying values exceed estimated recoverable amount, these are written down to their estimated recoverable amount.

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Capital work-in-process

Capital work-in-process is stated at cost less impairment losses, if any. These are transferred to specified assets as and when assets are available for use.

6.10 Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the higher of net selling price (being fair value less cost to sell) and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. Impairment losses are recognised as an expense in consolidated profit and loss account immediately.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognised as income.

6.11 Taxation

Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation on income. For income covered under final tax regime, taxation is based on applicable tax rate under such regime. The charge for current tax also includes adjustments, where considered necessary, relating to prior years arising from assessments made during the year.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between tax bases of assets and liabilities and their carrying amounts appearing in the consolidated financial statements. Deferred tax liability is recognized on taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses, if any only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences are expected to reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the consolidated profit and loss account.

Deferred tax, if any, on revaluation of investments is recognised as an adjustment to surplus / (deficit) arising on revaluation in accordance with the requirements of IAS-12 “Income Taxes”.

6.12 Provisions

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

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Provision against identified non-funded losses is recognised when intimated and reasonable certainty exists for the Group to settle the obligation. The loss is charged to consolidated profit and loss account net of expected recovery.

6.13 Staff retirement benefits

6.13.1 Holding Company

Defined contribution plan

The Bank has established a provident fund scheme for all permanent employees effective from January 01, 2007. Equal monthly contributions are made, both by the Bank and the employees, to the fund at the rate of 10 percent of basic salary. Contribution by the Bank is charged to profit and loss account.

Defined benefit plan

The Bank operates a funded gratuity scheme covering all employees, which requires contribution to be made in accordance with the actuarial recommendations. The most recent valuation in this regard was carried out as at December 31, 2012, using the projected unit credit actuarial valuation method. Under this method cost of providing for gratuity is charged to profit and loss account so as to spread the cost over the service lives of the employees in accordance with the actuarial valuation. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plan.

6.13.2 Subsidiary

Defined contribution plan

JS Global Capital Limited (subsidiary)

The Company operates a defined contribution plan, i.e. recognised provident fund scheme for all its eligible employees in accordance with the trust deed and rules made there under. Equal monthly contributions at the rate of 10% of basic salary are made to the fund by the Company and the employees.

JS Investments Limited (subsidiary)

The Company operates an approved contributory provident fund for all it permanent employees. The Company and employees make equal monthly contributions to the fund at the rate of 8 to 10 percent of the basic salary.

6.14 Revenue recognition

Revenue is recognized to the extent that economic benefits will flow to the Group and the revenue can be reliably measured. These are recognized as follows;

- Mark-up / return / interest income on regular loans and advances and investments is recognised on accrual basis using effective interest method. Mark-up / return / interest income on classified advances is recognised on receipt basis.

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- Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease.

- Gains / losses on termination of lease contracts, documentation charges, front-end fees and other lease income are recognized as income on receipt basis.

- Commission is generally recognised as income at the time of affecting the transaction to which it relates, except on guarantees on which the commission is recognised as income over the period of the guarantee. Fees are recognised when earned.

- Dividend income is recognised when the right to receive the dividend is established.

- Remuneration for management services and asset investment advisory services are recognized on an accrual basis.

- Commission income from open end funds is recognised at the time of sale of units.

- Commission income and share of profit from management of discretionary client portfolios is recognised on accrual basis.

- Brokerage, consultancy and advisory fee, commission on foreign exchange dealings and government securities etc. are recognised as and when such services are provided.

- Gains and losses arising on revaluation of derivatives to fair value are taken to profit and loss account.

- Late payment surcharge on overdue balance of trade debts is recognised on receipt basis.

6.15 Dividend and appropriation to reserves

Dividend and appropriation to reserves except for statutory reserves are recognised in the consolidated financial statements in the periods in which these are approved.

6.16 Foreign currencies

Functional and presentation currency

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

Foreign currency transactions

Transactions in foreign currencies are translated into rupees at the foreign exchange rates ruling on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the balance sheet date. Forward foreign exchange contracts are valued at forward rates applicable to their respective maturities.

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Translation gains and losses

Translation gains and losses are included in the consolidated profit and loss account.

Commitments

Commitments for outstanding forward foreign exchange contracts disclosed in these consolidated financial statements are translated at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the consolidated statement of financial position date.

6.17 Goodwill

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Bank's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

6.18 Segment reporting

A segment is a distinguishable component of the Group that is subject to risks and rewards that are different from those of other segments. A business segment is one that is engaged either in providing certain products or services, whereas a geographical segment is one engaged in providing certain products or services within a particular economic environment. Segment information is presented as per the Group's functional structure and the guidance of State Bank of Pakistan. The Group comprises of the following main business segments:

6.18.1 Business segments

Corporate finance

This includes investment banking activities such as mergers and acquisitions, underwriting, privatization, securitization, Initial Public Offers (IPOs) and secondary private placements.

Trading and sales

This segment undertakes the Group's treasury, money market and capital market activities.

Retail banking

Retail banking provides services to small borrowers i.e. consumers, small and medium enterprises (SMEs) and borrowers' and agricultural sector. It includes loans, deposits and other transactions with retail customers.

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Commercial banking

This includes loans, deposits and other transactions with corporate customers.

Payment and settlement

This includes activities such as payment and collections, fund transfer, clearing and settlement etc.

6.18.2 Geographical segment

The Bank has 185 (December 31, 2011: 147) branches / sub-branches and operates only in one geographic region which is Pakistan.

6.19 Assets acquired in satisfaction of claims

The Bank occasionally acquires assets in settlement of certain advances. These are stated at lower of the net realisable value of the related advances and the current fair value of such assets.

6.20 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Group in consolidated statement of financial position.

6.21 Operating leases / ijarah

Operating leases / Ijarah in which a significant portion of the risks and rewards of ownership are retained by the lessor / Muj'ir are classified as operating leases / Ijarah. Payments made during the period are charged to profit and loss account on straight-line basis over the period of the lease / Ijarah.

6.22 Earnings per share

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

7. BUSINESS COMBINATION - Under common control

7.1 During the year, the Bank acquired 52,236,978 shares of JS Investments Limited (JSIL), the Company, in lieu of issuance of 72,171,251 shares of the Bank. The share acquisition was effected partly through a private arrangement with Jahangir Siddiqui & Co. Ltd. (the parent company of the Bank) whereas the remaining shares were acquired from general public. The Bank acquired equity interest in JSIL by virtue of a share to share exchange. The share exchange arrangement was approved by the State Bank of Pakistan with a condition that transaction will be effected on the respective break-up values of the Bank and the Company. Accordingly, the Bank issued its share at Rs.7.77583790 per share (the break-up value of the Bank). The purpose of acquisition was to increase the Bank's equity base to meet the minimum capital requirements of the SBP.

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The Bank acquired the shares in the following manner;

Date of acquisition	Number of shares issued	Number of shares acquired	Proportion of voting equity interest acquired
October 30, 2012	71,876,469	52,023,617	52.02%
December 05, 2012	294,782	213,361	0.21%
	72,171,251	**52,236,978**	**52.23%**

The JSIL owned 100% shareholding of JS Abamco Commodities Limited (JSACL) which is now indirectly controlled by the Bank as a result of acquisition of JSIL.

7.1.1 The detail of net assets acquired as at October 31, 2012 is as follows:

		JSIL	JSACL
		Rupees in '000	
Cash and balances with treasury banks		**57**	-
Balances with other banks		**2,119**	21
Lendings to financial institutions		**-**	-
Investments		**1,277,500**	40,142
Advances		**4,060**	-
Operating fixed assets		**193,679**	3,500
Deferred tax assets		**29,910**	-
Other assets		**161,748**	-
Total Assets		**1,669,073**	43,663
Bills payable		**-**	-
Borrowings		**297,961**	-
Deposits and other accounts		**-**	-
Sub-ordinated loans		**-**	-
Liabilities against assets subject to finance lease		**-**	-
Deferred tax liabilities		**-**	-
Other liabilities		**230,670**	178
Total Liabilities		**528,631**	178
Net Assets	7.1.2	**1,140,442**	43,485

7.1.2 Operating fixed assets of the subsidiaries have been appropriately adjusted to reflect the consistent accounting policies with parent.

7.1.3 In accordance with SBP's letter number BSD/CSD/4809/2012 dated February 18, 2012 regarding approval granted to the Bank for acquisition of JSIL, the swap ratio for share-exchange arrangement would be fixed at break-up values of both the Bank and the JSIL as of April 30, 2012 and there would be no creation of any goodwill. Accordingly, carrying values of the net assets of the JSIL have been appropriately adjusted to avoid recognition of any difference between the consideration transferred and book value of net assets acquired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011
		Rupees in '000	
8. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		**1,198,450**	829,063
Foreign currencies		**203,140**	177,363
		1,401,590	1,006,426
With State Bank of Pakistan in			
Local currency current account		**2,324,310**	1,917,125
Foreign currency accounts			
- Cash reserve account - non remunerative	8.1	**194,299**	140,765
- Special cash reserve account - remunerative	8.2	**573,183**	419,147
- Local US Dollar instruments collection and settlement account - remunerative	8.3	**29,162**	7,098
		3,120,954	2,484,135
With National Bank of Pakistan in			
- Local currency current accounts		**499,919**	385,133
- Foreign currencies current account	8.4	**1,160**	4,063
		501,079	389,196
National Prize Bonds		**4,319**	1,025
		5,027,942	3,880,782

8.1 This represents current account maintained with the SBP under the requirements of BSD Circular No. 18 dated June 30, 2008.

8.2 This represents deposit account maintained with SBP under the requirements of BSD Circular No. 18 dated June 30, 2008. Profit rates on this deposit account are fixed on a monthly basis by the SBP. It carries profit of 0% (2011: 0%) per annum.

8.3 This represents mandatory reserve maintained to facilitate collection and settlement and to settle foreign currency accounts under FE-25, as prescribed by the SBP. Profit rates on this account are fixed on a monthly basis by the SBP. It carries profit at 0% (2011: 0%) per annum.

8.4 This represents balance held in current account with a foreign branch of National Bank of Pakistan.

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9. BALANCES WITH OTHER BANKS

	Note	2012	2011
		Rupees in '000	
In Pakistan			
On current accounts		**119,788**	75,840
On deposit accounts	9.1	**10,879**	27,111
		130,667	102,951
Outside Pakistan			
On current accounts		**455,494**	39,220
On deposit accounts	9.2	**607,703**	22,896
		1,063,197	62,116
		1,193,864	165,067

9.1 These carry mark-up at the rate of 0% to 5% (2011: 0% to 11.5%) per annum.

9.2 This represents deposits accounts / term placements outside Pakistan, carrying mark-up rate at 0% (2011: 0%) per annum.

10. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2012	2011
		Rupees in '000	
Call money lendings	10.1	**600,000**	1,000,000
Lending to financial institutions	10.2	**1,136,983**	772,758
Repurchase agreement lendings	10.3	**2,003,975**	2,030,264
		3,740,958	3,803,022

10.1 These represent unsecured call money lendings to financial institutions, carrying interest at the rates ranging between 7.50% and 9.75% (2011: 11.55% and 12.50%) per annum. These are due to mature between January 02, 2013 to January 4, 2013.

10.2 This represents secured lending to various financial institutions, carrying interest at the rates ranging between 1.50% and 14.03% (2011: 1.50% and 14.92%) per annum. These are due to mature between June 30, 2013 to June 07, 2017.

10.3 These are secured short-term lendings to various financial institutions, carrying mark-up rates ranging from 8.00% to 11.25%. These are due to mature between January 02, 2013 to January 21, 2013. These are collaterlized by Market Treasury Bills and Pakistan Investment Bonds as shown in Note 10.5 below.

10.4 Particulars of lendings

	2012	2011
	Rupees in '000	
In local currency	**3,740,958**	3,803,022
In foreign currency	**-**	-
	3,740,958	3,803,022

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10.5 Securities held as collateral against lendings to financial institutions

Market values of securities held as collateral against reverse repurchase lendings to financial institution are as under:

	2012			2011		
	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	**1,169,912**	-	**1,169,912**	1,712,210	-	1,712,210
Term Finance Certificates	-	-	-	67,574	-	67,574
Pakistan Investment Bonds	**867,141**	-	**867,141**	253,690	-	253,690
	2,037,053	-	**2,037,053**	2,033,474	-	2,033,474

11. INVESTMENTS - net

11.1 Investments by type

	Note	2012 Held by bank	2012 Given as collateral	2012 Total	2011 Held by bank	2011 Given as collateral	2011 Total
		Rupees in '000			Rupees in '000		
Held-for-trading securities							
Market Treasury Bills	11.2.1 & 11.2.2	**1,933,372**	**228,700**	**2,162,072**	4,755,435	451,953	5,207,388
Pakistan Investment Bonds	11.2.1	**709,286**	-	**709,286**	306,812	49,149	355,961
National Saving Bonds		**186**	-	**186**	5,547	-	5,547
Ijara Sukuk	11.2.1	**149,440**	-	**149,440**	998,000	-	998,000
Term Finance Certificates-listed	11.2.5	**72,731**	-	**72,731**	4,955	-	4,955
Term Finance Certificates-unlisted	11.2.6	**20,527**	-	**20,527**	135,000	-	135,000
Engro Rupiya Certificates	11.2.12	**39,143**	-	**39,143**	15,000	-	15,000
Ordinary shares of listed companies	11.2.3	-	-	-	22,400	-	22,400
Open end mutual funds	11.2.10	**912,801**	-	**912,801**	734,766	-	734,766
		3,837,486	**228,700**	**4,066,186**	6,977,915	501,102	7,479,017
Available-for-sale securities							
Market Treasury Bills	11.2.1 & 11.2.2	**26,937,159**	**7,041,450**	**33,978,609**	5,951,430	1,696,954	7,648,384
Pakistan Investment Bonds	11.2.1	**3,746,352**	-	**3,746,352**	4,421,551	-	4,421,551
Ordinary shares of listed companies	11.2.3	**1,042,548**	-	**1,042,548**	19,096	-	19,096
Preference shares of listed company	11.2.4	**143,739**	-	**143,739**	394,174	-	394,174
Term Finance Certificates-listed	11.2.5	**1,589,004**	-	**1,589,004**	1,375,972	-	1,375,972
Term Finance Certificates-unlisted	11.2.6	**974,206**	-	**974,206**	829,774	-	829,774
Sukuk Certificates-unlisted	11.2.7	**105,294**	-	**105,294**	193,966	-	193,966
Commercial Papers	11.2.8	-	-	-	51,256	-	51,256
Closed end mutual funds	11.2.9	**1,151,696**	-	**1,151,696**	118,601	-	118,601
Open end mutual funds	11.2.10	**765,832**	-	**765,832**	264,290	-	264,290
US dollar bonds	11.2.11	**787,052**	-	**787,052**	459,705	-	459,705
		37,242,882	**7,041,450**	**44,284,332**	14,079,815	1,696,954	15,776,769

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	Note	2012 Held by bank	2012 Given as collateral	2012 Total	2011 Held by bank	2011 Given as collateral	2011 Total
		Rupees in '000			Rupees in '000		
Total investments at cost		**41,080,368**	**7,270,150**	**48,350,518**	21,057,730	2,198,056	23,255,786
Less: Provision for diminution in value in investments	11.3	**(1,439,540)**	**-**	**(1,439,540)**	(322,083)	-	(322,083)
Investments (net of provision)		**39,640,828**	**7,270,150**	**46,910,978**	20,735,647	2,198,056	22,933,703
Unrealized gain / (loss) on revaluation of securities classified as held-for-trading	11.1.1 & 11.4	**69,516**	**-**	**69,516**	26,586	(3,424)	23,162
Surplus / (deficit) on revaluation of available-for-sale securities	11.1.2	**888,137**	**16,088**	**904,225**	(49,541)	(678)	(50,219)
Total investments at market value		**40,598,481**	**7,286,238**	**47,884,719**	20,712,692	2,193,954	22,906,646

11.1.1 This includes unrealized gain on revaluation of securities classified as held for trading of subsidiaries amounting to Rs.26.469 million which represents the pre-acquisition gain and has been included here only for meeting with requirement of the prescribed format of Banks/DFIs issued by the State Bank of Pakistan.

11.1.2 This includes surplus on revaluation of available for sale investments of subsidiaries amounting to Rs. 523.539 million which represents the pre-acquisition deficit and has been included here only for meeting with requirement of the prescribed format of Banks/DFIs issued by the State Bank of Pakistan.

11.2 Investments by segments

	Note	2012	2011
		Rupees in '000	
Federal Government Securities			
Market Treasury Bills	11.2.1 & 11.2.2	**36,140,681**	12,855,772
Pakistan Investment Bonds	11.2.1	**4,455,638**	4,777,512
National Saving Bonds		**186**	5,547
Ijara Sukuk	11.2.1	**149,440**	998,000
		40,745,945	18,636,831
Fully Paid Ordinary Shares			
Listed companies	11.2.3	**1,042,548**	41,496
Fully Paid Preference Shares			
Listed company	11.2.4	**143,739**	394,174
Term Finance Certificates			
Term Finance Certificates – listed	11.2.5	**1,661,735**	1,380,927
Term Finance Certificates – unlisted	11.2.6	**994,733**	964,774
Sukuk Certificates	11.2.7	**105,294**	193,966
		2,761,762	2,539,667
Mutual Funds			
Closed end mutual funds	11.2.9	**1,151,696**	118,601
Open end mutual funds	11.2.10	**1,678,633**	999,056
		2,830,329	1,117,657

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	Note	2012	2011
		Rupees in '000	
Others			
Commercial Papers	11.2.8	-	51,256
Engro Rupiya Certificates	11.2.12	**39,143**	15,000
Investment in US Dollar Bonds	11.2.11	**787,052**	459,705
		826,195	525,961
Total investments at cost		**48,350,518**	23,255,786
Less: Provision for diminution in value of investments	11.3	**(1,439,540)**	(322,083)
Investments (net of provisions)		**46,910,978**	22,933,703
Unrealized gain on revaluation of held for trading securities	11.1.1 & 11.4	**69,516**	23,162
Surplus/(Deficit) on revaluation of available-for-sale securities	11.1.2	**904,225**	(50,219)
Total investments at market value		**47,884,719**	22,906,646

11.2.1 Principal terms of investment in Federal Government Securities

Name of investment	Maturity	Redemption Period	Coupon
Market Treasury Bills	January 10, 2013 to November 14, 2013	On maturity	At maturity
Pakistan Investment Bonds	October 06, 2013 to July 19, 2022	On maturity	Half Yearly
Ijara Sukuk	March 02, 2015	On maturity	Half Yearly

11.2.2 Included herein are Market Treasury Bills having a book value of Rs. 7,270.150 million (December 31, 2011: Rs. 1,696.954 million), given as collateral against repurchase agreement borrowings from financial institutions.

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11.2.3 Details of investment in Ordinary shares - listed

	Shares of Rs. 10 each 2012	Shares of Rs. 10 each 2011	Rating	Cost 2012	Cost 2011	Market value 2012	Market value 2011
	Numbers			Rupees in '000			
Held-for-trading securities							
Bank Al-Falah	-	2,000,000	Unrated	-	22,400	-	22,500
				-	22,400	-	22,500
Available-for-sale securities							
Adamjee Insurance Company Limited	**2,795,353**	-	AA	**213,123**	-	**190,475**	-
D.G Khan Cement Limited	**2,264,000**	-	Unrated	**123,227**	-	**123,569**	-
Fauji Fertilizer Company Limited	**1,940,700**	100,000	Unrated	**231,061**	15,381	**227,334**	14,953
Ghani Glass Limited	**9,090,908**	83,326	Unrated	**347,587**	3,715	**558,636**	3,419
Indus Motor Company Limited	**9,200**	-	Unrated	**2,575**	-	**2,484**	-
Millat Tractor Limited	**188,500**	-	Unrated	**103,453**	-	**106,420**	-
Samba Bank Limited	**7,742,500**	-	Unrated	**19,390**	-	**23,150**	-
Shifa International Hospitals Limited	**50,000**	-	Unrated	**2,132**	-	**2,025**	-
				1,042,548	19,096	**1,234,093**	18,372

11.2.4 Details of investment in preference shares - listed

	Shares of Rs. 10 each 2012	Shares of Rs. 10 each 2011	Rating	Cost 2012	Cost 2011	Market value 2012	Market value 2011
	Numbers			Rupees in '000			
Available-for-sale securities							
Agritech Limited	**4,823,746**	-	Unrated	**48,237**	-	**48,719**	-
Azgard Nine Limited - (Related Party) 8.95% per annum cumulative preference shares	-	25,601,986	Unrated	-	229,178	-	63,015
Chenab Limited 9.25% per annum cumulative preference shares (note 11.2.4.1)	**13,357,000**	13,357,000	Unrated	**95,502**	95,503	**14,025**	22,707
Pakistan International Containers Terminal Limited 8.99% per annum cumulative preference shares	-	6,949,320	Unrated	-	69,493	-	62,474
				143,739	394,174	**62,744**	148,196

11.2.4.1 These are cumulative preference share redeemable in part after four years from the date of issuance i.e. August 2008. The investee company also has option to redeem, in part, cumulative preference shares after August 2008. The Bank has recognised impairment on these shares amounting to Rs. 72.796 million due to decline in fair market value of the shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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11.2.5 Details of investment in Term Finance Certificates - listed *

	certificates		Rating	Cost		Market value	Market value
	2012	2011		2012	2011	2012	2011
	Numbers			Rupees in '000			
Held-for-trading securities							
Bank Al Habib Limited II	400	-	AA	2,041	-	2,057	-
Engro Fertilizers Pakistan Limited IV	1,500	-	A	6,750	-	6,725	-
Jahangir Siddiqui Co. Ltd.	3,000	-	AA	15,000	-	15,000	-
Orix Leasing Pakistan Limited	100	-	AA+	6,000	-	5,957	-
Pakistan Mobile Communication Limited	200	-	AA-	19,000	-	18,578	-
Pakistan Mobile Communication Limited	800	-	AA-	3,940	-	3,980	-
Pakistan Mobile Communication Limited	-	410	A+	-	1,953	-	2,016
Tameer Sarmaya Certificate	4,000	-	A(SO)	20,000	-	20,000	-
United Bank Limited IV	-	600	AA	-	3,002	-	2,986
				72,731	4,955	72,297	5,002
Available-for-sale securities							
Allied Bank Limited - 2nd Issue	9,000	9,000	AA	44,946	44,964	43,823	42,641
Askari Bank Limited - 1st Issue	1,080	1,080	AA-	5,384	5,386	5,382	5,382
Askari Bank Limited - 3rd Issue	8,236	8,236	AA-	41,220	41,244	45,422	42,125
Bank Alfalah Limited - 2nd Issue	-	19,000	AA-	-	63,166	-	63,149
Engro Fertilizer Limited - 1st Issue	45,880	45,880	A	227,142	226,769	223,293	224,473
Engro Fertilizer Limited - 3rd Issue	35,119	35,119	A	161,659	175,686	146,914	178,177
Faysal Bank Limited	2,341	2,341	AA-	11,682	11,686	11,863	11,608
Faysal Bank Limited - 3rd Issue	3,090	3,090	AA-	3,853	7,700	3,859	7,742
NIB Bank Limited	43,898	30,798	A+	215,654	148,962	219,645	150,710
Orix Leasing Pakistan Limited - 2nd Issue (face value of Rs.100,000 each)	1,294	1,134	AA+	77,640	113,400	77,087	117,418
Pak Arab Fertilizer Limited - 2nd Issue	75,343	39,950	AA	113,004	147,370	113,057	148,479
Pakistan Mobile Communication Limited	31,260	31,260	AA-	25,888	76,885	26,117	78,236
Pakistan Mobile Communication Limited	4,200	-	AA-	399,000	-	390,141	-
United Bank Limited - 2nd Issue unsecured	15,317	15,837	AA	76,103	73,969	76,281	72,776
United Bank Limited - 3rd Issue unsecured	-	1,000	AA	-	3,229	-	3,150
World Call Telecommunication Limited	90,650	90,650	D	185,829	235,556	135,893	225,190
				1,589,004	1,375,972	1,518,777	1,371,256

* Secured and have a face value of Rs.5,000 each unless specified otherwise.

** Wherever rating of instrument is not available or in case the instrument is unrated, the same has been marked as 'unrated'.

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11.2.5.1 Other particulars of listed Term Finance Certificates are as follows:

Name of the Company	Profit Repayment frequency	Profit Rate per annum	Maturity Date
Allied Bank Limited - 2nd issue	Semi-annually	6 Months KIBOR ask rate plus 1.30% (for five years)	August 28, 2019
Askari Bank Limited - 1st Issue	Semi-annually	6 Months KIBOR ask rate plus 1.50%	February 04, 2013
Askari Bank Limited - 3rd Issue	Semi-annually	6Months KIBOR ask rate plus 2.95% (for first five years)	November 18, 2019
Engro Fertilizer Limited - 1st Issue	Semi-annually	6 Months KIBOR ask rate plus 1.55%	November 30, 2015
Engro Fertilizer Limited - 3rd Issue	Semi-annually	6 Months KIBOR ask rate plus 2.40%	December 17, 2016
Faysal Bank Limited	Semi-annually	6 Months KIBOR ask rate plus 1.50%	February 10, 2013
Faysal Bank Limited- 3rd Issue	Semi-annually	6 Months KIBOR ask rate plus 1.40%	November 12, 2014
NIB Bank Limited	Semi-annually	6 Months KIBOR ask rate plus 1.15%	March 05, 2016
Orix Leasing Pakistan Limited - 2nd Issue	Quarterly	3 Months KIBOR ask rate plus 2.15 %.	June 30, 2014
Pak Arab Fertilizer Limited - 2nd Issue	Semi-annually	6 Months KIBOR ask rate plus 1.50%	February 28, 2013
Pakistan Mobile Communication Limited	Semi-annually	6 Months KIBOR ask rate plus 2.85%	May 31, 2013
Pakistan Mobile Communication Limited	Quarterly	3 Months KIBOR ask rate plus 2.65%	April 18, 2016
World Call Telecommunication Limited	Semi-annually	6 Months KIBOR ask rate plus 1.60%	October 07, 2013
United Bank Limited - 2nd Issue	Semi-annually	Fixed 9.49%	March 15, 2013
Bank Al Habib Limited II	Semi-annually	6 Months KIBOR ask rate plus 1.95%	February 07, 2015
Pakistan Mobile Communication Limited	Semi-annually	6 Months KIBOR ask rate plus 1.65%	October 28, 2013
Pakistan Mobile Communication Limited	Quarterly	3 Months KIBOR ask rate plus 2.65%	April 18, 2016
Tameer Sarmaya Certificate	Semi-annually	Fixed 12%	December 26, 2013 & November 26, 2014
Jahangir Siddiqui & Co. Ltd. - related party	Semi-annually	6 Months KIBOR ask rate plus 2.4%	October 30, 2016
Engro Fertilizers Pakistan Limited IV	Semi-annually	6 Months KIBOR ask rate plus 1.7%	March 18, 2018

11.2.6 Details of Investment in Term Finance Certificates - unlisted, secured

Name of the Company	Certificates 2012	Certificates 2011	Rating	Face value per certificate	Cost 2012	Cost 2011
	---- Numbers ----			Rupees	Rupees in '000	
Held-for-trading securities						
Askari Bank Limited I	**-**	100	AA-	1,000,000	**-**	100,000
Bank Al Falah Limited - Fixed	**950**	-	AA-	-	**5,029**	-
Faysal Bank Limited	**3,000**	-	AA-	-	**15,498**	-
Orix Leasing Pakistan Limited	**-**	350	AA+	100,000	**-**	35,000
					20,527	135,000
Available-for-sale securities						
Askari Bank Limited	**75**	50	AA-	1,000,000	**75,256**	50,000
Agritech Limited	**30,000**	30,000	D	5,000	**149,860**	149,860
Azgard Nine Limited (related party)	**29,998**	30,000	D	5,000	**65,022**	149,880
Bank Alfalah Limited	**30,000**	7,000	AA-	5,000	**10,067**	35,286
Engro Fertilizer Limited	**1,100**	1,300	A	5,000	**5,027**	5,879
KASB Securities Limited	**-**	14,000	AA-	5,000	**-**	22,901
Nishat Chunian Limited	**50,000**	50,000	A	5,000	**171,875**	234,375
Orix Leasing Pakistan Limited	**3,395**	2,795	AA+	100,000	**56,525**	135,593
Pakistan Mobile Communication Limited	**20,000**	-	Unrated	5,000	**94,118**	-
TPL Trakker Limited (note 11.2.6.2)	**1**	1	Unrated	-	**20,000**	46,000
Azgard Nine Limited (related party) (privately placed TFCs - note 11.2.6.1)	**1**	-	D	-	**326,456**	-
					974,206	829,774

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11.2.6.1 The Group has received these privately placed term finance certificates (PPTFCs) of Rs. 326.46 million as settlement for its investment in quoted preference shares of Azgard Nine Limited (the issuer). The Settlement Agreement between the subsidiary company and the issuer stipulates that the entire outstanding amount inclusive of accrued dividend and other charges due from the issuer will be converted into PPTFCs with a tenor of 8 years inclusive of grace period of 2 years and carrying interest at the rate of 11.00%. These certificates are redeemable in 12 equal semi annual installments with first such redemption falling due on April 19, 2015. These PPTFCs has been issued to the subsidiary company under agreement dated October 22, 2012 which contains the term that issuer will pass the resolution within 175 days of completion to give right to investor to convert these PPTFCs into ordinary shares of ANL in case of any default by issuer to redeem PPTFCs in accordance with term of agreement. The CEO of the issuer has given personal guarantee in respect of these PPTFC's.

Considering the financial position of ANL the management has recognised the PPTFCs at the same amount which was receivable against preference shares.

11.2.6.2 These unlisted term finance certificates were due to mature on October 31, 2009. However, owing to the financial difficulties being faced by the issuer the investee company was unable to fully redeem the said certificates. Uptil December 31, 2012 a total of Rs. 36 million has been received against the principal in various installments whereas Rs. 5 million has been received subsequent to balance sheet date. Markup at the rate of 17.95% per annum (last coupon rate) has been paid on a monthly basis. The Group also holds 23.6 million ordinary shares of TPL Direct Insurance limited as a security against the exposure having market value of 213.34 million as at December 31, 2012.

11.2.6.3 Other particulars of unlisted Term Finance Certificates are as follows:

Name of the Company	Profit		Maturity date
	Repayment frequency	Rate per annum	
Askari Bank Limited - (Chief Executive: Mr. M.R. Mehkari)	Semi-annually	6 Months KIBOR ask rate plus 1.75%.	December 23, 2021
Azgard Nine Limited - a related party (Chief Executive: Mr. Ahmed H. Shaikh)	Semi-annually	6 Months KIBOR ask rate plus 1.25%.	December 04, 2017
Agritech Limited (Chief Executive: Mr. Jaudet Bilal)	Semi-annually	6 months KIBOR ask rate plus 1.75%.	November 29, 2019
Bank Alfalah Limited (Chief Executive: Mr. Atif Bajwa)	Semi-annually	6 Months KIBOR ask rate plus 2.50 %.	December 02, 2017
Engro Fertilizer Ltd. (Chief Executive: Mr. Ruhail Mohammad)	Semi-annually	6 Months KIBOR ask rate plus 1.70%.	March 18, 2018
Nishat Chunian Limited (Chief Executive: Mr. Shahzad Saleem)	Quarterly	3 Months KIBOR ask rate plus 2.25%.	September 30,2015
Orix Leasing Pakistan Limited (Chief Executive: Mr. Teizoon Kisat)	Semi-annually	6 Months KIBOR ask rate plus 1.40%.	January 15, 2013
Pakistan Mobile Communication Limited (Chief Executive: Mr. Rashid Khan)	Quarterly	3 Months KIBOR ask rate plus 2.65%	October 16, 2016
Faysal Bank Limited (Chief Executive: Mr. Naved A. Khan)	Semi-annually	6 Months KIBOR ask rate plus 2.25%	December 27, 2017
Bank Al Falah Limited (Chief Executive: Mr. Atif Bajwa)	Semi-annually	Fixed 15.00%	December 2, 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

11.2.7 Sukuk Certificates - unlisted

Name of the Company	Certificates 2012	Certificates 2011	Rating	Face value per certificate	Cost 2012	Cost 2011
	Numbers	Numbers		Rupees	Rupees in '000	Rupees in '000
Available-for-sale securities						
Century Paper & Board Mills Limited	**49,950**	49,950	A+	5,000	**97,378**	144,303
Orix Leasing Pakistan Limited	**-**	12,160	AA+	5,000	**-**	10,080
Sitara Chemical Industries Limited	**19,000**	19,000	A+	5,000	**7,916**	39,583
					105,294	193,966

11.2.7.1 Other particulars of Sukuk Certificates are as follows:

Name of the Company	Profit: Repayment frequency	Profit: Rate per annum	Maturity date
Century Paper & Board Mills Limited (Chief Executive: Mr. Aftab Ahmad)	Semi-annually	6 months KIBOR ask rate Plus 1.35%	September 25, 2014
Sitara Chemical Industries Limited Chief Executive: Mr. Muhammad Adrees)	Quarterly	3 months KIBOR ask rate Plus 1.0%	January 02, 2013

11.2.8 Commercial papers are for a period of six months and carry a yield of 0% (2011: 14.16%) per annum.

11.2.9 Closed End Mutual Funds

Fund	Certificates 2012	Certificates 2011	Rating	Face value per certificate	Cost 2012	Cost 2011	Market value 2012	Market value 2011
	Numbers	Numbers		Rupees	Rupees in '000	Rupees in '000	Rupees in '000	Rupees in '000
Available-for-sale								
First Dawood Mutual Fund	-	2,362,100	2-Star	10	-	18,900	-	4,017
JS Value Fund - related party	**30,244,660**	8,745,668	5-Star	10	**479,034**	99,701	**272,202**	37,606
JS Growth Fund	**6,581,000**	-	3-Star	10	**663,032**	-	**421,807**	-
PICIC Growth Fund	**563,500**	-	1-Star	10	**9,046**	-	**9,241**	-
PICIC Investment Fund	**82,500**	-	2-Star	10	**584**	-	**583**	-
					1,151,696	118,601	**703,833**	41,623

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FOR THE YEAR ENDED DECEMBER 31, 2012

11.2.10 Open End Mutual Funds

Fund	Units 2012	Units 2011	Rating	Net asset value per unit Rupees	Cost 2012	Cost 2011	Market value 2012	Market value 2011
	Numbers				Rupees in '000			
Held For Trading								
JS Cash Fund - related party	**2,762,076**	3,564,067	AA+	192.32	**250,216**	350,216	**289,086**	361,188
JS Income Fund - related party	**3,593,972**	-	A+	90.65	**308,754**	-	**325,793**	-
MCB-Cash Management - Optimizer fund	**-**	397,592	AA+	-	**-**	38,633	**-**	40,907
UBL Government Securities Fund	**292,288**	263,564	Unrated	100.76	**25,000**	25,000	**29,450**	26,452
Nafa Government Securities Liquid Fund	**2,661,123**	-	AAA	10.05	**25,000**	-	**26,754**	-
Primus Cash Fund	**517,707**	-	AAA	100.22	**50,000**	-	**51,883**	-
Primus Daily Reserve Fund*	**-**	-	AA+	-	**200,000**	-	**200,000**	-
UBL Islamic Cash Fund	**2,692**	-	Unrated	102.15	**269**	-	**275**	-
Nafa Financial Sector Income Fund	**2,419,409**	-	A+	10.33	**25,000**	-	**25,000**	-
UBL Liquidity Plus Fund	**332,751**	300,979	AA+	100.28	**28,562**	28,562	**33,368**	30,244
JS Principal Secure Fund	**-**	2,756,543	Unrated	-	**-**	292,355	**-**	307,437
					912,801	734,766	**981,609**	766,228
Available-for-sale								
JS Aggressive Income Fund	**860,585**	-	BBB-f	104.80	**90,000**	-	**90,189**	-
JS Cash Fund - a related party	**-**	411,855	AA+	100.94	**-**	41,572	-	41,729
JS Fund of Funds	**718,146**	-	4-Star	91.21	**65,000**	-	**65,502**	-
JS Income Fund - a related party	**-**	2,325,311	A+	86.01	**-**	200,000	**-**	200,070
JS Islamic Fund - a related party	**539,665**	-	4-Star	56.73	**30,000**	-	**30,615**	-
JS Islamic Pension Savings Fund Equity	**250,000**	-	Unrated	212.77	**25,000**	-	**53,193**	-
JS Islamic Pension Savings Fund Debt	**232,690**	-	Unrated	156.73	**23,269**	-	**36,470**	-
JS Islamic Pension Savings Fund Money Market	**236,585**	-	Unrated	137.87	**23,659**	-	**32,618**	-
JS KSE 30 Index Fund	**3,259,827**	-	4-Star	20.82	**68,000**	-	**67,870**	-
JS Large Cap Fund-Class B	**6,581,000**	-	Unrated	59.72	**373,040**	-	**393,017**	-
JS Pension Savings Fund Money Market	**189,695**	-	Unrated	142.02	**18,970**	-	**26,940**	-
JS Pension Savings Fund Debt	**188,940**	-	Unrated	176.08	**18,894**	-	**33,269**	-
JS Pension Savings Fund Equity	**300,000**	-	Unrated	139.36	**30,000**	-	**41,808**	-
JS Principal Secure Fund - a related party	-	204,564	AA	111.05	-	22,718	**-**	22,815
					765,832	264,290	**871,491**	264,614

* This represents investment made under Initial Public Offering (IPO) of the fund. Units have been issued subsequent to the year end.

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11.2.11 Investment in US Dollar Bonds

Name of Bond	Rating	Coupon Rate	Date of Issue	Date of Maturity	Redemption Period in years	Cost 2012	Cost 2011
						Rupees in '000	
Available for sale							
Allianz SE	A2 / A+	5.50%	28-Nov-12	26-Sep-18	5.8	**38,860**	-
Barclays Bank Plc	BBB-	7.63%	21-Nov-12	21-Nov-22	10.0	**97,227**	-
Finansbank AS	Ba2	5.15%	01-Nov-12	01-Nov-17	5.0	**96,231**	-
FLR NTS Emirates NBD PJSC	A3 / A+	3.66%	29-Mar-12	29-Mar-17	5.0	**97,150**	-
Indian Overseas Bank	Baa3 / BBB-	4.63%	21-Aug-12	21-Feb-18	5.5	**99,079**	-
Investec Bank Ltd	Baa1	3.88%	24-Jul-12	24-Jul-17	5.0	**96,631**	-
Sberbank (Sb Cap Sa)	Baa1	5.13%	29-Oct-12	29-Oct-22	10.0	**145,724**	-
Syndicate Bank	Baa2 / BBB-	4.13%	12-Oct-12	12-Apr-18	5.5	**48,374**	-
Tupras-Turkiye Petrol Ra	Ba1	4.13%	02-Nov-12	02-May-18	5.5	**24,238**	-
Turkiye Bankasi	Ba2	6.00%	24-Oct-12	24-Oct-22	10.1	**19,430**	-
Turkiye Garanti Bank	Baa2	4.00%	13-Sep-12	13-Sep-17	5.0	**24,108**	-
ABN Amro Bank	BBB+	6.25%	27-Apr-11	27-Apr-22	11	**-**	89,147
African Bank	BAA2	6.00%	15-Jun-11	15-Jun-16	5	**-**	22,444
Doosan Infracore America Corporation	A	4.50%	23-Nov-11	23-Nov-16	5	**-**	26,912
Gaz Capital SA	BBB	4.95%	23-May-11	23-May-16	5	**-**	44,973
Indian Oil Corporation Limited	BBB-	5.63%	02-Aug-11	02-Aug-21	10	**-**	26,780
NTPC Limited	BBB-	5.63%	14-Jul-11	14-Jul-21	10	**-**	45,120
Royal Bank of Scotland Group	BB+	5.00%	12-Nov-03	12-Nov-13	10	**-**	44,761
Societe Generale Group	A+	2.20%	14-Sep-10	14-Sep-13	3	**-**	21,526
Standered Chartered Bank PLC	BBB+	8.13%	27-May-08	27-Nov-13	6	**-**	56,362
VEB Leasing	BBB	5.13%	27-May-11	27-May-16	5	**-**	36,188
VTB Capital SA	BBB	6.55%	13-Oct-10	13-Oct-20	10	**-**	45,492
						787,052	459,705

11.2.12 These represent 2,143 and 5,635 secured certificates having face value of Rs.4,997 and Rs.5,000 per certificate respectively. These certificates carry fixed markup at the rate of 14.5% payable semi-annually and mature on January 31, 2014 and September 15, 2014. These certificates have a credit rating of A+.

11.3 Particulars of provision for diminution in value of investments

	2012	2011
	Rupees in '000	
Opening balance	**1,367,116**	459,607
Charge for the year	**87,332**	10,686
Reversal on disposal of investments	**(14,908)**	(148,210)
	72,424	(137,524)
Closing balance	**1,439,540**	322,083

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FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011
		Rupees in '000	
11.3.1 Particulars of provision for diminution in value of investments by type and segment			
Available-for-sale			
Ordinary shares of listed companies		**14,652**	-
Preference shares of listed company		**95,503**	238,959
Closed end mutual funds		**770,487**	83,124
Open end mutual funds		**245,485**	-
Term Finance Certificates - unlisted		**313,413**	-
		1,439,540	322,083
11.4 Unrealized Gain / (Loss) on revaluation of investments classified as held for trading			
Market Treasury Bills		**368**	(4,245)
Pakistan Investment Bonds		**-**	(6,280)
National Saving Bonds		**14**	838
Ijara Sukuk		**780**	-
Term Finance Certificates-listed		**227**	47
Term Finance Certificates-unlisted		**-**	1,240
Ordinary shares of listed companies		**-**	100
Open end mutual funds		**68,127**	31,462
		69,516	23,162

12. ADVANCES

	Note	2012	2011
Loans, cash credit, running finances, etc.			
In Pakistan		**19,076,720**	16,540,422
Outside Pakistan		**245,323**	1,116,517
		19,322,043	17,656,939
Net investment in finance lease	12.2	**388,725**	413,039
Bills discounted and purchased (excluding treasury bills)			
payable in Pakistan		**104,080**	320,468
payable outside Pakistan		**1,065,790**	149,654
		1,169,870	470,122
Financing in respect of margin trading system		**-**	3,533
Advances - gross		**20,880,638**	18,543,633
Provision for non-performing advances - specific	12.3	**(970,062)**	(512,666)
Provision for non-performing advances - general	12.4	**(1,191)**	(1,083)
		(971,253)	(513,749)
Advances - net of provision		**19,909,385**	18,029,884

12.1 Particulars of advances (gross)

		2012	2011
12.1.1	In local currency	**19,569,525**	17,277,462
	In foreign currencies	**1,311,113**	1,266,171
		20,880,638	18,543,633
12.1.2	Short term (for up to one year)	**18,718,609**	15,429,145
	Long term (for over one year)	**2,162,029**	3,114,488
		20,880,638	18,543,633

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12.2 Particulars of net investment in finance lease

	2012		
	Not later than one year	Later than one and less than five years	Total
	Rupees in '000		
Lease rentals receivable	**146,028**	**265,521**	**411,549**
Guaranteed residual value	**-**	**50,202**	**50,202**
Minimum lease payments	**146,028**	**315,723**	**461,751**
Less: Finance charges for future periods	**36,102**	**36,924**	**73,026**
Present value of minimum lease payments	**109,926**	**278,799**	**388,725**

	2011		
	Not later than one year	Later than one and less than five years	Total
	Rupees in '000		
Lease rentals receivable	147,370	329,540	476,910
Guaranteed residual value	-	43,874	43,874
Minimum lease payments	147,370	373,414	520,784
Less: Finance charges for future periods	68,747	38,998	107,745
Present value of minimum lease payments	78,623	334,416	413,039

12.3 Advances include Rs.3,037.264 (December 31, 2011: Rs.2,776.895) million which have been placed under non-performing status as detailed below:

		2012				
Category of classification		Domestic	Overseas	Total	Provision required	Provision held
		Rupees in '000				
Other assets especially mentioned		-	-	-	-	-
Substandard		**406,944**	-	**406,944**	**70,855**	**70,855**
Doubtful		**603,800**	-	**603,800**	**97,899**	**97,899**
Loss		**2,026,520**	-	**2,026,520**	**801,308**	**801,308**
	12.3.1	**3,037,264**	-	**3,037,264**	**970,062**	**970,062**

	2011				
Category of Classification	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000				
Other assets especially mentioned	-	-	-	-	-
Substandard	973	-	973	95	95
Doubtful	1,671,373	-	1,671,373	248	248
Loss	1,104,549	-	1,104,549	512,323	512,323
	2,776,895	-	2,776,895	512,666	512,666

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12.3.1 The State Bank of Pakistan (SBP) vide its letter number BPRD/BRD(Policy)/2013-1857 dated February 15, 2013 has allowed the relaxation to the Bank from provision required in respect of Bank's exposure in Agritech Limited. The provision will now be made in phased manner at 10% of the required provision by December 31, 2012 and subsequently at 25%, 50%, 75% and 100% by end of each quarter till December 31, 2013. Currently, on prudent basis the Bank has made provision at the rate of 20% of the required provision on the aforesaid exposure. Had the relaxation not been granted by the SBP, the provision charge for the year would have increased by Rs. 584.783 million.

12.4 Particulars of provision against non-performing advances

	2012			2011		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	**512,666**	**1,083**	**513,749**	525,364	2,060	527,424
Charge for the year	**488,202**	**108**	**488,310**	78,683	-	78,683
Amounts written off	**-**	**-**	**-**	-	-	-
Reversals	**(30,806)**	**-**	**(30,806)**	(91,381)	(977)	(92,358)
	457,396	**108**	**457,504**	(12,698)	(977)	(13,675)
Amount written off from the opening balance	**-**	**-**	**-**	-	-	-
Closing Balance	**970,062**	**1,191**	**971,253**	512,666	1,083	513,749
In local currency	**970,062**	**1,191**	**971,253**	512,666	1,083	513,749
In foreign currencies	**-**	**-**	**-**	-	-	-
	970,062	**1,191**	**971,253**	512,666	1,083	513,749

12.4.1 The general provision includes provision made against consumer portfolio in accordance with the Prudential Regulations issued by SBP at 1.5% of fully secured consumer portfolio.

12.5 The Group has availed total benefit of collateral amounting to Rs. 544.734 million under the directives of the SBP. Had the benefit not been taken the provision charge for the year would have increased by Rs. 544.734 million and profit after tax would have been reduced by Rs. 354.0771 million. As required by the SBP directives, the increase in profit will not be available for distribution as dividend or other appropriations.

12.6 Details of Loan write off of Rs. 500,000 and above

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person during the year ended December 31, 2012 is given in Annexure 'A' to these financial statements. These loans are written-off as a book entry without prejudice to the Bank's right of recovery against the customers.

12.7 Particulars of loans and advances to directors, associated companies, subsidiaries, etc.

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

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	Note	2012	2011
		Rupees in '000	
Balance at the beginning of the year		**324,979**	250,345
Loans granted during the year		**428,846**	168,479
Repayments		**(106,849)**	(93,845)
Balance at the end of the year		**646,976**	324,979

13. OPERATING FIXED ASSETS

	Note	2012	2011
Capital work-in-progress	13.1	**66,014**	17,591
Property and equipment	13.2	**1,619,054**	1,418,793
Intangible assets	13.3	**1,727,099**	1,628,499
		3,412,167	3,064,883

13.1 Capital work-in-progress

	2012	2011
Property and equipment		
Civil works	**13,695**	3,744
Advances for purchase of furniture & fixtures	**1,870**	2,744
Advance for purchase of vehicles	**23,712**	2,484
Advance for purchase of equipment	**26,737**	8,619
	66,014	17,591

13.2 Property and equipment

	COST				ACCUMULATED DEPRECIATION					
	As at January 01, 2012	Additions / Adjustments*	Deletions	As at December 31, 2012	As at January 01, 2012	Depreciation On Deletions / Adjustments *	Charge for the year	As at December 31, 2012	Book value as at December 31, 2012	Rate %
	Rupees in '000									
Land, Freehold	117,026	2,341	-	119,367	-	-	-	-	119,367	-
Building on free hold land	194,109	-	-	194,109	61,540	-	2,543	64,083	130,026	1.01 - 10.0
Building on lease hold land	342,300	-	-	342,300	20,432	-	7,212	27,644	314,656	1.02 - 4.78
Lease hold improvements	478,221	41,350	-	493,375	146,833	-	47,937	184,792	308,583	10
	-	(26,196) *	-	-	-	(9,978) *	-	-	-	-
Furniture and fixture	198,203	34,923	(181)	241,535	81,483	(181)	24,434	109,205	132,330	10 - 12.5
	-	8,590 *	-	-	-	3,469 *	-	-	-	-
Electrical, office and computer equipment	912,483	121,104	(5,650)	1,045,543	558,344	(3,353)	96,712	658,212	387,331	12.5 - 33.3
	-	17,606 *	-	-	-	6,509 *	-	-	-	-
Vehicles	269,221	168,073	(69,468)	367,826	135,743	(47,799)	53,121	141,065	226,761	20
	2,511,563	367,791	(75,299)	2,804,055	1,004,375	(51,333)	231,959	1,185,001	1,619,054	
	-	- *	-	-	-	- *	-	-	-	

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	COST				ACCUMULATEDDEPRECIATION					
	As at January 01, 2011	Additions	Deletions	As at December 31, 2011	As at January 01, 2011	Depreciation On Deletions	Charge for the year	As at December 31, 2011	as at December 31, 2011	Rate %
	Rupees in '000									
Land, Freehold	-	117,026	-	117,026	-	-	-	-	117,026	-
Building on free hold land	55,478	-	-	55,478	1,124	-	-	1,124	54,354	1.01 - 10.0
Building on lease hold land	342,300	-	-	342,300	20,432	-	-	20,432	321,868	1.02 - 4.78
Lease hold improvements	441,599	33,693	(502)	474,790	90,013	(84)	53,908	143,837	330,953	10
Furniture and fixture	156,418	28,343	(9,756)	175,005	47,486	(3,289)	18,405	62,602	112,403	10 - 20
Electrical, office and computer equipment	722,919	100,189	(1,784)	821,324	359,624	(525)	111,494	470,593	350,731	12.5 - 33.3
Vehicles	211,133	85,064	(31,907)	264,290	110,942	(20,923)	42,813	132,832	131,458	20
	1,929,847	364,315	(43,949)	2,250,213	629,621	(24,821)	226,620	831,420	1,418,793	

13.2.1 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs. 325.158 (December 31, 2011: 282.109) million.

13.2.2 Details of fixed assets deleted with original cost or book value in excess of Rs.1.00 million or Rs.0.25 million respectively (whichever is less).

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Profit / (loss)	Mode of disposal	Buyers' particulars and relationship with Bank (if any)
	Rupees in '000						
Vehicles							
Honda Civic	1,376	1,307	69	1,260	1,191	Negotiation	Mr. Iqbal Ahmed Khilji Address: 5-C-11/9, Nazimabad, Karachi NIC No. 42101-8918941-3
Honda Civic	1,376	1,353	23	1,260	1,237	Negotiation	Mr. Shafiq Pasha,Staff JS Bank Limited
Honda Civic	1,376	1,215	161	1,366	1,205	Negotiation	Mr. Ammad Ahmed Ursani Staff JS Bank Limited
Honda Civic	1,376	1,238	138	1,150	1,012	Insurance Claim	EFU General Insurance Limited, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Honda Civic	1,376	1,376	-	1,260	1,260	Negotiation	Mr. Fahad Shaikh Staff JS Bank Limited
Honda Civic	1,506	1,506	-	1,142	1,142	Negotiation	Mr. Kanwer Ali Khan Address: House No. A-135/12, Gulberg, FB Area, Karachi
Honda Civic	1,506	1,506	-	1,286	1,286	Negotiation	MR. Syed Imtiaz Bukhari Staff JS Bank Limited
Honda Civic	1,376	1,376	-	1,270	1,270	Negotiation	Ms. Nabila Arif Staff JS Bank Limited
Honda Civic	1,830	153	1,678	1,650	(28)	Insurance Claim	EFU General Insurance Limited, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Honda Civic	1,891	189	1,702	1,901	199	Insurance Claim	EFU General Insurance Limited, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Honda Civic	1,759	1,114	645	1,445	800	Negotiation	MR. Mushtaq Ahmed Staff JS Bank Limited
Suzuki Cultus	905	588	317	765	448	Negotiation	Mr. Asad Shahzad
Suzuki Cultus	905	588	317	774	457	Negotiation	MR. Pettocelli Fernandes Staff JS Bank Limited
Suzuki Cultus	830	415	415	738	323	Negotiation	Mr. Ehsan Saeed Staff JS Bank Limited
Suzuki Cultus	850	538	312	775	463	Negotiation	Mr. Rizwan Staff JS Bank Limited

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Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Profit / (loss)	Mode of disposal	Buyers' particulars and relationship with Bank (if any)
	Rupees in '000						
Suzuki Cultus	855	542	314	802	488	Negotiation	Mr. Mian Suhaib Staff JS Bank Limited
Suzuki Cultus	825	440	385	757	372	Negotiation	MR. Anjum Gulzar Staff JS Bank Limited
Suzuki Cultus	815	503	312	765	453	Negotiation	MR. Raja Zahid Staff JS Bank Limited
Toyota Corolla	1,015	880	135	1,106	971	Negotiation	MUKARAM ALI MOTORS Address: 32/3, Main Jail Road, Opp. Toyota Sahara Motors, Lahore
Toyota Corolla	1,564	1,173	391	1,405	1,014	Negotiation	Mr. Zeeshan Wajid- Staff JS Bank Limited
Toyota Corolla	1,462	268	1,194	1,462	268	Insurance Claim	EFU General Insurance Limited, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Toyota Corolla	1,529	204	1,325	1,529	204	Insurance Claim	EFU General Insurance Limited, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Toyota Corolla	1,028	908	120	992	872	Negotiation	Mr. Taufeeq Ahmed Staff JS Bank Limited
Toyota Corolla	1,578	26	1,551	1,578	26	Insurance Claim	EFU General Insurance Limited, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Toyota Corolla	1,025	854	171	1,146	975	Negotiation	Mr. Tayyab Raza Staff JS Bank Limited
Toyota Corolla	1,319	945	374	1,208	834	Negotiation	Mr. Imtiaz Shah Staff JS Bank Limited
Toyota Corolla	1,529	331	1,198	1,510	312	Insurance Claim	EFU General Insurance Limited, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Toyota Corolla	1,426	499	927	1,400	473	Insurance Claim	EFU General Insurance Limited, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Toyota Corolla	1,389	1,042	347	1,205	858	Negotiation	MR. Arafat Yaseen Staff JS Bank Limited
Toyota Corolla	1,608	161	1,447	1,607	160	Insurance Claim	EFU General Insurance Limited, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Toyota Corolla	1,389	1,111	278	1,142	864	Negotiation	Mr. Sultan Hasan, NIC # 42101-1926350-5
Toyota Corolla	1,319	1,055	264	1,201	937	Negotiation	Mr. Shah Irfan Staff JS Bank Limited
Toyota Corolla	1,529	459	1,070	1,550	480	Insurance Claim	EFU General Insurance Limited, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Toyota Corolla	1,608	188	1,420	1,608	188	Insurance Claim	EFU General Insurance Limited, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Suzuki Margalla	472	181	291	817	526	Loan basis	Mr. Shahid Kamal (Ex-employee JS Global Capital Limited)
	45,520	**26,231**	**19,290**	**42,831**	**23,541**		
Electrical, office and computer equipment							
Generator	1,200	738	463	530	68	Negotiation	ELEVATOR EXP. INTL. Abu Yousaf Traders, 188-Ferozepur Road, Lahore
Generator	1,200	738	463	505	43	Negotiation	ELEVATOR EXP. INTL. Abu Yousaf Traders, 188-Ferozepur Road, Lahore
UPS	615	333	282	-	(282)	Insurance Claim	EFU General Insurance Limited - Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
	3,015	**1,808**	**1,207**	**1,035**	**(172)**		
Others (Note 13.2.3)	26,764	23,294	3,469	26,450	22,981	Various	Various
2012	**75,299**	**51,333**	**23,966**	**70,316**	**46,350**		
2011	43,949	24,821	19,130	25,087	15,933		

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13.2.3 Other represent disposal whose original cost or book value is not in excess of Rs. 1.0 million or Rs. 0.25 million respectively.

13.3 Intangible assets

		COST				ACCUMULATED AMORTISATION / IMPAIRMENT					
	Note	As at January 01, 2012	Additions	Deletions	As at December 31, 2012	As at January 01, 2012	Amortisation on Deletoons	Charge for the year	As at December 31, 2012	Book value as at December 31, 2012	Rate %
		Rupees in '000									
Stock exchange card	13.3.1	**32,000**	**-**	**-**	**32,000**	**-**	**-**	**-**	**-**	**32,000**	-
Membership card - Pakistan Mercantile Exchange Limited	13.3.2	**3,500**	**-**	**-**	**3,500**	**-**	**-**	**-**	**-**	**3,500**	-
Rights of ICP Mutual Funds	13.3.3	**175,000**	**-**	**-**	**175,000**	**70,000**	**-**	**-**	**70,000**	**105,000**	-
Computer software		**213,514**	**11,648**	**-**	**225,162**	**83,005**	**-**	**19,182**	**102,187**	**122,975**	**10 - 50**
Goodwill	13.3.4	**1,463,624**	**-**	**-**	**1,463,624**	**-**	**-**	**-**	**-**	**1,463,624**	-
		1,887,638	**11,648**	**-**	**1,899,286**	**153,005**	**-**	**19,182**	**172,187**	**1,727,099**	

		COST				ACCUMULATED AMORTISATION / IMPAIRMENT					
	Note	As at January 01, 2011	Additions	Deletions	As at December 31, 2011	As at January 01, 2011	Amortisation on Deletoons	Charge for the year	As at December 31, 2011	Book value as at December 31, 2011	Rate %
		Rupees in '000									
Stock exchange card		32,000	-	-	32,000	-	-	-	-	32,000	-
Merchantile exchange card	13.3.2	2,500	-	-	2,500	-	-	-	-	2,500	-
Computer software		160,594	22,289	-	182,883	35,072	-	17,436	52,508	130,375	10
Goodwill	13.3.4	1,463,624	-	-	1,463,624	-	-	-	-	1,463,624	-
		1,658,718	22,289	-	1,681,007	35,072	-	17,436	52,508	1,628,499	

13.3.1 During the period, in accordance with the requirements of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (The Act), the Bank was entitled to receive equity shares of Islamabad Stock Exchange (ISE) and Karachi Stock Exchange (KSE) and a Trading Right Entitlement in lieu of its Membership cards. The said process of demutualization was finalized during the period and the Group has been allotted 3,034,603 shares of ISE and 4,007,383 shares of KSE of Rs. 10/- each based on the revaluation of their assets and liabilities as approved by Securities and Exchange Commission of Pakistan (SECP). The Group has received 40% equity shares and the remaining 60% shares are transferred to blocked CDC account maintained by the ISE and KSE. The valuation of Trading Right Entitlement and the accounting treatment of shares received from Stock Exchange are under discussion with the Institute of Chartered Accountants of Pakistan (ICAP) and will be finalized in due course.

13.3.2 This represents membership cards of Pakistan Mercantile Exchange. It has an indefinite useful life and is carried at cost.

13.3.3 Intangible asset in respect of Management Rights of ICP Mutual Funds represents the amount paid for the acquisition of the management rights of 12 ICP Mutual Funds under a Management Rights Transfer Agreement between the subsidiary company, Privatisation Commission, Government of Pakistan and Investment Corporation of Pakistan in October 2002. These funds were consolidated into ABAMCO Stock Market Fund, ABAMCO Growth Fund and ABAMCO Capital Fund and then merged to form JS Growth fund in 2006.

The Group carried out a review of the useful life of the above management rights of ICP mutual funds. In addition, the subsidiary company revisited and revised its future plans with respect to these funds which have now been merged to form the JS Growth fund. Consequently, keeping in view the revised future plans, and opinion from its legal advisor in respect of the subsidiary company's rights and obligations under the above mentioned Management Rights Transfer Agreement and an analysis of the relevant factors the management considers that this intangible asset has an indefinite useful life. The amortisation of the management rights acquired by the subsidiary company had been discontinued with effect from July 1, 2006. Previously, the useful life was considered to be definite and cost incurred for acquisition of management rights was being amortised on a straight line basis over a period of ten years with effect from the year ended June 30, 2003.

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13.3.4 For impairment testing, goodwill has been allocated to 'Trading and Sales' Segment as Cash Generating Unit (CGU), which is also a reportable segment.

13.3.5 Key assumptions used in value in use calculation

The recoverable amount of the CGU has been determined based on value in use calculation, using cash flow projections based on business projections approved by the Board of Directors of the Bank covering a five year period. The discount rates applied to cash flows beyond the five year period are extrapolated using a terminal growth rate. The following rates are used by the Bank:

	2012	2011
Cost of equity	**21.29%**	23.86%
Terminal growth rate	**10.00%**	10.00%

The calculation of value in use is most sensitive to the following assumptions:

(a) Interest margins

Interest margins are based on prevailing industry trends and anticipated market conditions.

(b) Discount rates

Discount rates reflect management estimates of the rate of return required for each business and are calculated after taking into account the prevailing risk free rate, industry risk and business risk. Discount rates are calculated by using the cost of equity of the Bank.

(c) Key business assumptions

These assumptions are important as they represent management assessment of how the unit's position might change over the projected period. Based on expansion plans, management expects aggressive growth in advances, investments and deposits during the projected periods and thereafter stabilisation in line with industry trends.

(d) Sensitivity to changes in assumptions

The estimated recoverable amount of the 'Trading and Sales' CGU exceeds its carrying amount by approximately Rs. 750.135 million. Management has identified two key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The following table shows the amount that these two assumptions are required to change individually in order for the estimated recoverable amount to be equal to the carrying amount:

	Change required for carrying amount to equal recoverable amount (%)	
	2012	2011
Cost of equity	**1.79**	1.86
Terminal growth rate	**(2.86)**	(3.17)

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14. DEFERRED TAX ASSETS

	Note	2012	2011
		Rupees in '000	
Deferred tax debits arising from:			
Unused tax losses	14.1	**1,023,300**	1,248,585
Provision against investments and loans		**318,918**	254,045
Unrealized loss of revaluation of investment classified as held for trading		**-**	1,053
Unrealized gain on revaluation of forward foreign exchange contracts		**818**	-
Deferred cost		**-**	235
Provision for gratuity		**-**	26,371
Minimum tax		**81,968**	86,140
Deficit on revaluation of assets		**-**	15,120
		1,425,004	1,631,549
Deferred tax credits arising due to:			
Fixed assets		**(152,772)**	(139,284)
Goodwill		**(307,361)**	(256,134)
Unrealized loss of revaluation of investment classified as held for trading		**(6,527)**	-
Unrealized gain on revaluation of forward foreign exchange contracts		**-**	(1,436)
Share of profit from associate		**-**	(3,412)
Surplus on revaluation of assets		**(97,640)**	(2,527)
		(564,300)	(402,793)
		860,704	1,228,756

14.1 Movement in temporary differences during the year:

	Balance as at January 01, 2011	Recognised in profit and loss account	Recognised in equity	Recognised in business combination	Balance as at December 31, 2011	Recognised in profit and loss account	Recognised in equity	Recognised in business combination	Balance as at December 31, 2012
		'Rupees in '000							
Deferred tax debits arising from:									
Unused tax losses	1,310,758	(62,173)	-	-	**1,248,585**	**(265,357)**	**-**	**40,072**	**1,023,300**
Provision against investments and loans	231,692	(125,277)	-	147,630	**254,045**	**64,473**	**-**	**400**	**318,918**
Unrealized loss on revaluation of forward foreign exchange contracts	-	-		-	**-**	**818**	**-**	**-**	**818**
Deferred cost	472	(237)	-	-	**235**	**(235)**	**-**	**-**	**-**
Provision for gratuity	-	26,371	-	-	**26,371**	**(26,371)**	**-**	**-**	**-**
Unrealized loss on revaluation of investment classified as held for trading	-	1,053	-	-	**1,053**	**(1,053)**	**-**	**-**	**-**
Minimum tax	-	86,140	-	-	**86,140**	**(4,172)**	**-**	**-**	**81,968**
Deficit on revaluation of assets	-	-	15,120	-	**15,120**	**-**	**(15,120)**	**-**	**-**
	1,542,922	(74,123)	15,120	147,630	**1,631,549**	**(231,897)**	**(15,120)**	**40,472**	**1,425,004**
Deferred tax credits arising due to:									
Fixed assets	(144,280)	3,809	-	1,187	**(139,284)**	**106**	**-**	**(13,594)**	**(152,772)**
Goodwill	(205,048)	(51,086)	-	-	**(256,134)**	**(51,227)**	**-**	**-**	**(307,361)**
Unrealized gain on revaluation of forward foreign exchange contracts	-	(1,436)	-	-	**(1,436)**	**1,436**	**-**	**-**	**-**
Unrealized gain of revaluation of investment classified as held for trading	-	-	-	-	**-**	**(6,527)**	**-**	**-**	**(6,527)**
Share of profit from associate	-	(3,412)	-	-	**(3,412)**	**3,412**	**-**	**-**	**-**
Surplus on revaluation of assets	(8,980)	-	8,980	(2,527)	**(2,527)**	**-**	**(95,113)**		**(97,640)**
	(358,308)	(52,125)	8,980	(1,340)	**(402,793)**	**(52,800)**	**(95,113)**	**(13,594)**	**(564,300)**
	1,184,614	**(126,248)**	**24,100**	**146,290**	**1,228,756**	**(284,697)**	**(110,233)**	**26,878**	**860,704**

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14.2 Included herein is a sum of Rs. 51.734 million (December 31, 2011: Rs.305.885 million) representing deferred tax asset relating to American Express Bank Limited - Pakistan Branch, respectively, in respect of tax losses, expected to be available for carry forward and set off against the income of the Bank in terms of Section 57A of the Income Tax Ordinance, 2001. In addition, it also includes deferred tax asset set up in respect of tax loss of the Bank. The management of the Bank believes that based on the projections of future taxable profit, it would be able to realise these tax losses in the future.

14.3 The management of the Bank has prepared a five year projections which has been approved by the Board of Directors of the Bank. The projections involves certain key assumptions underlying the estimation of future taxable profits projected in the projections. The determination of future taxable profits is most sensitive to certain key assumptions such as cost to income ratio of the Bank, deposit composition, growth of deposits and advances, investment returns, potential provision against assets, branch expansion plan, etc. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset. The management believes that it is probable that the Bank will be able to achieve the profits projected in the projections and consequently the deferred tax asset will be fully realised in the future.

15. OTHER ASSETS

	Note	2012	2011
		Rupees in '000	
Income / mark-up accrued in local currency		**708,162**	610,669
Income / mark-up accrued in foreign currencies		**10,236**	14,891
Trade receivable form brokerage & advisory business		**564,277**	311,388
Advances, deposits, advance rent and other prepayments		**207,558**	194,312
Taxation (payments less provision)		**171,120**	54,968
Receivable against bancaassurance from a related party		**15,541**	8,396
Dividend receivable on preference shares from related parties		**-**	3,475
Stationery and stamps on hand		**3,148**	3,196
Prepaid exchange risk fee		**505**	364
Balances due from funds under management		**20,666**	-
Unrealised gain on forward foreign exchange contracts - net		**-**	4,103
Receivable from other banks in respect of remittance	15.1	**257,675**	178,159
Others		**30,150**	39,664
		1,989,038	1,423,585

15.1 This includes an amount of Rs. 204.985 million (December 31, 2011: 150.085 million) receivable from State Bank of Pakistan in respect of home remittance services provided by the Bank.

16. BILLS PAYABLE

	2012	2011
	Rupees in '000	
In Pakistan	**708,734**	1,242,139
Outside Pakistan	**5,013**	4,855
	713,747	1,246,994

17. BORROWINGS

	2012	2011
In Pakistan	**8,655,976**	3,170,240
Outside Pakistan	**48,709**	1,560
	8,704,685	3,171,800

17.1 Particulars of borrowings with respect to currencies

	2012	2011
In local currency	**8,655,976**	3,170,240
In foreign currencies	**48,709**	1,560
	8,704,685	3,171,800

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	Note	2012	2011
		Rupees in '000	
17.2 Details of borrowings from financial institutions			
Secured			
Borrowing from SBP under export refinancing scheme	17.2.1	**1,023,474**	1,248,000
Repurchase agreement borrowings	17.2.2	**7,281,278**	1,922,240
Short-term running finance	17.2.3	**251,224**	-
		8,555,976	3,170,240
Unsecured			
Call borrowings	17.2.4	**100,000**	-
Overdrawn nostro accounts	17.2.5	**48,709**	1,560
		148,709	1,560
		8,704,685	3,171,800

17.2.1 The Bank has entered into agreement with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the terms of the agreement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting the current account maintained by the Bank with SBP. These borrowings are repayable on a quarterly basis and carry mark-up at the rate ranging between 8.50% to 10% (2011: 10.0% to10.5%) per annum.

17.2.2 This represents collateralised borrowing from SBP against Market Treasury Bills carrying mark-up at the rate ranging between 8.80% to 8.86% (2011: 11.63% and 11.90%) per annum and would mature in January 2013 (December 31, 2011: January 2012).

17.2.3 This represents running finance facilities availed by a subsidiary company with a total limit of Rs. 500 million obtained from commercial banks. The facilities carry mark-up of 2% and 1.75% over 3 months KIBOR rate which shall be reviewed on quarterly basis. Mark-up is payable on quarterly basis. The facilities are secured by way of Equitable mortgage of office premises and pledge of shares / certificates of funds under management.

17.2.4 These represent call money borrowings from financial institutions, carrying interest at the rate of 8.50% (2011:NIL) per annum.

17.2.5 This represents borrowings from financial institutions outside Pakistan.

18. DEPOSITS AND OTHER ACCOUNTS

	2012	2011
	Rupees in '000	
Customers		
Fixed deposits	**20,771,890**	14,252,810
Savings deposits	**17,360,619**	11,404,426
Current accounts - non-remunerative	**16,841,045**	11,293,377
Margin account	**317,491**	94,834
	55,291,045	37,045,447
Financial Institutions		
Remunerative deposits	**6,420,235**	3,054,842
Non-remunerative deposits	**223,507**	74,062
	6,643,742	3,128,904
	61,934,787	40,174,351

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	2012	2011
	Rupees in '000	
18.1 Particulars of deposits		
In local currency	**58,052,891**	37,181,569
In foreign currencies	**3,881,896**	2,992,782
	61,934,787	40,174,351

19. OTHER LIABILITIES

	Note	2012	2011
		Rupees in '000	
Mark-up / return / interest payable in local currency	19.1	**474,495**	249,514
Mark-up / return / interest payable in foreign currencies		**8,629**	1,958
Accrued expenses		**302,082**	213,162
Advance fee from clients - Advisory business		**-**	3,277
Trade payable from brokerage business		**265,843**	319,143
Securitisation of management fee		**169,559**	-
Payable in respect of defined benefit plan	35.4	**22,967**	75,345
Customer insurance payable		**2,997**	3,695
Unrealised loss on forward foreign exchange contracts - net		**2,337**	-
Unclaimed dividends		**8,263**	6,760
Government duties		**32,818**	10,268
Lease key money deposit		**50,202**	43,875
Provision for Workers' Welfare Fund - WWF		**39,948**	4,634
Payable against remittance		**169,619**	88,538
SSC / DSC Sale Payable		**8,000**	3,592
Staff reimbursements payable		**6,770**	4,626
ATM Charges payable		**5,903**	1,746
Payable against export bill		**5,110**	-
Retention money payable		**6,210**	4,011
Payable against maintenance of IT equipment		**3,630**	2,554
Payable to VISA on transaction settlements		**8,593**	3,607
Others		**136,645**	88,139
		1,730,620	1,128,444

19.1 Included herein is a sum of Rs. 46.465 million (December 31, 2011: Rs.NIL) payable to related parties.

20. SHARE CAPITAL

20.1 Authorised capital

2012	2011		2012	2011
Number of shares			Rupees in '000	
1,500,000,000	1,200,000,000	Ordinary shares of Rs.10 each	**15,000,000**	12,000,000

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20.2 Issued, subscribed and paid-up capital
Ordinary shares of Rs.10 each

2012	2011		Note	2012	2011
Number of shares				Rupees in '000	
538,558,965	538,558,965	Issued for cash		**5,385,590**	5,385,590
533,905,297	461,734,046	Issued for consideration other than cash	20.2.1	**5,339,053**	4,617,340
1,072,464,262	1,000,293,011		20.2.2	**10,724,643**	10,002,930

20.2.1 During the year, the Board of Directors of the Bank in their meeting held on May 25, 2012 and the shareholders of the Bank in the extraordinary general meeting held on June 27, 2012 approved acquisition of shares of JS Investment Limited (JSIL) from Jahangir Siddiqui & Co. Ltd. (JSCL) and other shareholders of JSIL in exchange of issuance of new shares of the Bank. After obtaining all regulatory approvals, 52,236,978 shares of JSIL (52,023,617 shares from JSCL and 213,361 shares from other shareholders of JSIL) were acquired in exchange for issuance of 72,171,251 shares (71,876,469 shares to JSCL and 294,782 shares to other shareholders of JSIL) of the Bank.

20.2.2 Jahangir Siddiqui & Co. Ltd. held 755,245,007 ordinary shares (December 31, 2011: 683,368,538 ordinary shares) of Rs.10 each as at December 31, 2012 representing a holding of 70.42% (December 31, 2011: 68.32%).

21. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - net of tax

	2012	2011
	Rupees in '000	
Available-for-sale securities:		
Term Finance Certificates - listed	**(70,227)**	(4,716)
Ordinary shares - listed	**213,217**	(724)
Preference shares - listed	**14,507**	-
Closed end mutual funds	**110,632**	6,146
Open end mutual funds	**32,579**	324
US dollar bonds	**7,589**	(15,373)
Government securities	**72,389**	(28,857)
	380,686	(43,200)
Related deferred tax (liability) / asset	**(97,640)**	15,120
	283,046	(28,080)
Group's share	**234,381**	(28,080)
Non-controlling interest	**48,665**	-
	283,046	(28,080)

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22. CONTINGENCIES AND COMMITMENTS

22.1 Transaction-related contingent liabilities

Includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credit related to particular transactions.

i) Government	**1,950,045**	890,007
ii) Banking companies and other financial institutions	**188,099**	98,165
iii) Others	**293,522**	203,562
	2,431,666	1,191,734

22.2 Trade-related contingent liabilities

Documentary credits	**5,392,746**	2,921,223

22.3 Other contingencies

Claims not acknowledged as debts	**66,718**	66,481

22.4 Commitments in respect of forward exchange contracts

Purchase	**2,292,630**	1,948,987
Sale	**2,450,968**	1,446,561

The Bank utilises foreign exchange instruments to meet the need of its customers and as part of its asset and liability management activity to hedge its own exposure to currency risk. At year end, all foreign exchange contracts have a remaining maturity of less than one year.

22.5 Commitments in respect of forward lending

Forward commitments to extend credit	**604,511**	214,800

22.6 Other commitments

Future commitments in respect of sale of equity and other securities	**-**	22,660
Royalty and advisory payment	**10,000**	-
Commitment in respect of capital expenditure	**33,229**	8,438
Motor Vehicle acquired under Ijarah from Bank Islami Limited - related party		
- Due in One year	**2,480**	-
- Due in two to five years	**1,240**	-

22.7 Contingencies

In respect of the appeals filed by the subsidiary against orders passed for tax years 2006 and 2009 against demand of Rs. 162 million and 66 million respectively, the Commissioner Inland Revenue Appeal has not accepted the basis of addition and set aside both the orders in respect of allocation of expenses between

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various sources of income for denovo proceedings with the directions to apportionment of expenditure according to actual incurrence of expenditure to the various sources of income.
The subsidiary has filed second appeal in Appellate Tribunal Inland Revenue in respect of disallowance and taxability of portion of capital gain on dividend received from mutual funds.

The subsidiary has also submitted constitutional petition before the Honorable High Court of Sindh.

Management and tax advisors are confident that good ground exist to contest these disallowance at appellate forums, these additions can not be maintainable and eventually outcome will come in favour of the subsidiary. Hence, no provision has been made in the financial statements.

23. DERIVATIVE INSTRUMENTS

The Bank, at present, does not offer structured derivative products such as Interest Rate Swaps, Forward Rate Agreements and FX Options. However, the Bank's Treasury buys and sells financial instruments such as forward foreign exchange contracts.

The management is committed to managing risk and controlling business and financial activities in a manner which enables it to maximise profitable business opportunities, avoid or reduce risks, which can cause loss or reputation damage, ensure compliance with applicable laws and regulations and resilience to external events.

The Asset and Liability Committee (ALCO) regularly reviews the Bank's risk profile in respect of derivatives. Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions and derivative activities. These controls include appropriate segregation of duties, regular reconciliation of account and the valuation of assets and liability positions. The Bank has established trading limits, allocation process, operating controls and reporting requirements that are specifically designed to control risk of aggregate positions, assure compliance with accounting and regulatory standards and provide accurate management information regarding these activities.

Accounting policies in respect of derivative financial instruments are described in note 6.6.2.

24. MARK-UP / RETURN / INTEREST EARNED

	2012	2011
	Rupees in '000	
On loans and advances to:		
Customers	**2,561,243**	2,013,332
Financial institutions	**54,881**	147,672
On investments in:		
Available-for-sale securities	**2,301,054**	1,478,564
Held-for-trading securities	**1,102,886**	527,786
On deposits with financial institutions	**1,820**	2,541
On securities purchased under resale agreements	**146,426**	149,357
	6,168,310	4,319,252

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

25. MARK-UP / RETURN / INTEREST EXPENSED

	Note	2012	2011
		Rupees in '000	
Deposits		**3,239,571**	2,102,314
Securities sold under repurchase agreements		**352,641**	305,137
Borrowings		**134,459**	176,227
Mark-up and other charges of securitisation of management fee receivables		**5,062**	-
		3,731,733	2,583,678

26. FEE, COMMISSION AND BROKERAGE INCOME

	Note	2012	2011
Advisory fee		**58,225**	9,958
Brokerage income		**203,528**	3,895
Trustee fee		**9,487**	3,896
Management fee		**34,896**	-
Other fees, commission and charges	26.1	**512,654**	337,548
		818,790	355,297

26.1 This includes Rs. 84.650 million (December 31, 2011: 63.322 million) in respect of commission income from home remittance services provided by the Bank. The amount is received from State Bank of Pakistan at the rate of Saudi Riyal 25 per transaction over USD 100 and is shared between the Bank and various exchange companies as per terms of agreement with them.

27. GAIN ON SALE OF SECURITIES - net

	2012	2011
	Rupees in '000	
Federal Government Securities		
- Treasury Bills	**264,523**	112,930
- Pakistan Investment Bonds	**400,051**	141,563
Ordinary shares - listed	**90,636**	(16,364)
Term Finance Certificates	**32,221**	26,688
US Dollar Bonds	**56,658**	3,218
Mutual Fund Units / Certificates	**94,576**	(20,163)
	938,665	247,872

27.1 Included herein a sum of Rs. 33.95 million (December 31, 2011: Rs.15.72 million) representing gain arising on sale of shares / units of a related party.

28. OTHER INCOME

	2012	2011
	Rupees in '000	
Gain on sale of fixed assets	**46,350**	15,050
Late payment charges	**14,125**	-
Rental income from properties	**2,389**	-
Others	**1,692**	2,464
	64,556	17,514

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

29. ADMINISTRATIVE EXPENSES

	Note	2012	2011
		Rupees in '000	
Salaries, wages, allowances, etc.		**1,141,489**	781,169
Charge for defined benefit plan		**22,622**	17,336
Contribution to defined contribution plan		**41,810**	34,386
Non-executive directors' fee, allowances and other expenses		**3,613**	313
Contractor wages		**116,733**	92,305
Brokerage, fee and commission		**14,630**	13,509
Royalty		**10,000**	269
Rent, taxes, insurance, electricity, etc.		**472,798**	378,512
Legal and professional charges		**35,442**	12,172
Donations	29.1	**14,000**	-
Communication		**70,172**	69,171
Repairs and maintenance		**318,175**	207,716
Travel and other related expenses		**32,369**	11,671
Stationery and printing		**57,399**	44,640
Advertisement and publicity		**54,428**	48,881
Postage and courier service		**15,825**	14,000
Stamp duty		**4,704**	1,581
CDC and other charges		**1,884**	3,571
Bank charges and clearing house charges		**42,677**	25,188
Consultancy fee		**41,830**	24,797
Security services		**52,850**	44,194
Fees and subscription		**27,027**	16,642
Auditors' remuneration	29.2	**6,619**	3,159
Depreciation	13.2	**231,959**	226,620
Amortisation of intangible assets	13.3	**19,182**	17,436
Staff training		**4,519**	1,976
Others		**37,978**	20,320
		2,892,734	2,111,534

29.1 Donation is for Mahvash & Jahangir Siddqui Foundation where in Mrs. Mahvash Jahangir Siddiqui is chairperson who is spouse of Mr. Jahangir, chairman of the Board of the Bank.

29.2 Auditors' Remuneration

	Note	2012	2011
		Rupees in '000	
Audit fee		**2,495**	1,200
Half-yearly review		**400**	400
Special certification and Tax Fee		**3,448**	1,525
Out of pocket expenses		**276**	34
		6,619	3,159

30. OTHER CHARGES

Penalties imposed by State Bank of Pakistan	**1,737**	7,840
Refund of penalties by State Bank of Pakistan	**(4,367)**	-
	(2,630)	7,840

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

31. TAXATION

31.1 In view of tax losses of the Bank tax provision has been made for minimum taxation @ 0.5% under section 113 of the Income Tax Ordinance, 2001

31.2 During the year, the Bank has revised the income tax returns for the tax years 2010 and 2011 claiming back the minimum tax charged for the said years on account of gross losses in those years.

31.3 Under Section 114 of the Income Tax Ordinance, 2001, the Bank has filed the tax returns for the tax years 2006 through 2012. The said returns are deemed to be assessed under the provisions of prevailing income tax laws as applicable in Pakistan. However, tax authorities have issued notices for the amendment of assessments for the tax year 2008 to 2010. Since such proceedings have not yet been concluded by the authorities, therefore any estimate of tax exposure cannot be determined at this stage.

Further, withholding tax monitoring has been initiated by LTU, Karachi for tax years 2010 and 2012 which was carried out through monitoring of expenses with respect to salaries and profit on debt. Moreover, the withholding tax monitoring pertaining to tax year 2011 was also initiated by the authorities under section 161/205 of the Income Tax Ordinance, 2001 which is currently in the process of furnishing information. As the said proceedings are currently under way, therefore tax exposure, if any, cannot be determined at this stage. Moreover, previously the monitoring for tax year 2008 and 2009 were also taken up by the Regional Tax Office, Karachi but due to the transferring the Bank's jurisdiction to LTU by the FBR during such proceedings, the same has not been taken up again by LTU authorities as yet.

32. EARNINGS PER SHARE - BASIC AND DILUTED

		2012	2011
		Rupees in '000	
Profit for the year after taxation	(Rupees in '000)	**721,536**	360,551
Weighted average number of Ordinary shares outstanding during the year	(Numbers)	**1,012,293,818**	858,615,404
Earnings per share - basic and diluted	(Rupee)	**0.71**	0.42

Diluted earnings per share has not been presented as the Group does not have any convertible instruments in issue at December 31, 2011 and 2012 which would have any effect on the earnings per share if the option to convert is exercised.

33. CASH AND CASH EQUIVALENTS

	Note	2012	2011
		Rupees in '000	
Cash and balances with treasury banks	8	**5,027,942**	3,880,782
Balances with other banks	9	**1,193,864**	165,067
Overdrawn nostro account	17.2	**(48,709)**	(1,560)
		6,173,097	4,044,289

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

33.1 Non-cash transactions

During the year, the Bank acquired 52.24% shareholding of JS Investment Limited amounting to Rs. 561.192 million in a share-exchange arrangement. The issuance and acquisition of shares, being a non-cash financing and investment activity, is not reflected in the consolidated cash flow statement.

34. STAFF STRENGTH

	2012	2011
	Number	
Permanent	**1,242**	1,056
Temporary / on contractual basis	**84**	65
Own staff strength at the end of the year	**1,326**	1,121
Outsourced	**619**	498
	1,945	1,619

35. DEFINED BENEFIT PLAN

35.1 General description

The Bank operates a recognized gratuity fund for all employees who opted for the new staff retirement benefit scheme introduced by the management with effect from January 01, 2007.

35.2 Number of employees under the schemes

The number of employees covered under the following defined benefit scheme is 1,062 (December 31, 2011: 952).

35.3 Principal actuarial assumptions

Principal actuarial assumptions at the end of the reporting period expressed as weighted averages. The actuarial valuations were carried out on December 31, 2012 based on the Projected Unit Credit Method, using the following significant assumptions:

		2012	2011
Valuation discount rate	per annum	**11.50%**	12.50%
Expected return on plan assets	per annum	**10%**	9%
Future salary increase rate	per annum	**11.50%**	12.50%
Normal retirement age	years	**60**	60

35.4 Reconciliation of payable to defined benefit plan

	Note	2012	2011
		Rupees in '000	
Present value of defined benefit obligation	35.4.1	**91,269**	61,399
Fair value of any plan assets	35.4.2	**(79,911)**	-
Deficit		**11,358**	61,399
Past service cost - non vested		**754**	1,132
Cumulative unrecognised actuarial gains	35.4.3	**10,855**	12,814
		22,967	75,345

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011
		Rupees in '000	
35.4.1 Movement in present value of defined benefit obligation			
Opening balance		**61,399**	49,634
Current service cost		**27,745**	22,304
Interest cost		**7,600**	6,949
Benefits paid during the year		**(1,204)**	-
Negative past service cost - Vested		**-**	(2,997)
Negative past service cost - Non Vested		**-**	(1,132)
Curtailment gains		**(4,404)**	(7,488)
Actuarial losses / (gains) on obligation		**133**	(5,871)
Closing balance		**91,269**	61,399
35.4.2 Movement in fair value of plan assets			
Opening balance		**-**	-
Contribution made		**75,000**	-
Expected return on plan assets		**6,750**	-
Benefits paid by the fund		**(1,204)**	-
Actuarial losses		**(635)**	-
Closing balance	35.4.2.1	**79,911**	-
35.4.2.1 Plan assets consist of the following:			
Pakistan Investment Bonds		**70,753**	-
Bank balances		**9,158**	-
		79,911	-
35.4.2.2 Actual return on plan assets			
		6,115	-
35.4.3 Cumulative unrecognised actuarial gains / (losses) -net			
Opening balance		**12,814**	8,860
Actuarial (loss) / gain on defined benefit obligation		**(133)**	5,871
Actuarial loss on plan assets		**(635)**	-
		12,046	14,731
Actuarial gains recognised due to curtailment gain		**(524)**	(1,563)
Actuarial gains recognised due to 'corridor' limits		**(667)**	(354)
		10,855	12,814

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

		Note	2012	2011
			Rupees in '000	
35.5	**Movement in payable to defined benefit plan**			
	Opening net liability		**75,345**	58,009
	Expense for the year	35.6	**22,622**	17,336
	Contributions		**(75,000)**	-
	Closing net liability		**22,967**	75,345
35.6	**Charge for defined benefit plan**			
	Current service cost		**27,745**	22,304
	Interest cost		**7,600**	6,949
	Transitional liability recognised		**-**	485
	Expected return on contributions		**(6,750)**	-
	Actuarial (gain) due to curtailment gain		**(524)**	-
	Curtailment gain		**(4,405)**	(7,488)
	Actuarial gain / loss recognized		**(667)**	(1,917)
	Past service cost - vested		**(377)**	(2,997)
			22,622	17,336

		2012	2011	2010	2009	2008
		Rupees in '000				
35.7	**Five year data on plans and experience adjustments**					
	Present value of defined benefit obligation	**91,269**	61,399	49,634	36,247	19,242
	Fair value of plan assets	**(79,911)**	-	-	-	-
		11,358	61,399	49,634	36,247	19,242
	Experience adjustment on obligation - gain / (loss)	**(133)**	5,871	7,848	1,732	(141)
	Experience adjustment on plan assets - gain / (loss)	**(635)**	-	-	-	-

35.8 The Bank amortises transitional liability over a period of five years.

36. DEFINED CONTRIBUTION PLAN

The Group operates a contributory provident fund scheme for all permanent employees. The employer and employee both contribute 10% of the basic salaries to the funded scheme every month. Number of employees covered under this plan are 1,144 (2011: 1,056). During the year, employees made a contribution of Rs.46.5 (2011: Rs.34.386) million to the fund. The Group has also made a contribution of equal amount to the fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

37. COMPENSATION OF DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year in respect of the remuneration and benefits to the President / Chief Executive, Directors and Executives are as follows:

	Note	2012			
		President	Directors	Executives	Total
		Rupees in '000			
Managerial remuneration		**18,238**	**639**	**298,052**	**316,929**
Defined contribution plan		**837**	**23**	**29,817**	**30,677**
Charge for defined benefit plan		-	-	**20,558**	**20,558**
Rent and house maintenance		**7,589**	**244**	**132,434**	**140,267**
Utilities		**1,707**	**64**	**29,805**	**31,576**
Medical		**328**	**29**	**4,574**	**4,931**
Conveyance and vehicle maintenance		**95**	**48**	**50,658**	**50,801**
Fees for attending meetings		-	-	-	-
Bonus		**4,000**	-	**93,307**	**97,307**
Non-executive directors' fee, allowances and other expenses		-	**3,613**	-	**3,613**
		32,794	**4,660**	**659,205**	**696,659**
Number of persons	**37.1**	**3**	**15**	**286**	**304**

	Note	2011			
		President	Directors	Executives	Total
		Rupees in '000			
Managerial remuneration		8,954	6,194	209,231	224,379
Defined contribution plan		15	619	18,481	19,115
Charge for defined benefit plan		-	514	16,372	16,886
Rent and house maintenance		4,030	2,787	94,154	100,971
Utilities		888	619	20,910	22,417
Medical		33	11	3,284	3,328
Conveyance and vehicle maintenance		946	461	37,207	38,614
Bonus		4,000	4,076	56,290	64,366
Non-executive directors' fee, allowances and other expenses		-	313	-	313
		18,866	15,594	455,929	490,389
Number of persons	37.1	2	13	214	229

37.1 The President, Directors and certain executives are also provided with other facilities, including free use of the Bank and/ or Company maintained cars.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

38. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market price. Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Group's accounting policy as stated in note 6.6 to these financial statements.

The repricing profile, effective rates and maturity are stated in note 42.3.4 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 in the case of customer loans and deposits are frequently repriced.

39. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2012								
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Brokerage	Asset Management	Other	Total
	Rupees in '000								
Total income - external	51,373	4,998,527	509,194	2,323,892	161,326	205,340	34,896	33,821	8,318,369
Inter-segment revenues - net	-	(2,859,890)	3,646,291	(786,401)	-	-	-	-	-
Total income	51,373	2,138,637	4,155,485	1,537,491	161,326	205,340	34,896	33,821	8,318,369
Total expenses	(4,776)	(667,276)	(4,258,459)	(1,636,826)	(34,858)	(156,564)	(29,462)	(339,992)	(7,128,213)
Taxation	-	-	-	-	-	-	-	-	(85,626)
Deferred tax	-	-	-	-	-	-	-	-	(284,697)
Net income / (loss)	46,597	1,471,361	(102,974)	(99,335)	126,468	48,776	5,434	(306,171)	819,833
Segment assets (gross)	-	48,579,733	3,270,146	17,247,885	-	594,484	-	-	69,692,248
Segment non performing loans	-	-	50,589	2,986,676	-	-	-	-	3,037,265
Segment provision required	-	-	31,805	939,448	-	-	-	-	971,253
Segment liabilities	-	7,771,612	48,295,991	14,068,503	713,747	332,156	386,496	1,515,334	73,083,839
Segment return on net assets (ROA) (%)	-	10.39	12.68	13.02	-	-	-	-	-
Segment cost of funds (%)	-	8.90	5.87	9.53	-	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

	2011								
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Brokerage	Asset Management	Other	Total
	Rupees in '000								
Total income - external	13,583	2,841,036	421,104	1,868,784	40,774	5,650	-	49,457	5,240,388
Inter-segment revenues - net	-	(1,712,569)	2,680,823	(968,254)	-	-	-	-	-
Total income	13,583	1,128,467	3,101,927	900,530	40,774	5,650	-	49,457	5,240,388
Total expenses	(2,614)	(494,044)	(3,298,590)	(817,457)	(28,311)	(7,463)	-	(54,573)	(4,703,052)
Tax expense	-	-	-	-	-	-	-	-	(49,443)
Deferred tax	-	-	-	-	-	-	-	-	(126,248)
Net income / (loss)	10,969	634,423	(196,663)	83,073	12,463	(1,813)	-	(5,116)	361,645
Segment assets (gross)	-	27,403,167	2,715,566	16,235,609	-	228,700	-	8,433,332	55,016,374
Segment non performing loans	-	-	42,945	2,733,950	-	-	-	-	2,776,895
Segment provision required	-	-	27,825	485,924	-	-	-	-	513,749
Segment liabilities	-	1,715,437	31,514,528	9,617,240	1,246,994	848,498	-	778,892	45,721,589
Segment return on net assets (ROA) (%)	-	10.74	10.98	13.60	-	1.15	-	-	-
Segment cost of funds (%)	-	11.31	6.58	9.05	-	-	-	-	-

40. RELATED PARTY TRANSACTIONS

The Group has related party relationship with its associates, parent, companies having common directors, companies in which parent holds more than 20% shares, employee benefit plans, and its key management personnel (including their associates).

Contributions to the accounts in respect of staff retirement benefits are made in accordance with terms of the contribution plans. Remuneration of the key management personnel are in accordance with the terms of their employment. Other transactions are carried out as per agreed terms.

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

	Key management personnel		Other related parties		Total	
	2012	2011	2012	2011	2012	2011
	(Rupees in '000)					
Advances						
Opening balance	**39,651**	3,423	**2,975,684**	2,994,330	**3,015,335**	2,997,753
Disbursements	**69,045**	42,692	**7,356,245**	7,387,316	**7,425,290**	7,430,008
Repayments	**(14,625)**	(6,464)	**(8,953,890)**	(7,405,962)	**(8,968,515)**	(7,412,426)
Balance as at December 31	**94,071**	39,651	**1,378,039**	2,975,684	**1,472,110**	3,015,335
Mark-up / return / interest earned	**3,200**	3,480	**440,115**	401,684	**443,315**	405,164

	Parent		Key management personnel		Other related parties		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	(Rupees in '000)							
Deposits								
Opening balance	**560,818**	1,799	**10,994**	9,695	**1,733,460**	771,816	**2,305,272**	783,310
Deposits during the year	**8,747,957**	2,535,433	**270,304**	173,263	**40,912,613**	25,371,652	**49,930,874**	28,080,348
Withdrawals during the year	**(7,305,946)**	(1,976,414)	**(264,567)**	(171,964)	**(38,259,006)**	(24,410,008)	**(45,829,519)**	(26,558,386)
Balance as at December 31	**2,002,829**	560,818	**16,731**	10,994	**4,387,067**	1,733,460	**6,406,627**	2,305,272
Mark-up / return / interest expensed	**53,682**	11,268	**375**	139	**275,440**	134,699	**329,497**	146,106

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FOR THE YEAR ENDED DECEMBER 31, 2012

The related party status of outstanding receivables and payables as at December 31, 2012 is included in respective notes to the financial statements. Material transactions with related parties are given below:

	Companies having common directorship		Companies in which parent company holds 20% or more		Other related parties		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	(Rupees in '000)							
Nature of transactions								
Sale of Term Finance Certificates	-	-	-	-	-	41,419	-	41,419
Purchase of Term Finance Certificates	-	-	-	-	**16,347**	-	**16,347**	-
Sale of Government Securities	**46,575,731**	24,072,927	-	1,288,844	**2,889,665**	186,729	**49,465,396**	25,548,500
Purchase of Government Securities	**9,332,872**	1,225,435	-	1,938	**69,292**	-	**9,402,164**	1,227,373
Purchase of Sukuk	-	-	**4,252,287**	-	-	-	**4,252,287**	-
Sale of Sukuk / Ijara	**143,788**	104,448	**1,543,690**	-	-	-	**1,687,487**	104,448
Sale of shares / Units	-	-	-	542,677	**1,560,614**	-	**1,560,614**	542,677
Purchase of shares / Units	-	-	**350,000**	737,670	**1,367,675**	-	**1,717,675**	737,670
Subscription in shares	-	22,560	-	-	-	127,374	-	149,934
Rent Receivable	-	-	-	966	-	-	-	966
Call lending / Reverse Repo	-	-	-	1,705,000	-	-	-	1,705,000
Call borrowing / Repo	-	-	**5,550,000**	14,850,000	-	-	**5,550,000**	14,850,000
Purchase of forward foreign exchange contracts	-	-	**8,306,908**	4,946,891	-	-	**8,306,908**	4,946,891
Sale of forward foreign exchange contracts	-	-	**10,160,117**	6,506,439	-	-	**10,160,117**	6,506,439
Letter of credits	-	-	-	-	-	47,798	-	47,798
Letter of guarantees	-	-	-	-	**30,295**	-	**30,295**	-

	Companies having common directorship		Companies in which parent company holds 20% or more		Other related parties		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	(Rupees in '000)							
Nature of transactions								
Insurance claim received	**20,323**	10,937	-	-	-	8	**20,323**	10,945
Markup on TFCs	-	-	-	-	**79,585**	-	**79,585**	-
Rent received	**166**	-	**869**	-	**345**	-	**1,380**	-
Reimbursement of expenses	**147**	35	**1,090**	17	**193**	42	**1,430**	94
Payment of insurance premium	**37,171**	30,791	-	-	-	-	**37,171**	30,791
Services rendered	-	-	-	822	-	-	-	822
Rent expense paid / accrued	**420**	-	-	106	-	34	**420**	140
Commission paid / accrued	-	-	-	-	-	-	-	-
Commission income	**92,087**	70,441	**2,262**	1,942	**9,604**	3,640	**103,953**	76,023
Dividend income	-	-	-	6,096	**12,218**	-	**12,218**	6,096
Consultancy fee	-	-	-	-	**8,000**	2,800	**8,000**	2,800
Royalty	-	-	-	-	**7,500**	250	**7,500**	250
Remunerative income	-	-	-	-	**40,459**	-	**40,459**	-

	Parent company	
	2012	2011
	(Rupees in '000)	
Nature of transactions		
Subscription in right shares	-	1,127,233
Purchase of Government Securities	-	597,478
Sale of Government Securities	**728,550**	-
Rent expense paid / accrued	**1,023**	1,448
Reimbursement of expenses	**925**	45

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41. CAPITAL ASSESSMENT AND ADEQUACY BASEL II SPECIFIC

41.1 Scope of application

Basel II Framework is applicable to the Bank both at consolidated level (comprising of partly owned subsidiaries - JS Global Capital Limited & JS Investments Limited.) and also on stand alone basis.

41.2 Capital structure

Group's regulatory capital is analyzed into two tiers

Tier I capital, which includes fully issued, subscribed and paid up capital, balance in share premium account, reserve for bonus issue, general reserves as per the financial statements and net un-appropriated profits and non-controlling interest etc. after deductions of goodwill & other intangible assets and deficit on revaluation of available for sale investments.

Tier II capital, which includes general provision for loan losses (upto maximum of 1.25% of risk weighted assets), reserve on the revaluation of fixed assets and equity investments (upto a maximum of 45% of the balance in the related revaluation reserve) and subordinated debt (upto a maximum of 50% of Tier I Capital)

Tier III capital has also been prescribed by the SBP for managing market risk; however, the Bank does not have any Tier III capital.

Detail of the Bank's eligible capital (on an consolidated basis) is as follows:

	2012	2011
	Rupees in '000	
Tier I Capital		
Shareholders equity / assigned capital	**10,724,643**	10,002,930
Reserves	**231,613**	89,978
Discount on issue of shares	**(2,105,401)**	(1,944,880)
(Accumulated losses) / Unappropriated unremitted profits	**(62,157)**	(642,058)
Minority interest (for consolidated position reporting)	**1,863,194**	1,303,146
	10,651,892	8,809,116
Less: Goodwill, other intangible assets and deficit on account of revaluation of available-for-sale portfolio etc.	**1,740,179**	1,630,295
Shortfall in provisions required against classified assets irrespective of any relaxation allowed	**-**	-
Deficit on account of revaluation of investments held in AFS category	**-**	43,200
Other deductions (50% of Investments in equity and other regulatory capital of majority owned securities or other financial subsidiaries not consolidated in statement of financial position)	**-**	-
	1,740,179	1,673,495
Total Tier I Capital	**8,911,713**	7,135,621
Tier II Capital		
General provisions subject to 1.25% of total risk weighted assets	**1,191**	1,083
Revaluation reserve (upto 45%)	**171,309**	-
	172,500	1,083

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	2012	2011
	Rupees in '000	
Less:		
Other deductions (50% of Investments in equity and other regulatory capital of majority owned securities or other financial subsidiaries not consolidated in statement of financial position)	-	-
Total Tier II Capital	**172,500**	1,083
Eligible Tier III Capital	-	-
Total regulatory capital base	**9,084,213**	7,136,704

41.3 Capital adequacy

Capital management

The primary objective of the Group's capital management is to ensure that the Group complies with all regulatory capital requirements and at the same time maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

Statutory minimum capital requirement and management of capital

The State Bank of Pakistan through its BSD Circular No. 07 dated April 15, 2009 requires the minimum paid up capital (net of losses) for Banks / Development Finance Institutions (DFIs) to be raised to Rs.10 billion by the year ending December 31, 2013. This increase in capital is to be achieved in a phased manner requiring Rs.9 billion paid up capital (net of losses) by the end of the financial year 2012.

The paid up capital (net of losses) of the Bank as at December 31, 2012 stood at Rs.8.543 billion. The Bank plans to meet the shortfall in equity capital through further issuance of shares as disclosed in note 1.3.

In addition, the Group was also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10% of the risk weighted exposure of the Bank. Bank's CAR as at December 31, 2012 was 24.26% of its risk weighted exposures.

The Bank in alignment with its corporate strategy has laid down its footprints across Pakistan with plans to further expand its outreach with more branches nationwide this year, providing a range of innovative financial products and services to a wide customer base. The capital adequacy is constantly being monitored and stress tested by using various adverse scenarios. The Bank has developed a formalised strategy for the Internal Capital Adequacy Assessment (ICAAP) as laid down by SBP under ICAAP Guidelines, which commensurate with the size, nature and complexity of its business operations.

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41.4 Risk Weighted Exposures

	Capital requirements		Risk weighted assets	
	2012	2011	2012	2011
	Rupees in '000			
Credit Risk				
Portfolios subject to standardised approach				
On balance sheet				
Corporate	**1,679,866**	1,459,345	**16,798,658**	14,593,448
Retail	**86,616**	32,637	**866,158**	326,373
Banks and DFIs	**141,366**	71,210	**1,413,661**	712,102
Public sector entity	**10,772**	1,393	**107,724**	13,932
Sovereign (include GoP and SBP)	**-**	-	**-**	-
Residential mortgage finance	**17,937**	7,815	**179,371**	78,148
Past due loans	**264,123**	325,095	**2,641,229**	3,250,950
Fixed assets	**167,199**	143,459	**1,671,988**	1,434,588
Other assets	**168,482**	180,651	**1,684,824**	1,806,512
	2,536,361	2,221,605	**25,363,613**	22,216,053
Off balance sheet				
- non market related	**239,617**	164,566	**2,396,172**	1,645,655
- market related	**1,288**	1,326	**12,884**	13,263
	240,905	165,892	**2,409,056**	1,658,918
Equity exposure risk in the banking book	**254,907**	86,754	**2,549,074**	867,541
Total Credit Risk	**3,032,173**	2,474,251	**30,321,743**	24,742,512
Market risk				
Capital requirement for portfolios subject to standardised approach				
Interest rate risk	**27,341**	60,722	**341,759**	759,025
Equity position risk	**157,058**	126,196	**1,963,225**	1,577,450
Foreign exchange risk	**2,954**	3,091	**36,925**	38,632
Operational risk				
Capital requirement for operational risks	**382,658**	234,790	**4,783,225**	2,934,874
Total	**3,602,184**	2,899,050	**37,446,877**	30,052,493

Capital Adequacy Ratio

Total eligible regulatory capital held	(a)	**9,084,213**	7,136,704
Total risk weighted assets	(b)	**37,446,877**	30,052,493
Capital adequacy ratio	(a) / (b)	**24.26%**	23.75%

42. RISK MANAGEMENT

Risk Management is a discipline at the core of every financial institution and encompasses all the activities that affect its risk profile. At the Group, it involves identification, measurement, monitoring and controlling risks to ensure that:

a) The individuals who take or manage risks, clearly understand it;
b) The Group's Risk exposure is within the limits established by Board of Directors (BoD);
c) Risk taking decisions are in line with the business strategy and objectives set by BoD;

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d) The expected payoffs compensate for the risks taken;
e) Risk taking decisions are explicit and clear;
f) Sufficient capital as a buffer is available to take risk; and
g) Risk management function is independent of risk taking unit.

Keeping in view the dynamics of internal and external environment, we regularly review and update our Risk Management policies and procedures in accordance with regulatory environment and international standards.

Risk Management of Group includes:

a) Clearly defined risk management policies and procedures covering risk identification, acceptance, measurement, monitoring, reporting and control;

b) Well constituted organizational structure, defining clearly roles and responsibilities of individuals involved in risk taking as well as managing it. The Group, in addition to risk management functions for various risk categories, has instituted an Integrated Risk Management Committee (IRMC) that supervises overall risk management at the Bank. The IRMC establishes the Bank's overall risk-taking capacity. This involves an effective portfolio management strategy, keeping in view the earnings growth target and capital constraints. The IRMC sets the strategic target and aggregate limits at the Business Group level and concentration limits (by industry, geography, size, tenor) so that one category of assets or dimension of risk cannot materially harm the performance of the Group;

c) An effective management information system that ensures flow of information from operational level to top management and a system to address any exceptions observed; and

d) A mechanism to ensure an ongoing review of systems, policies and procedures for risk management and procedures to adopt changes.

While the overall responsibility of risk management rests with the BoD, it is the duty of Senior Management to devise risk management strategy by setting up well defined policies and procedures for mitigating / controlling risks, duly approved by the Board.

Giving due consideration to the above, the Group has put in place the following hierarchy of Risk Management:

- Board of Directors (BoD), Risk Management Sub-Committee;
- Integrated Risk Management Committee (IRMC) which comprises of the President / Chief Executive Officer (CEO), Group Head Risk Management, Business Heads, and Other Functional Heads.
- Asset - Liability Committee which comprises of the President / CEO, Treasurer, Group Head Risk Management, Other Business Heads.
- Risk Management Group (RMG) which comprises of Risk Managers for Credit, Market and Operational Risks and Treasury Middle Office.

RMG is managed by Group Head Risk Management to supervise the following Divisions:

a) Credit Risk Management (CRM) covering both Corporate / Commercial and Retail Banking Risks as well as Consumer Risks
b) Operational Risk Management
c) Market Risk Management (MRM)
d) Treasury Middle Office
e) Financial Institution Risk Management Unit (also responsible for Cross-border Risk Management)
f) Basel II / III Implementation

The Bank's RMG generates the requisite risk reporting for the different tiers of management. These are also subjected to internal audit review.

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Risk matrix / categories

Bank, in common with other banks, generates its revenues by accepting country, credit, liquidity, interest rate risk in the Banking Book, market, operational and other risks. Effective management of these risks is the decisive factor in the Bank's profitability.

Risk Appetite

The Bank's risk appetite is reflected in its endeavours to maintain a favourable credit rating and encompasses the following:

- The business strategy
- The expectations of stakeholders at different time horizons
- The characteristics of the risk-bearing entities
- The nature and characteristics of the risks undertaken
- The possible spread of risk situations across organizational units, assets-at-risk, and future time horizons.

Risk appetite drives business activity. It combines anticipations in risk and profitability with management preferences to control capital and resource allocation, as well as the distribution of exposure across activities and portfolios.

Bank's hedging strategy is embedded in its risk management practices for addressing material categories of risk.

42.1 Credit Risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. Credit risk is managed in terms of credit policies, approved by the BoD and regulations issued by the SBP. The Group is exposed to credit risk on loans and advances, fund placements with financial institutions and certain investments.

The Group's strategy is to minimise credit risk through product, geography, and industry and customer diversification. Credit limits are established for all counter-parties after a careful assessment of their credit worthiness. An effective credit granting procedure, which requires pre-sanction evaluation of credit proposal, adequacy of security and pre-disbursement examination of charge documents has been established and managed by Risk Management Group (RMG) and Credit Administration Department (CAD). The Group maintains a sound portfolio diversified in nature to counter the risk of credit concentration and further limits risk through diversification of its assets by geographical and industrial sector. For managing impaired assets in the portfolio, the Bank follows the Prudential Regulations and Risk Management guidelines issued by SBP and the Remedial Management Policy approved by the Board.

42.1.1 Segmental Information

Segmental information is presented in respect of the class of business and geographical distribution of advances, deposits, contingencies and commitments.

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42.1.1.1 Segment by class of business

	2012					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Mining and quarrying	24,016	0.12	54,103	0.09	191	0.00
Textile	5,011,079	24.00	227,554	0.37	856,368	6.34
Chemical and pharmaceuticals	880,364	4.22	984,644	1.59	94,635	0.70
Fertilizer	1,455,725	6.97	-	-	612,000	4.53
Automobile and transportation equipment	99,458	0.48	-	-	12,440	0.09
Electronics and electrical appliances	323,704	1.55	201,081	0.32	108,697	0.80
Construction	47,497	0.23	576,207	0.93	541,957	4.01
Power, gas, water and sanitary	-	-	45,679	0.07	300,024	2.22
Paper/board/furniture	93,559	0.45	-	-	161,702	1.20
Petroleum/oil and gas	17,901	0.09	2,636	0.00	333,823	2.47
Food/confectionery/beverages	1,599,971	7.66	49,455	0.08	3,697,411	27.36
Trust and non-profit organisations	103,964	0.50	7,591,978	12.26	17,609	0.13
Wholesale and retail trade	123,891	0.59	979,127	1.58	-	-
Transport, storage and communication	773,256	3.70	668,918	1.08	71,346	0.53
Financial	1,201,717	5.76	6,034,736	9.74	5,224,901	38.66
Insurance	50,000	0.24	261,142	0.42	867	0.01
Services	2,027,202	9.71	750,981	1.21	108,000	0.80
Cement	-	-	1,224	0.00	-	-
Sugar	1,355,476	6.49	59,542	0.10	208,921	1.55
Individuals	2,653,669	12.71	35,449,645	57.24	92,902	0.69
Others	3,038,189	14.55	7,996,135	12.90	1,070,394	7.93
	20,880,638	100	61,934,787	100	13,514,188	100

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	2011					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Mining and quarrying	462,190	2.49	30,904	0.08	95	0.00
Textile	3,654,453	19.71	304,080	0.76	1,031,700	13.19
Chemical and pharmaceuticals	2,091,210	11.28	799,950	1.99	958,123	12.25
Fertilizer	-	-	-	-	369,041	4.72
Automobile and transportation equipment	100,326	0.54	50,890	0.13	125,163	1.60
Electronics and electrical appliances	286,129	1.54	101,613	0.25	151,855	1.94
Construction	68,602	0.37	267,540	0.67	52,710	0.67
Power, gas, water and sanitary	9,920	0.05	60,836	0.15	217,520	2.78
Paper and board	9,908	0.05	1,165	0.00	99,382	1.27
Petroleum / oil and gas	-	-	-	-	136,477	1.75
Food/confectionery/beverages	1,915,471	10.33	110,031	0.27	297,318	3.80
Trust and non-profit organisations	11,024	0.06	4,263,356	10.61	12,073	0.15
Wholesale and retail trade	114,804	0.62	791,602	1.97	-	-
Transport, storage and communication	664,974	3.59	592,877	1.48	9,894	0.13
Financial	851,907	4.59	2,675,741	6.66	3,864,843	49.42
Insurance	25,006	0.13	452,724	1.13	-	-
Services	134,760	0.73	602,065	1.50	770	0.01
Cement	19,863	0.11	119,003	0.30	-	-
Sugar	1,710,774	9.23	29,476	0.07	165,000	2.11
Individuals	2,600,338	14.02	24,666,794	61.40	16,526	0.21
Others	3,811,974	20.56	4,253,704	10.58	312,394	4.00
	18,543,633	100	40,174,351	100	7,820,884	100

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42.1.1.2 Segment by sector

	2012					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Public / Government	**-**	**-**	**5,070,401**	**8.19**	**1,960,794**	**14.51**
Private	**20,880,638**	**100**	**56,864,386**	**91.81**	**11,553,394**	**85.49**
	20,880,638	**100**	**61,934,787**	**100**	**13,514,188**	**100**

	2011					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Public / Government	3,533	0.02	5,700,281	14.19	890,007	11.38
Private	18,540,100	99.98	34,474,070	85.81	6,930,877	88.62
	18,543,633	100	40,174,351	100	7,820,884	100

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

	2012		2011	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rupees in '000			
Textile	**691,011**	**318,859**	636,842	96,273
Automobile and transportation equipment	**134,686**	**104,101**	56,895	26,058
Chemical and pharmaceutical	**1,536,009**	**222,362**	1,261,984	-
Wholesale and retail trade	**167,144**	**102,991**	-	-
Financial	**185,575**	**155,163**	185,575	81,087
Individuals	**261,224**	**11,682**	248,756	8,237
Other	**61,615**	**54,904**	386,843	301,011
	3,037,264	**970,062**	2,776,895	512,666

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

Public / Government	**-**	**-**	-	-
Private	**3,037,264**	**970,062**	2,776,895	512,666
	3,037,264	**970,062**	2,776,895	512,666

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42.1.1.5 Geographical segment analysis

	2012		2011	
	Total assets employed	Net assets employed	Total assets employed	Net assets employed
	Rupees in '000			
Pakistan	**84,018,777**	**10,934,938**	54,502,625	8,781,036

	2012		2011	
	Profit before taxation	Contingencies and commitments	Profit before taxation	Contingencies and commitments
	Rupees in '000			
Pakistan	**1,190,156**	**13,514,188**	537,336	7,820,884

42.1.2 Credit risk: Standardised approach

The Bank has adopted the Standardised Approach of Basel II for risk weighing its Credit Risk Exposures.

The following table illustrates the approved External Credit Assessment Institutions (ECAIs) whose ratings are being utilised by the Bank with respect to material categories of exposures:

Exposures	JCR-VIS	PACRA	MOODY'S	FITCH	S&P
Corporate	✓	✓	-	-	-
Banks	✓	✓	✓	✓	✓
SME's (retail exposures)	✓	✓	-	-	-
Sovereigns	N/A	N/A	N/A	N/A	N/A
Securitisations	N/A	N/A	N/A	N/A	N/A
Others (specify)	N/A	N/A	N/A	N/A	N/A

The Group has used Issue Specific Ratings for rating / risk weighing Issue Specific Exposures and Entity Ratings for rating / risk weighing claims against specific counterparties. Both short and long term ratings have been used to rate corresponding short and long term exposures. For this purpose, Mapping Grid provided by SBP has been used.

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Long - Term Ratings Grades Mapping

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

Short - Term Ratings Grades Mapping

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

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42.1.2.1 Credit exposures subject to Standardised approach

			2012			
Exposures	Rating category	Rating risk weight	Amount outstanding	Deduction CRM*	Net amount	Risk weighted asset
			Rupees in '000			
Cash and Cash Equivalents		0%	1,401,590	-	1,401,590	-
Corporate	0	0%	-	629,837	629,837	-
	1	20%	1,366,882	307	1,367,189	273,438
	2	50%	1,195,866	(241,970)	953,896	476,948
	3,4	100%	424,276	-	424,276	424,276
	5,6	150%	782,615	-	782,615	1,173,923
	Unrated	100%	14,838,247	(388,174)	14,450,073	14,450,073
			18,607,886	-	18,607,886	16,798,658
Retail		0%	-	606,430	606,430	-
		20%	-	1,179	1,179	236
		50%	-	-	-	-
		75%	1,762,171	(607,609)	1,154,562	865,922
			1,762,171	-	1,762,171	866,158
Banks						
- Maturity Over 3 Months		0%	-	335,000	335,000	-
	1	20%	455,844	-	455,844	91,169
	2,3	50%	1,324,568	(335,000)	989,568	494,784
	4,5	100%	213,673	-	213,673	213,673
	6	150%	5,353	-	5,353	8,030
	Unrated	50%	86,496	-	86,496	43,248
			2,085,934	-	2,085,934	850,904
- Maturity Upto and under 3 Months in FCY"		0%	-	-	-	-
	1,2,3	20%	1,023,499	-	1,023,499	204,700
	4,5	50%	126,295	-	126,295	63,148
	6	150%	30,417	-	30,417	45,626
	unrated	20%	230,508	-	230,508	46,102
			1,410,719	-	1,410,719	359,576
- Maturity Upto and under 3 Months in PKR		0%	-	1,387,691	1,387,691	-
		20%	2,403,596	(1,387,691)	1,015,905	203,181
			2,403,596	-	2,403,596	203,181
Residential Mortgage Finance		35%	512,489	-	512,489	179,371
Public Sector Entity						
		0%	-	-	-	-
	1	20%	499,919	-	499,919	99,984
	2,3	50%	-	-	-	-
	4,5	100%	-	-	-	-
	6	150%	-	-	-	-
	Unrated	50%	15,479	-	15,479	7,740
			515,398	-	515,398	107,724
Sovereigns (SBP / GoP)		0%	41,514,310	-	41,514,310	-
Equity Investments - Listed		100%	2,420,630	-	2,420,630	2,420,630
- Unlisted		150%	85,629	-	85,629	128,444
			2,506,259	-	2,506,259	2,549,074

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Exposures	Rating category	Rating risk weight	2012 Amount outstanding	Deduction CRM*	Net amount	Risk weighted asset
			Rupees in '000			
"Past Due Loans (Not Secured by Residential Mortgages)"	S.P less than 20%	**150%**	**1,441,514**	**-**	**1,441,514**	**2,162,271**
	S.P upto 20%	**100%**	**332,219**	**-**	**332,219**	**332,219**
	S.P greater than 50%	**50%**	**293,477**	**-**	**293,477**	**146,739**
			2,067,210	**-**	**2,067,210**	**2,641,229**
Investment in fixed assets		**100%**	**1,671,988**	**-**	**1,671,988**	**1,671,988**
Other assets		**100%**	**1,684,824**	**-**	**1,684,824**	**1,684,824**
Total			**78,144,374**	**-**	**78,144,374**	**27,912,687**

* Credit Risk Mitigation (CRM)

Exposures	Rating category	Rating risk weight	2011 Amount outstanding	Deduction CRM*	Net amount	Risk weighted asset
			Rupees in '000			
Cash and Cash Equivalents		0%	1,007,451	-	1,007,451	-
Corporate	0	0%	-	458,646	458,646	-
	1	20%	2,410,238	128,275	2,538,513	507,703
	2	50%	1,197,367	(200,103)	997,264	498,632
	3,4	100%	567,137	-	567,137	567,137
	5,6	150%	362,755	-	362,755	544,133
	Unrated	100%	12,862,661	(386,818)	12,475,843	12,475,843
			17,400,158		17,400,158	14,593,448
Retail		0%	-	721,446	721,446	-
		20%	-	20,718	20,718	4,144
		50%	-	-	-	-
		75%	1,171,802	(742,164)	429,638	322,229
			1,171,802	-	1,171,802	326,373
Banks						
- Maturity over three Months		0%	-	-	-	-
	1	20%	450,678	-	450,678	90,136
	2,3	50%	287,204	-	287,204	143,602
	4,5	100%	41,389	-	41,389	41,389
	6	150%	-	-	-	-
	Unrated	50%	60,133	-	60,133	30,067
			839,404	-	839,404	305,194
- Maturity Upto and under three months in FCY"		0%	-	-	-	-
	1,2,3	20%	49,716	-	49,716	9,943
	4,5	50%	-	-	-	-
	6	150%	-	-	-	-
	unrated	20%	36,665	-	36,665	7,333
			86,381	-	86,381	17,276

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Exposures	Rating category	Rating risk weight	Amount outstanding	Deduction CRM*	Net amount	Risk weighted asset
			2011			
			Rupees in '000			
- Maturity upto and under three months in PKR"		0%	-	1,407,455	1,407,455	-
		20%	3,355,615	(1,407,455)	1,948,160	389,632
			3,355,615	-	3,355,615	389,632
Residential Mortgage Finance		35%	223,280	-	223,280	78,148
Public Sector Entity						
		0%	-	-	-	-
	1	20%	-	-	-	-
	2,3	50%	-	-	-	-
	4,5	100%	-	-	-	-
	6	150%	-	-	-	-
	Unrated	50%	27,864	-	27,864	13,932
			27,864	-	27,864	13,932
Sovereigns (SBP / GoP)		0%	14,944,513	-	14,944,513	-
Equity Investments - Listed		100%	738,227	-	738,227	738,227
- Unlisted		150%	86,209	-	86,209	129,314
			824,436	-	824,436	867,541
Past Due Loans						
(Not Secured by Residential	S.P less than 20%	150%	2,057,347	-	2,057,347	3,086,021
Mortgages)"	S.P upto 20%	100%	122,974	-	122,974	122,974
	S.P greater than 50%	50%	83,909	-	83,909	41,955
			2,264,230	-	2,264,230	3,250,950
Investment in fixed assets		100%	1,434,588	-	1,434,588	1,434,588
Other assets		100%	1,806,512	-	1,806,512	1,806,512
Total			45,386,234	-	45,386,234	23,083,594

* Credit Risk Mitigation (CRM)

42.1.2.2 Policies and processes for collateral valuation and management as regards Basel II;

For Credit Risk Mitigation purposes the Group uses only the eligible collaterals under Simple Approach of Credit Risk Mitigation under Standardised Approach as prescribed by SBP under Circular No. 8 of 2006, which includes Cash and Cash Equivalent Securities including Government Securities (like Cash Margins, Lien on Bank Accounts, Foreign Deposit Receipts, Term Deposit Receipts, Pledge of Defense Saving Certificates, Regular Income Certificates, Special Saving Certificates, T-Bills and Pakistan Investment Bonds etc.) and Shares Listed on the Main Index.

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Under Group policy all collaterals are subject to periodic valuations to monitor the adequacy of margins held. Shares / Marketable securities are valued by the Group on daily / weekly basis to calculate the Drawing Power (DP). In case of any shortfall in the requisite margins, the DP is adjusted to the appropriate level and the business units are informed to take appropriate action as per the agreement with the customer.

42.2 Equity position risk in the banking book

Equity positions in the banking book include Investment in equities that are available-for-sale or held for strategic investment purposes. These investments are generally regarded as riskier relative to fixed income securities owing to the inherent volatility of stock market prices. The Group mitigates these risks through diversification and capping maximum exposures in a single company, compliance with regulatory requirement, following the guidelines laid down in the Bank's Investment Policy as set by the Board of Directors (BoD). The Group follows a delivery verses payment settlement system thereby minimizing risk available in relation to settlement risk.

42.3 Market risk

42.3.1 Market risk is the risk of loss due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions. From the perspective of a Group, market risk comprises of interest rate risk, foreign exchange risk and equity position risk, which the Group is exposed to in both its trading and banking books.

The Group has an approved market risk policy wherein the governance structure for managing market risk, measurement tools used and the market risk exposure limits have been addressed. The Group's strategy for managing Market Risk is to relate the level of risk exposures to their risk appetite and the capital at hand.

The Board of Directors (BoD) and the Asset and Liability Committee (ALCO) are responsible for addressing market risk from a strategic perspective and are assisted by the market risk function in meeting these objectives.

The Market Risk function is also supported by personnel in the Middle Office function and directly report to Group Head Risk Management. Its responsibility includes ensuring the implementation of the Market Risk policy above in line with the Group's strategy.

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Risk reporting undertaken by the Market Risk function includes:

a) Portfolio Reports
b) Limit monitoring reports
c) Sensitivity analysis ; and
d) Stress testing of the portfolio

Hedging measures are undertaken to maintain limits set out in the risk management policy.

Currently, the Group is using the market risk standardised approach for the purpose of computing regulatory capital, the details of which are set out above.

42.3.2 Foreign exchange risk

Main objective of foreign exchange risk management is to ensure that the foreign exchange exposure of the Group lies within the defined appetite of the Group.

Daily reports are generated to monitor the internal and regulatory limits with respect to the overall foreign currency exposures and those in different currencies. The overall net open position, whether short or long has the potential to negatively impact the profit and loss depending upon the direction of movement in foreign exchange rates.

Foreign exchange open and mismatched positions are marked to market on a daily basis.

Currency risk arises where the value of financial instruments changes due to changes in foreign exchange rates. In order to manage currency risk exposure the bank enters into ready, spot forward and swap transactions with SBP and in the interbank market. The Group's foreign exchange exposure comprises of forward contracts, foreign currencies cash in hand, balances with banks abroad, foreign placement with SBP and foreign currencies assets and liabilities. The net open position is managed within the statutory limits, as fixed by SBP. Counter parties limit are also fixed to limit risk concentration. Appropriate segregation of duties exists between the front and back office functions while compliance with the net open position limit is independently monitored on an ongoing basis.

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	2012			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupee	**79,838,530**	**69,095,909**	**155,690**	**10,898,311**
United States Dollar	**3,711,531**	**3,463,780**	**(228,852)**	**18,899**
Great Britain Pound	**311,221**	**364,650**	**53,874**	**445**
Euro	**139,360**	**158,820**	**23,322**	**3,862**
Other currencies	**18,135**	**680**	**(4,034)**	**13,421**
	4,180,247	**3,987,930**	**(155,690)**	**36,627**
	84,018,777	**73,083,839**	**-**	**10,934,938**

	2011			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupee	51,947,524	42,702,878	(502,242)	8,742,404
United States Dollar	2,430,423	2,523,050	128,249	35,622
Great Britain Pound	41,364	226,968	185,751	147
Euro	77,243	265,795	189,155	603
Other currencies	6,071	2,898	(913)	2,260
	2,555,101	3,018,711	502,242	38,632
	54,502,625	45,721,589	-	8,781,036

42.3.3 Equity position risk in trading book

The Group's objective with regard to holding equity investments in its trading book is to earn income from favourable market movements. Positions in the equity market are substantiated by sound fundamental and technical research.

Equity price risk is managed by applying trading limit and scrip-wise and portfolio wise nominal limits.

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42.3.4 Mismatch of interest rate sensitive assets and liabilities

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Group is exposed to interest / mark-up rate risk as a result of mismatches or gaps in the amount of interest / mark up based assets and liabilities that mature or re-price in a given period. The Group manages this risk by matching/re-pricing of assets and liabilities. The Group is not excessively exposed to interest / mark-up rate risk as its assets and liabilities are repriced frequently. The assets and liabilities committee (ALCO) of the Group monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the Group.

	2012											
	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 instrument
		Rupees in '000										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	5,027,942	602,415	-	-	-	-	-	-	-	-	4,425,527
Balances with other banks	-	1,193,864	613	-	-	-	-	-	-	-	-	1,193,251
Lendings to financial institutions	11.55-14.79	3,740,958	2,994,641	7,053	708,702	30,562	-	-	-	-	-	-
Investments	5.75-16.50	47,884,719	1,725,850	1,771,373	7,194,688	28,458,128	1,416,341	801,511	1,937,030	745,760	-	3,834,038
Advances	4.25-18.50	19,909,385	5,636,418	4,471,915	2,638,809	6,318,403	169,531	41,277	123,756	8,129	499,754	1,394
Other assets		1,604,374	-	-	-	-	-	-	-	-	-	1,604,374
		79,361,242	10,959,937	6,250,341	10,542,199	34,807,093	1,585,872	842,788	2,060,786	753,889	499,754	11,058,584
Liabilities												
Bills payable	-	713,747	-	-	-	-	-	-	-	-	-	713,747
Borrowings	10.0-13.0	8,704,685	7,581,211	306,374	617,100	-	-	-	-	-	-	200,000
Deposits and other accounts	5.0-14.70	61,934,787	13,292,186	12,450,952	3,302,673	5,503,740	10,250	13,121	9,974,997	-	-	17,386,868
Other liabilities	-	1,591,735	-	-	48,006	-	66,439	-	-	-	-	1,477,290
		72,944,954	20,873,397	12,757,326	3,967,779	5,503,740	76,689	13,121	9,974,997	-	-	19,777,905
On-balance sheet financial instruments		6,416,288	(9,913,460)	(6,506,985)	6,574,420	29,303,353	1,509,183	829,667	(7,914,211)	753,889	499,754	(8,719,321)
Commitments in respect of forward exchange contracts - Purchase		2,292,630	2,016,307	145,123	131,200	-	-	-	-	-	-	-
Commitments in respect of forward exchange contracts - Sale		(2,450,969)	(1,717,979)	(534,790)	(198,200)	-	-	-	-	-	-	-
Off-balance sheet gap		4,743,599	3,734,286	679,913	329,400	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(6,179,175)	(5,827,072)	6,903,820	29,303,353	1,509,183	829,667	(7,914,211)	753,889	499,754	(8,719,321)
Cumulative yield / interest risk sensitivity gap			(6,179,175)	(12,006,247)	(5,102,427)	24,200,926	25,710,109	26,539,776	18,625,565	19,379,454	19,879,208	11,159,887

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	2011											
	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 instrument
		Rupees in '000										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	3,880,782	426,339	-	-	-	-	-	-	-	-	3,454,443
Balances with other banks	-	165,067	51,144	-	-	-	-	-	-	-	-	113,923
Lendings to financial institutions	11.55-14.79	3,803,022	2,816,022	658,333	318,667	2,000	2,000	6,000	-	-	-	-
Investments	5.75-16.50	22,906,646	662,430	632,951	1,300,922	3,518,059	9,264,116	446,077	3,497,192	2,471,841	-	1,113,058
Advances	4.25-18.50	18,029,884	6,156,755	9,002,296	2,022,609	578,381	128,913	42,496	65,370	33,064	-	-
Other assets	-	1,178,598	-	-	-	-	-	-	-	-	-	1,178,598
		49,963,999	10,112,690	10,293,580	3,642,198	4,098,440	9,395,029	494,573	3,562,562	2,504,905	-	5,860,022
Liabilities												
Bills payable	-	1,246,994	-	-	-	-	-	-	-	-	-	1,246,994
Borrowings	10.0-13.0	3,171,800	2,048,800	549,500	573,500	-	-	-	-	-	-	-
Deposits and other accounts	5.0-14.70	40,174,351	19,738,637	4,395,876	1,392,336	1,337,911	1,808,212	28,647	8,200	1,150	-	11,463,382
Other liabilities	-	1,098,610	-	-	-	-	-	-	-	-	-	1,098,610
		45,691,755	21,787,437	4,945,376	1,965,836	1,337,911	1,808,212	28,647	8,200	1,150	-	13,808,986
On-balance sheet financial instruments		4,272,244	(11,674,747)	5,348,204	1,676,362	2,760,529	7,586,817	465,926	3,554,362	2,503,755	-	(7,948,964)
Commitments in respect of forward exchange contracts - Purchase		**1,948,987**	**1,628,997**	**243,161**	**76,829**	-	-	-	-	-	-	-
Commitments in respect of forward exchange contracts - Sale		**(1,446,561)**	**(1,426,507)**	**(20,054)**	-	-	-	-	-	-	-	-
Off-balance sheet gap		502,426	202,490	223,107	76,829	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(11,472,257)	5,571,331	1,753,191	2,760,529	7,586,817	465,926	3,554,362	2,503,755	-	(7,948,964)
Cumulative yield / interest risk sensitivity gap			(11,472,257)	(5,900,946)	(4,147,755)	(1,387,226)	6,199,591	6,665,517	10,219,879	12,723,634	12,723,634	4,774,670

	2012	2011
	Rupees in '000	
Reconciliation to total assets		
Balance as per balance sheet	**84,018,777**	54,502,625
Less: Non financial assets		
Operating fixed assets	**3,412,167**	3,064,883
Deferred tax assets	**860,704**	1,228,756
Other assets	**384,664**	244,987
	4,657,535	4,538,626
	79,361,242	49,963,999

	2012	2011
	Rupees in '000	
Reconciliation to total liabilities		
Balance as per balance sheet	**73,083,839**	45,721,589
Less: Non financial liabilities		
Government duties	**37,487**	10,268
Other Liabilities	**101,398**	19,566
	72,944,954	45,691,755

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42.4 Liquidity risk

Liquidity risk is the risk that the Group will not be able to raise funds to meet its commitments. The Group's "Asset and Liability Management Committee" manages the liquidity position on a continuous basis.

Group's policy to liquidity management is to maintain adequate liquidity at all times and in all currencies under both normal and stress conditions, to meet our contractual and potential payment obligations without incurring additional and unacceptable cost to the business.

Treasury is responsible for the managing liquidity risk under the guidance of Asset Liability Committee of the Group. Our liquidity risk management approach starts at the intraday level (operational liquidity) managing the daily payments queue and factoring in our access to the qualifying securities of State Bank of Pakistan. It then covers tactical liquidity risk management dealing with the access to unsecured funding sources and the liquidity characteristics of our asset inventory (asset liquidity). Finally, the strategic perspective comprises the maturity profile of all assets and liabilities on our statement of financial position.

For monitoring and controlling liquidity risk, the Bank generates a scenario sensitive maturity statement of financial position, and run controlled mismatches that are monitored daily and discussed by ALCO members atleast monthly. The Group prepares various types of reports and analysis for assisting ALCO in taking necessary strategic actions for managing liquidity risk in the Group.

Maturity of assets and liabilities - Based on contractual maturities of assets and liabilities of the Bank

	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
					Rupees in '000					
Assets										
Cash and balances with treasury banks	5,027,942	5,027,942	-	-	-	-	-	-	-	-
Balances with other banks	1,193,864	1,193,864	-	-	-	-	-	-	-	-
Lendings to financial institutions	3,740,958	2,610,688	7,065	408,721	180,601	233,421	150,100	150,362	-	-
Investments	47,884,719	3,945,564	2,381,937	6,550,897	28,732,957	1,831,414	1,341,609	2,185,307	915,034	-
Advances	19,909,385	12,730,331	2,956,359	1,679,791	382,014	741,640	492,636	418,731	8,129	499,754
Other assets	1,989,038	1,747,028	41,230	46,289	140,508	12,924	941	118	-	-
Operating fixed assets	3,412,167	29,891	91,662	100,764	157,265	298,156	281,161	454,643	295,193	1,703,432
Deferred tax assets	860,704	-	-	-	-	-	-	860,704	-	-
	84,018,777	27,285,308	5,478,253	8,786,462	29,593,345	3,117,555	2,266,447	4,069,865	1,218,356	2,203,186
Liabilities										
Bills payable	713,747	713,747	-	-	-	-	-	-	-	-
Borrowings	8,704,685	7,781,211	306,374	617,100	-	-	-	-	-	-
Deposits and other accounts	61,934,787	48,136,930	5,084,956	3,180,640	5,503,740	10,250	13,121	5,150	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,730,620	1,438,390	22,967	103,120	-	66,439	-	50,202	-	49,502
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	73,083,839	58,070,278	5,414,297	3,900,860	5,503,740	76,689	13,121	55,352	-	49,502
Net assets	10,934,938	(30,784,970)	63,956	4,885,602	24,089,605	3,040,866	2,253,326	4,014,513	1,218,356	2,153,684
Share capital	10,724,643									
Statutory reserve	231,613									
Discount on issue of right shares	(2,105,401)									
Accumulated losses	(62,157)									
Non-controlling interest	1,863,194									
Surplus on revaluation of assets - net	283,046									
	10,934,938									

The expected maturity dates do not differ significantly from the contract date except for the maturity of Rs. 25.02 (December 31, 2011: Rs. 12.02) billion of deposits considered stable core source of funding by the Group.

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	2011									
	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
	Rupees in '000									
Assets										
Cash and balances with treasury banks	3,880,782	3,880,782	-	-	-	-	-	-	-	-
Balances with other banks	165,067	165,067	-	-	-	-	-	-	-	-
Lending to financial institutions	3,803,022	490,509	450,000	429,858	1,580,296	537,000	199,947	-	47,252	68,160
Investments	22,906,646	683,316	18,480	759,990	12,759,201	1,055,919	3,673,373	2,275,128	1,592,095	89,144
Advances	18,029,884	8,252,639	173,871	14,515	7,133,339	517,736	735,574	975,645	4,277	222,288
Other assets	1,423,585	739,395	33,351	42,073	226,828	372,920	819	810	-	7,389
Operating fixed assets	3,064,883	36,730	37,487	53,792	102,115	188,926	174,194	316,786	249,635	1,905,218
Deferred tax assets	1,228,756	-	-	-	-	-	-	1,228,756	-	-
	54,502,625	14,248,438	713,189	1,300,288	21,801,779	2,672,501	4,783,907	4,797,125	1,893,259	2,292,199
Liabilities										
Bills payable	1,246,994	1,246,994	-	-	-	-	-	-	-	-
Borrowings	3,171,800	2,048,800	549,500	573,500	-	-	-	-	-	-
Deposits and other accounts	40,174,351	31,241,690	4,356,650	1,473,936	3,072,750	19,975	8,000	1,350	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,128,444	1,009,224	-	-	-	75,345	-	43,875	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	45,721,589	35,546,708	4,906,150	2,047,436	3,072,750	95,320	8,000	45,225	-	-
Net assets	8,781,036	(21,298,270)	(4,192,961)	(747,208)	18,729,029	2,577,181	4,775,907	4,751,900	1,893,259	2,292,199
Share capital	10,002,930									
Statutory reserve	89,978									
Discount on issue of right shares	(1,944,880)									
Accumulated losses	(642,058)									
Non-controlling interest	1,303,146									
Surplus on revaluation of assets - net	(28,080)									
	8,781,036									

The expected maturity dates do not differ significantly from the contract date except for the maturity of Rs. 12.02 (December 31, 2010: Rs. 7.59) billion of deposits representing retail deposit accounts being consideredstable core source of funding by the Bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

Maturity of assets and liabilities - Based on working prepared by the Asset and Liability Committee (ALCO) of the Bank

	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
	Rupees in '000									
Assets										
Cash and balances with treasury banks	5,027,942	5,027,942	-	-	-	-	-	-	-	-
Balances with other banks	1,193,864	1,193,864	-	-	-	-	-	-	-	-
Lendings to financial institutions	3,740,958	2,610,688	7,065	408,721	180,601	233,421	150,100	150,362	-	-
Investments	47,884,719	3,945,564	2,381,937	6,550,897	28,732,957	1,831,414	1,341,609	2,185,307	915,034	-
Advances	19,909,385	4,546,325	4,320,360	2,589,125	6,292,685	741,640	492,636	418,731	8,129	499,754
Other assets	1,989,038	1,747,028	41,230	46,289	140,508	12,924	941	118	-	-
Operating fixed assets	3,412,167	29,891	91,662	100,764	157,265	298,156	281,161	454,643	295,193	1,703,432
Deferred tax assets	860,704	-	-	-	-	-	-	860,704	-	-
	84,018,777	19,101,302	6,842,254	9,695,796	35,504,016	3,117,555	2,266,447	4,069,865	1,218,356	2,203,186
Liabilities										
Bills payable	713,747	713,747	-	-	-	-	-	-	-	-
Borrowings	8,704,685	7,781,211	306,374	617,100	-	-	-	-	-	-
Deposits and other accounts	61,934,787	15,900,216	15,058,983	5,910,703	8,111,770	10,250	13,121	16,929,744	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,730,620	1,438,390	22,967	103,120	-	66,439	-	50,202	-	49,502
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	73,083,839	25,833,564	15,388,324	6,630,923	8,111,770	76,689	13,121	16,979,946	-	49,502
Net assets	10,934,938	(6,732,262)	(8,546,070)	3,064,873	27,392,246	3,040,866	2,253,326	(12,910,081)	1,218,356	2,153,684

Share capital	10,724,643
Statutory reserve	231,613
Discount on issue of right shares	(2,105,401)
Accumulated losses	(62,157)
Non-controlling interest	1,863,194
Surplus on revaluation of assets - net	283,046
	10,934,938

To identify the behavorial maturities of non-contractual assests and liabilities, the Bank has used the following methodology:

For determining the core portion of non contractual assets and liabilities (non- volatile portion), the bank has used the Average method whereby average balance maintained over past four year has been classified as core and has been placed in the farthest maturity bucket. The remaining volatile portion of non contractual assets & liabilities has been stratified in maturity bucket by relative bucket wise percentage by determining using value at risk (VAR) methodology at 99% confidence interval.

	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 3 to 5 years
Weighted average	20%	25%	7%	6%	42%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

Maturity of assets and liabilities - Based on working prepared by the Asset and Liability Committee (ALCO) of the Bank

	2011									
	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
	Rupees in '000									
Assets										
Cash and balances with treasury banks	3,880,782	3,880,782	-	-	-	-	-	-	-	-
Balances with other banks	165,067	165,067	-	-	-	-	-	-	-	-
Lending to financial institutions	3,803,022	490,509	450,000	429,858	1,580,296	537,000	199,947	-	47,252	68,160
Investments	22,906,646	683,316	18,480	759,990	12,759,201	1,055,919	3,673,373	2,275,128	1,592,095	89,144
Advances	18,029,884	2,931,332	3,011,901	2,497,792	7,133,339	517,736	735,574	975,645	4,277	222,288
Other assets	1,423,585	739,395	33,351	42,073	226,828	372,920	819	810	-	7,389
Operating fixed assets	3,064,883	36,730	37,487	53,792	102,115	188,926	174,194	316,786	249,635	1,905,218
Deferred tax assets	1,228,756	-	-	-	-	-	-	1,228,756	-	-
	54,502,625	8,927,131	3,551,219	3,783,505	21,801,779	2,672,501	4,783,907	4,797,125	1,893,259	2,292,199
Liabilities										
Bills payable	1,246,994	1,246,994	-	-	-	-	-	-	-	-
Borrowings	3,171,800	2,048,800	549,500	573,500	-	-	-	-	-	-
Deposits and other accounts	40,174,351	10,896,533	9,442,515	3,570,109	4,219,082	19,975	12,024,787	1,350	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,128,444	1,009,224	-	-	-	75,345	-	43,875	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	45,721,589	15,201,551	9,992,015	4,143,609	4,219,082	95,320	12,024,787	45,225	-	-
Net assets	8,781,036	(6,274,420)	(6,440,796)	(360,104)	17,582,697	2,577,181	(7,240,880)	4,751,900	1,893,259	2,292,199
Share capital	10,002,930									
Statutory reserve	89,978									
Discount on issue of right shares	(1,944,880)									
Accumulated losses	(642,058)									
Non-controlling interest	1,303,146									
Surplus on revaluation of assets - net	(28,080)									
	8,781,036									

	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 2 to 3 years
Weighted average	**20%**	**20%**	**8%**	**5%**	**47%**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

42.5 Operational risk

The Bank currently uses Basic Indicator Approach to Operational Risk for regulatory capital calculations. We define the operational risk as the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. With the evolution of Operations Risk Management into a separate distinct discipline, the Bank's strategy is to further strengthen its risk management system along with new industry standards. Accordingly the Bank has set up a separate Operational Risk Management Unit (ORM).

ORM Unit resides within Risk Management Group (RMG). Its responsibility is to implement Operational Risk management tools across the Bank for effective measurement and monitoring of operational risk faced by different areas of the Bank.

During the year, bank has formulated a comprehensive document of "Operational Risk Management Framework" which has also been approved by the Board Risk Management Committee. The purpose of bank-wide Operational Risk Management Framework is to guide implementation of Operational Risk Policy. The framework aims at laying out clearly defined roles and responsibilities of individuals/units across different functions of the bank that are / would be involved in performing various Operational Risk Management tasks. Operational risk is much more pervasive in a financial institution and every operating unit is exposed to operational risk, regardless of whether it is a business unit or a support unit. This Framework has been devised to explain the various building blocks of the Operational Risk Management processes, and their inter-relationships.

During the year, the management has also been in the process of conducting an overall review and updating / consolidation of systems and procedures with the objective of further improving internal controls so as to be fully compliant with the established benchmarks including the framework envisaged by the Committee of Sponsoring Organizations (COSO) and the requirements of relevant international benchmarks (PCAOB Standards) for evaluating the results of testing activities. A Steering Committee is actively functioning to oversee the formulation, design and implementation of the requirements under the COSO framework. Special emphasis is being laid on the expeditious completion of the roadmap pertaining to ICFR (Internal Controls over Financial Reporting) certification as per SBP Guidelines and requirements.

The bank has conducted Operational risk profiling for all major operational areas and developed Key Risk Indicators (KRIs) which are monitored against predefined thresholds. Findings from KRIs are used as predictive indicators of potential operational risks.

Ops Loss data collection is governed by Bank's TID Policy which has been developed and implemented to collate operational losses and near misses in a systematic and organized way. Moreover, the Bank has put in place comprehensive IT Security Policy which addresses enterprise wide risk drivers inclusive of technology infrastructure, software hardware and IT security.

The Bank's Business Continuity Policy (BCP) includes risk management strategies to mitigate inherent risk and prevent interruption of mission critical services caused by disaster event.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

43. RECLASSIFICATIONS

Comparative figures have been reclassified to conform to the current year's presentation.

44. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorized for issue by the Board of Directors as on March 04, 2013.

45. GENERAL

The figures in the consolidated financial statements have been rounded off to the nearest thousand.

Jahangir Siddiqui	Kalim-ur-Rahman	Rafique R. Bhimjee	Adil Matcheswala
Chairman	President/Chief Executive Officer	Director	Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

Annexure "A"

Details of Written-Off Loans for the year ended December 31, 2012
for Rs. 500,000 and above

S.No.	Name of Bank / DFI	Full Name of Borrower/ Company Name	Status of Borrower (Individual/Company/Firm)	Name of Director/Partner/Proprietor	Father/Husband Name	Address of Borrower	Province	Director Status (Nominee or Elected or Sponsor etc.)	NIC No. of Borrower/Director		Year of write off	Outstanding liabilities Before Adjustments				Amount Written - Off			
									New CNIC	Old NIC		Principal	Accrued Mark up	Others	Total (13+14+15)	Principal	Interest/ Markup	Others	Total (17+18+19)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1	JS Bank Limited	Kunjah Textile Mills Ltd	Public Ltd	Ahmed Khan Bhatti Hamid Nazir Shafay Hussain	Sher Muhammad Bhatti Chaudhry Nazir Ahmed Chaudhry Shujat Hussain	20-E-1, C GULBERG III, LAHORE	PUNJAB	ELECTED ELECTED ELECTED	35202-2710817-1 35201-7973297-7 35202-4255471-1		2012	8,000,000	3,376,494	-	11,376,494	-	3,376,494	-	3,376,494

Pattern of Shareholding

Pattern of holding of the shares held by the shareholders as at December 31, 2012

Number of shareholders	Shareholdings' slab	Total Shares held
331	Shareholding From 1 To 100	9,887
985	Shareholding From 101 To 500	403,607
1142	Shareholding From 501 To 1000	1,091,058
2405	Shareholding From 1001 To 5000	7,184,360
830	Shareholding From 5001 To 10000	6,738,866
1199	Shareholding From 10001 To 100000	38,111,700
168	Shareholding From 100001 To 1000000	46,720,686
17	Shareholding From 1000001To 2000000	24,308,367
5	Shareholding From 2000001 To 3000000	12,016,570
2	Shareholding From 3000001 To 4000000	7,054,000
2	Shareholding From 4000001 To 5000000	8,769,214
1	Shareholding From 6000001 To 7000000	6,600,000
1	Shareholding From 7000001 To 8000000	7,343,000
1	Shareholding From 8000001 To 9000000	8,456,597
1	Shareholding From 12000001 To 13000000	12,197,380
1	Shareholding From 13000001 To 14000000	13,288,204
1	Shareholding From 15000001 To 16000000	15,496,904
1	Shareholding From 19000001 To 20000000	20,000,000
1	Shareholding From 23000001 To 24000000	23,125,694
1	Shareholding From 27000001 To 28000000	27,380,000
1	Shareholding From 30000001 To 31000000	30,923,161
1	Shareholding From 755000001 To 756000000	755,245,007
7,097		1,072,464,262

Pattern of Shareholding

Pattern of holding of the shares held by the shareholders as at December 31, 2012

Categories of Shareholders	Shares Held	Percentage %
Banks, Development Financial Institutions, Non-Banking Financial Institutions	17,806,357	1.66
Insurance Companies	23,143,194	2.16
Directors, Chief Executive Officer and Their Spouse and Minor Children		
Jahangir Siddiqui	1,588,542	
Mazharul Haq Siddiqui	1,000,001	
Akhter Jabeen	218,700	
Maqbool Ahmed Soomro	16	
Ashraf Nawabi	1	
Rafique R. Bhimjee	130,891	
Shahab Anwar Khawaja	1	
Adil Matcheswala	150,000	
	Sub-Total: 3,088,152	0.29
Associated Companies, Undertaking and Related Parties		
Jahangir Siddiqui & Co. Limited	755,245,007	70.42
Modarabas and Mutual Funds	7,810,232	0.73
NIT and ICP		
IDBP (ICP Unit)	5,467	
National Bank of Pakistan Trustee Department	30,923,161	
Investment Corp. of Pakistan	972	
	Sub-Total:30,929,600	2.88
Foreign Investors	52,716,265	4.92
Others	33,432,264	3.12
Local – Individuals	148,293,191	13.83
	G-Totals :1,072,464,262	100.00

Details of the transactions carried out by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouse and minor children during the period from January 01, 2012 to December 31, 2012.

None of the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouse and minor children during the period from January 01, 2012 to December 31, 2012 carried out transactions in the shares of the Bank except the following:

- Mr. Mazharul Haq Siddiqui purchased 198,087 shares of JS Bank.
- Mr. Adil Matcheswala sold 25,000 shares and purchased 50,000 shares of JS Bank.

Branch Network

Sindh

Karachi

Shaheen Complex Branch
Tel: 111 572 265 & 3227 2569 – 80

Karachi Stock Exchange Branch
Tel: 021 3246 2851 – 4

S.I.T.E. Branch
Tel: 021 3255 0080 – 4

Khayaban-e-Ittehad, DHA Branch
Tel: 021 3531 3811 – 4

Park Towers Branch
Tel: 021 3583 2011 – 9

Teen Talwar Clifton Branch
Tel: 021 3583 4127 / 3583 6974

Gulshan-e-Iqbal Branch
Tel: 021 3482 9055 – 60

Shahrah-e-Faisal Branch
Tel: 021 3437 3240 – 4

North Nazimabad Branch
Tel: 021 3672 1010 – 2

Gulistan-e-Jauhar Branch
Tel: 021 3466 2002 – 5

Safoora Goth Branch
Tel: 021 3466 1805 – 9

Jheel Park Branch
Tel: 021 3454 4831 – 5

Nazimabad Branch
Tel: 021 3661 2325 / 3661 2319 /3661 2236

Korangi Industrial Area Branch
Tel: 021 3505 5826 & 3505 2773

Zamzama Branch
Tel: 021 35295224-5

Federal B Area Branch
Tel: 021 3631 6229 / 3631 6244 / 3631 6324

Khayaban-e-Shahbaz, DHA Branch
Tel: 021 3524 3415 – 9

Gulshan Chowrangi Branch
Tel: 021 3483 3290 – 3

Dhoraji Branch
Tel: 021 3494 6280 – 2

Shah Faisal Colony Branch
Tel: 021 3468 6191 – 4

Islamia College Branch
Tel: 021 3492 4021 – 4

M.A. Jinnah Road Branch
Tel: 021 3274 2006 – 8

Lucky Star Branch
Tel: 021 3562 2431 – 9

Gulshan-e-Hadeed Branch
Tel: 021 3471 5201 - 3 & 3471 5205 – 7

Cloth Market Branch
Tel: 021 3246 4042 – 8

Mauripur Branch
Tel: 021 3235 4060 – 3

Garden Branch
Tel: 021 3224 0093 – 7

Timber Market Branch
Tel: 021 3276 3079 / 3276 3095 / 3276 0820

Abul Hasan Isphahani Road Branch
Tel: 021 3469 3540 – 9

Jodia Bazar Branch
Tel: 021 3243 5304 -6 & 3246 3456

New Chali Branch
Tel: 021 3260 2100 – 3

New Sabzimandi Branch
Tel: 021 36870272-74

North Napier Road
Tel: 021 32467791 /93

Bahadarabad

Urdu Bazar

Marriott Road

Landhi

Saddar

Hyderabad

Saddar Branch
Tel: 022 273 0925 -7

Latifabad Branch
Tel: 022 381 7971 – 4

Cloth Market Branch
Tel: 0222 618270 - 1 3 – 4

Qasimabad Branch
Tel: 0222652191

Citizen Colony Branch
Tel: 022 2100892 -95

Jamshoro Branch
Tel: 022 387 8101 – 4

Sanghar Branch
Tel: 0235 800162 – 5

Al Abbas Sugar Mill Branch
Mirwah Gorchani.
Tel: 023 38962355

Mirpurkhas Branch
Tel: 0233 876 001 – 4

Sukkur

Shaheed Gunj Branch
Tel: 071 562 7481-2

IBA Campus Branch
Tel: 071 563 3826

Larkana Branch
Tel: 074 405 8603 – 5

Khairpur Branch
Tel: 0243715316-8

Maatli Branch Badin
Tel: 029 7841514

Nawabshah Branch
Tel: 024 4330 561- 4

Sultanabad Branch
Tel: 0233 500498

Tando Allahyar Branch
Tel: 022 3892001-4

Chambar Branch
Tel: 022 3897033 -35

Branch Network

Moro Branch
Tel: 024 2413200 – 3

Kunri Branch
Tel: 0238 558 163 – 6

Tando Mohammad Khan Branch
Tel: 022 3340617 - 8

Digri Branch
Tel: 023 3870 305 – 7

Sehwan Sharif Branch
Tel: 025 4620305-7

Pano Aqil Branch
Tel: 071 5690403

Ghotki
Tel: 0723 600484- 85

Kandh Kot Branch
Tel: 072 2573048

Shahdad Kot Branch
Tel: 074 4013160

Shahdadpur
Tel: 0235-843174 /75

Mithi
Tel: 0232-261651 & 53

Tando Adam

Mehar

Dadu

Jacobabad

Balochistan

Quetta

M.A. Jinnah Road Branch
Tel: 081 286 5501 – 4

Chamman Branch
Tel: 0826-618066-9

Punjab

Lahore

Upper Mall Branch
Tel: 042 111 572 265,
3577 6515-30

DHA Branch
Tel: 042 3569 2953 – 61

Allama Iqbal Town Branch
Tel: 042 3543 4253 - 5

Azam Cloth
Tel: 042-37671195-6

Shadman Town Branch
Tel: 042 3750 3701 – 8

Faisal Town Branch
Tel: 042 3521 9301 – 8

Chowburji Branch
Tel: 042 3736 2981 – 8

Wapda Town Branch
Tel: 042 3521 1557 – 64

M.M. Alam Road, Gulberg Branch
Tel: 042 3577 8721 – 30

Model Town Branch
Tel: 042 3591 5614 – 8

Circular Road Branch
Tel: 042 3737 9325 – 8

Brandreth Road Branch
Tel: 042 3738 1316 – 9

DHA Phase II Branch
Tel: 042 3570 7651 – 9

Shah Alam Market Branch
Tel: 042 3737 5734 – 7

Airport Road Branch
Tel: 042 357 00081 – 90

Cavalry Ground Branch
Tel: 042 366 10282 – 4

Raiwand Road Branch
Tel: 042 529 1247 – 8

Urdu bazaar Branch
Tel: 042 37115918

Baghbanpura
Tel: 042-36858873-4

Muridke Branch
Tel: 042 3795 1054 – 7

Agrow Warburton Branch
Nankana
Tel: 056 279 4068

G.T. Road Branch
Gujranwala
Tel: 055 325 7363 / 055 325 7365 /
055 325 7617

Bank Square Branch
Gujranwala
Tel: 055 4234401-3

Liaquat Road Branch
Faisalabad
Tel: 041-2541284-6

Grain Market
Faisalabad

Rabwa Branch
Tel: 047 621 4042 – 5

Abdali Road Branch
Multan
Tel: 061 457 4496 / 061 457 4469 /
061 457 4364

Dipalpur Branch
Tel: 044 454 2246 – 9

Agrow Ellahabad Theengmorr Branch
Tel: 049 201 6310 & 049 201 6312

Cantt Branch
Sialkot
Tel: 052 427 2351 – 4

Shahab Pura Branch
Sialkot
Tel: 052 4242681

Daska Branch
Tel: 052 661 0461 – 4

Rahim Yar Khan Branch
Tel: 068 587 9511 – 4

Chandni Chowk Branch
Kasur
Tel: 049 276 1581 – 4

Agrow Kasur Branch
Tel: 049-2771308 – 9

Branch Network

Sheikhupura Branch
Tel: 056 3810273 – 6

Agrow Sheikhupura Branch
Tel: 056 3035790

Gujrat Branch
Tel: 053 353 8091 – 4

Sahiwal Branch
Tel: 040 422 2733 – 5

Chichawatni Branch Sahiwal
Tel: 040 5481792

Okara Branch
Tel: 044 252 8728 – 30

Mandi Bahauddin Branch
Tel: 0546 509452 -3

Sargodha Branch
Tel: 048 3768286 – 90

Bhawalpur Branch
Tel: 062-2889176 -78

DG Khan
Tel: 064 2470954

D.I.Khan

Arifwala Branch
Tel: 0457 835 477 – 81

Vehari Branch
Tel: 067 336 0715 – 8

Pak Pattan Branch
Tel: 0457 352591-4
& 0457 352001-5

Agrow Pak Pattan Branch
Tel: 0457419629

Khanewal Branch
Tel: 065 255 7491 – 3

Dina Branch
Tel: 054 4634273-5

Jehlum Branch
Tel: 0544 611840 – 3

Agrow Chishtian Branch
Tel: 063 2023490

Kharian Branch
Tel: 053 7534211

Toba Tek Singh Branch
Tel: 046 2512052 – 5

Burewala Branch
Tel: 067 3351359

Lalamusa Branch
Tel: 0537 519656-8

Hafizabad Branch
Tel: 0547 526 407 – 10

Sambrial Branch
Tel: 052 6524105

Muzaffargarh Branch
Tel: 066 2424691-2 / 066 2424695 & 066 2424687

Attock Branch
Tel: 057 261 0500 / 261 0480 / 261 0780 / 270 3050

Wazirabad Branch
Tel: 055 6605841-4

Gojra Branch
Tel: 046 3513637

Pirmahal Branch
Tel: 046 3367406-7

Chakwal Branch
Tel: 054 3554317

Hasilpur Branch
Tel: 0622 441305-8

Leiah Branch
Tel: 0606 415045

Mian Chunnoo Branch
Tel: 065 2661282 / 85

Jauharabad

Jhang

Narowal

Bhakkar

Sadiqabad

Haroonabad

Rawalpindi

Satellite Town Branch
Tel: 051 484 2984 – 6

Bank Road Branch
Tel: 051 512 0731 – 5

Raja Bazar Branch
Tel: 051 5778 560 -3

Bahria Town Branch
Tel: 051 573 1351 – 4

Bahria Phase VII

Peshawar Road Branch
Tel: 051 549 2873 - 4 & 549 287

Taxila Branch
Tel: 051 4535315

Jinnah Road
Tel: 051-5778560-3

Saidpur Road

Islamabad

Blue Area Branch
Tel: 051 111 572 265 & 051 2810121-4

I-9 Markaz Branch
Tel: 051 443 1296 – 8

F-8 Markaz Branch
Tel: 051 281 8296 – 8

F-7 Markaz Branch
Tel: 051 260 8402 -5

F-10

I-8 Markaz Branch
Tel: 051 486 4523 – 6

Islamabad Stock Exchange Branch
Tel: 051 2894407-10

DHA Phase II Branch
Tel: 051 4358882

Branch Network

Khanna pul

Khyber-Pakhtoonkhwa

Peshawar
Cantt Branch
Tel: 091 527 9981 - 4 &
091 528 7455 – 6

University Road Branch
Tel: 091 571 1572 - 5

Karkhano Bazar Branch
Tel: 091 5893134-7& 51 -54

Peshawer City

Hayatabad Branch
Tel: 091 5893134

Abbottabad Branch
Tel: 099 233 1491 – 4

Mardan Branch
Tel: 0937 873445 – 873452

Mingora
Tel: 0946-711740 / 3

Topi

Azad Jammu & Kashmir (Ajk)

Chaksawari Branch
Tel: 058 27 454 790

Mirpur Branch
Tel: 058 27 437281 – 4

Jatlan Branch
Tel: 058 27 404 388

Dadyal Branch
Tel: 058 630 44668 - 70 &
058 27465668 – 70

Muzaffarabad Branch
Tel: 058 22 929 765 -7

Kotli Branch
Tel: 058 26 448228 -30

Khui Ratta Branch
Tel: 058 26 414906 -7

Narr
Tel: 05826-420781 / 5

Sehnsa

Rawalakot

Form of Proxy

7th Annual General Meeting

The Company Secretary
JS Bank Limited
Shaheen Commercial Complex
Dr. Ziauddin Ahmed Road
P.O. Box 4847 Karachi 74200 Pakistan

I/We __________________________ of ____________ being member(s) of JS Bank Limited holding ___________________ ordinary shares as per Register Folio No./CDC /A/c No. (for members who have shares in CDS) _____________________________ hereby appoint Mr./ Ms.__________________________ of (full address) ______________________________ or failing him / her Mr./Ms. ____ of (full address)____ as my / our proxy to attend, act and vote for me / us and on my / our behalf at the 7th Annual General Meeting of the Bank to be held on March 29, 2013 and / or any adjournment thereof.

As witness my / our hand / seal this ____ day of ____________ 2013 signed by _________________________ in the presence of (name & address).

Witnesses:

1. Name : ____________________
   Address : ____________________
   CNIC / Passport No. : ____________________
   Signature : ____________________

2. Name : ____________________
   Address : ____________________
   CNIC / Passport No. : ____________________
   Signature : ____________________

Signature on
Rs. 5/-
Revenue Stamp
The signature should
agree with the
specimen registered
with the Bank

Important:

1. A member of the Bank entitled to attend and vote may appoint another member as his / her proxy to attend and vote instead of him / her.

2. The proxy form, duly completed and signed, must be received at the Office of the Bank situated at Shaheen Commercial Complex Dr. Ziauddin Ahmed Road, Karachi 74200 not less than 48 hours before the time of holding the meeting.

3. No person shall act as proxy unless he / she himself is a member of the Bank, except that a corporation may appoint a person who is not a member.

4. If a member appoints more than one proxy and / or more than one instruments of proxy are deposited by a member with the Bank, all such instruments of proxy shall be rendered invalid.

5. Beneficial Owner of the physical shares and the shares registered in the name of Central Depositary Company of Pakistan Ltd (CDC) and / or their proxies are required to produce their original Computerized National Identity Card (CNIC) or Passport for identification purposes at the time of attending meeting. The Form proxy must be submitted with the Bank within the stipulated time, duly witnessed by two persons whose names, address and CNIC numbers must be mentioned on the form, along with attested copies of CNIC or the Passport of the beneficial owner and the proxy. In case of a corporate entity, the Board of Directors' Resolution / Power of Attorney along with the specimen signature shall be submitted (unless it has been provided earlier along with the proxy form to the Bank).

AFFIX
CORRECT
POSTAGE

The Company Secretary
JS Bank Limited
Shaheen Commercial Complex
Dr. Ziauddin Ahmed Road
P.O. Box 4847 Karachi - 74200 Pakistan

JS BANK

Head Office, Shaheen Commercial Complex, Dr. Ziauddin Ahmed Road,
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185 Branches in 100 Cities

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